

<b>Cabinet</b>	
<b>Report of:</b> Zena Cooke – Corporate Director of Resources	<b>Classification:</b> Unrestricted
<b>Corporate Budget Monitoring Report Period 6 (September) 2016-17</b>	

<b>Lead Member</b>	<b>Cllr Edgar, Cabinet Member for Resources</b>
<b>Originating Officer(s)</b>	<b>Kevin Miles, Chief Accountant</b>
<b>Wards affected</b>	All Wards
<b>Key Decision?</b>	No

### **Executive Summary**

This report details the projected outturn position of the Council at the end of Period 6 (July) 2016-17. The report includes details of:-

- General Fund Revenue and Housing Revenue Account;
- General Fund and HRA Capital Programme
- Key Balance Sheet information at end of September 2016

The Council's Medium Term Financial Strategy (MTFS) covering the period to 2019-20 was approved in February 2016. Government and grant funding is forecast to continue to fall, reflecting the on-going government austerity measures. The current projections suggest that the unfunded budget gap will be approximately £58m for the period to the end of 2019-20.

In the light of this it is important that strong financial management is maintained including remaining within the approved budget, and developing and implementing approved saving proposals in accordance with the relevant timescales in order to avoid unplanned budget overspends occurring.

### **2015-16 Outturn Position**

The 2015-16 outturn position showed an underspend of £12.1m which meant that, rather than the projected £7.8m drawdown from General Fund balances a contribution of £0.6m could be made. Usable Earmarked Reserves were also increased by £3.6m.

This puts the Council in a strong position to deliver against its MTFS target, however there are still risks inherent in some services for example Children's Services overspent by £4.7m before the application of reserves and, across the Council, further service savings of £17m are approved for delivery in 2016-17 - £11.1m of which are in Children's and Adults' Services.

### **Revenue Budget Position 2016-17**

The Council's 2016-17 revenue budget was also agreed in February 2016 and set at £297.6m. This assumed a net service cost of £361.9m against which the authority can expect to receive £338.6m via Central Government funding, Council tax, retained Business rates and core grants.

The resulting funding gap of £23.4m is proposed to be funded from the General Fund Balance and is in large part intended to support expenditure or provision for expenditure on the new Civic Centre.

At the end of Period 6 (September 2016), the Council's projected outturn position against the following components is:

- A General Fund revenue overspend of £1.5m (set out in Table1), after the application of agreed reserves and subject to all growth and inflation bids being evidenced and approved.
- A Housing Revenue Account surplus of £11.2m.

Proposed service management action is set out within the detailed explanations in this report.

### **Capital Programme 2016-17**

The revised Capital Programme for 2016-17 is set at £170.4m of which £25.454m has been spent, this equates to 15%. Latest projections are anticipating a variance of £63.131m.

### **Recommendations:**

The Mayor in Cabinet is recommended to:

- Note the Council's revenue and capital financial forecast outturn position as detailed in Sections 3 to 7.
- Note the Balance Sheet information in section 8.
- Approve the proposed approach to addressing the shortfall against savings previously approved in relation to by children's services totaling £966K which cannot now be achieved.

## **1. REASONS FOR THE DECISIONS**

- 1.1. The regular reporting of Revenue and Capital Budget Monitoring information provides detailed financial information to members, senior officers and other interested parties on the financial performance of the council. It sets out the key variances being reported by budget holders and the management action being implemented to address the identified issues.
- 1.2. Set alongside relevant performance information it also informs decision making to ensure that members' priorities are delivered within the agreed budget provision
- 1.3. It is important that issues are addressed to remain within the approved budget provision or where they cannot be contained by individual service management action, alternative proposals are developed and solutions proposed which address the financial impact; Members have a key role in approving such actions as they represent changes to the budget originally set and approved by them.

## **2. ALTERNATIVE OPTIONS**

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

## **3. DETAILS OF REPORT**

### **3.1. General Fund Revenue**

- 3.1.1. At the end of September 2016 service projections show a net General Fund revenue overspend of £2.5m prior to approved reserve movements. This position is based on budget managers projections at the end of September and could be considered conservative given the outturn position achieved in 2015-16. However,

achieving the 2016-17 savings of c £17m are a key component of successfully managing the budget and there are indications in most service areas of potential slippage against those proposals. It is important that managers continue to work rigorously to deliver these savings and also to manage any in-year pressures being seen

3.1.2. There are however particular pressures and concerns within both Adults' and Children's Services social care provision as a result of the non-delivery of savings approved in previous years as well as current pressures around the provision of social care packages. In addition there remain pressures against the Public Health Service which is supported by the Public Health Grant.

3.1.3. The approved use of General Fund Balances in the budget of £23.4m includes a contribution of £20m towards the acquisition and refurbishment of the new Civic Centre in Whitechapel, together with the balance of £3.4m being provided for general support to the budget.

## **3.2. Housing Revenue Account (HRA)**

3.2.1. The provisional HRA outturn is expected to show a £11.20m surplus. This sum is ring-fenced and will be added to the existing HRA Reserve of £32.1m as it cannot be used for other purposes. Full details can be found in section 5 of this report.

## **3.3. Capital Programme**

3.3.1 Directorates have spent 15% of their capital budgets for the year (£25.5m against budgets of £170.4m). Further information is provided in section 7 of the report.

#### 4. FINANCE OVERVIEW

4.1. Table 1 below summarises the forecast revenue outturn position for the General Fund for 2016-17.

SUMMARY	Revised Budget	Budget to date	Actual	Forecast	Variance (Before Adjustment)	Growth and Inflation requested*	Other Adjustments	Variance after Approved Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Law, Probity and Governance (5.1)	9,367	4,684	3,298	9,867	500			500
Communities, Localities and Culture (5.2 -5.11)	72,669	21,507	22,571	75,027	2,358	-2,125	-170	63
Development and Renewal (5.29-5.34)	14,899	7,449	7,661	15,175	276			276
Adults' Services (5.23-5.28)	124,800	62,400	56,456	132,161	7,361	-3,358	-850	3,153
Children's Services (5.12-5.22)	90,932	45,466	47,530	99,155	8,223	-966		7,267
Resources (5.35)	8,104	4,052	34,921	8,104	-			-
Corporate Costs / Capital Financing (5.35-5.37)	41,215	20,607	3,804	25,015	- 16,200	6,449		- 9,751
<b>Directorate Total</b>	<b>361,986</b>	<b>166,165</b>	<b>176,241</b>	<b>364,504</b>	<b>2,518</b>	<b>-</b>	<b>-1,020</b>	<b>1,498</b>
Use of General Fund	- 23,410		-	-23,410	-			-
<b>Total</b>	<b>338,576</b>	<b>166,165</b>	<b>176,241</b>	<b>341,094</b>	<b>2,518</b>	<b>-</b>	<b>-1,020</b>	<b>1,498</b>

\* Growth and inflation are held centrally and are only allocated to the base budget when fully materialised and evidenced. On receipt of the fully authorised supporting evidence a 'target adjustment' will be made by Corporate Finance and will be shown in the revised budget / budget to date column of this table.

4.2. The Council is facing a number of significant challenges, and the strategic use of reserves is an important component of supporting the successful delivery of a balanced Medium Term Financial Strategy (MTFS).

4.3. As previously reported, the Director of Resources has undertaken a review of existing reserves with the Lead Member for Resources and, taking into account the purpose for which they were originally created, there is scope for rationalising a number of these reserves and ensuring that they are targeted at supporting the Council's strategic priorities i.e. providing the investment and support necessary to deliver the MTFS savings.

- 4.4. In order to support the MTFS the Director of Resources has already proposed the consolidation of a number of corporately held reserves previously created to facilitate saving programmes and change and these have been brought together into a single transformation reserve.

## **5. Directorate Summary position**

### **Law, Probity and Governance (£500k Overspend)**

- 5.1 As at Month 6 the directorate is forecasting a £500k overspend pressure.

Following introduction of the Our East End publication and the new Communications Strategy, there is a budget pressure of approximately £500k within the service. Funding of this is to be agreed for 2016-17 and a growth bid has been submitted via the MTFS for future years and this is being considered by the Director of Resources.

### **Communities, Localities and Culture (£2.358 Overspend)**

- 5.2 The Directorate are reporting an outturn of £75.027m at September. This delivers an outturn variance of £2.358m before adjustments. The adjustments required to bring the budget back in line are shown in the Table below.

<b>Adjustments</b>		<b>£ 000's</b>
Indexation drawdown		990
Growth	Waste Disposal	465
Mayors Priorities	Street Cleansing	520
	Anti- Social Behaviour – (see para. 5.12)	150
Corporate Reserves	Mela 2016 – (see para.5.10)	170
Total Adjustments to be made		2,295

- 5.3 In addition a surplus delivered in the Parking account in 2015-16 for parking efficiencies is expected to continue. This will increase the surplus contribution to the General Fund from £8.6m to £9.1m that supports highways and transportation related spend in the budget. This will provide additional savings to MTFS in 2016-17 and future years.
- 5.4 The directorate continues to identify a number of risks in delivering the savings programme. Management action is now in place to retrieve the position where possible and move the programme forward. The pressures are noted in the following paragraphs.
- 5.5 The proposed Animal Warden Service model working in partnership with the LB Hackney is expected to be operative from the last quarter of the financial year. This leaves an unmet balance in the current year of £120k which can be met from salary underspends across the service.

- 5.6 The renegotiation of the Leisure contract will result in a savings of up to £1.24m. There remains the expectation that the savings opportunity can be achieved. This will rely on the successful re-negotiation of the GLL contract which is currently in progress and should be agreed over the next few months.
- 5.7 The savings target associated with the deletion of 10 Commercial Waste THEO posts of £451k will not be realised in this financial year. This is due to a further review of enforcement functions being carried out across the directorate.
- 5.8 The School Crossing Patrol savings anticipated funding the service through the Dedicated Schools Grant (DSG). The DSG does not provide for the funding of the service, as the service is not offered to all schools. The saving of £89k is still to be progressed with a different approach. Each of the individual schools that currently receive the service will be asked to enter into a Service Level Agreement for the continuation of the service. There is the risk that schools may not sign up to the SLA which would then have an impact on the staffing resources.
- 5.9 Following the decision to run the Mela festival inhouse at a cost of £286k funding was identified of £87k from sponsorship and commercial income, and £29k from the Arts and Events budget. This leaves a balance of £170k that will be met from general fund reserves.
- 5.10 Based on current activity levels for Tier 4 DAAT treatment an underspend of £200k is anticipated. This will result in a reduction in the drawdown of the Public Health grant allocation for the current year. The service will continue to review the level of demand for future additional cases.
- 5.11 The additional growth of £480k to deal with Anti-Social Behaviour enforcement (ASB) is now part of the review of ASB currently being undertaken. £380k was identified to fund additional THEO's which will not be in place in this financial year. Therefore for the current year the sum of £50k has been identified to fund the consultant costs as part of the review. The remaining funding of £100k will support the CCTV infrastructure upgrade and will need to be drawn down in 2016-17.

### **Children's Services (£8.2m overspend)**

- 5.12 The directorate is currently reporting a £8.2m overspend position at the end of Period 6. Currently there is a 2016-17 directorate savings target of £5.7m; those elements which relate to Social Care are considered to be partly at risk given current year pressures in that area. However, there also remains a further £0.9m relating to undelivered savings against 2015-16 proposals against which there are significant concerns; this issue is considered further below.

- 5.13 There are also increasing levels of demand for SEN (Special Educational Needs) services in the Borough. There has been a significant increase in the numbers of children and young people assessed as having special educational needs in the Borough. Changes in the demographic make-up of the Borough are also leading to impacts in both the size and nature of the demand. This additional demand is having a significant impact on budgets, with an estimated £1.2m overspend for 2016-17.
- 5.14 An independent review has been commissioned of the SEN service with the objective of providing a costed set of recommendations to identify the underlying demand and proposed solutions.
- 5.15 Within Children's Social Care (CSC) the current forecast overspend stands at £4.9m. The main driving forces for this overspend are the pressures around Looked after Children numbers (in particular complex needs cases) and the resultant need to maintain full staffing levels. This has required the use of more expensive agency staff and has led to an inability to meet the vacancy factor within the service area budgets.
- 5.16 The service re-design group, led by the CSC Service Head, has been undertaking a wholesale review of the CSC service area, looking at ways to maintain effective service provisions alongside actions for bringing the current budget variances back into line.
- 5.17 The Contract Services trading account continues to have the same pressures that were seen in 2015-16, which resulted in an overall £1.3m overspend. Current profiles suggest that 2016-17 will be no different, with a similar level of overspend being projected. Strategies are needed which will equalise the disparity between increasing expenditure and static income streams. A service review has started, with the findings expected shortly. However this is unlikely to be in time to materially affect the 16-17 figures.
- 5.18 The Youth Service has recently transferred to the Children's Service. Following a significant underspend in 2015-16 the service has moved to deliver an interim service offer pending the development of a sustainable service offer for the future. The interim service offer and the on-going service redesign are expected to contribute to the overall Council's savings programme and it is expected that there will be a smaller underspend (c£200k) in 2016-17 that was seen in 2015-16.
- 5.19 The Children's services directorate brought forward undelivered savings of £966k into the current year 2016-17.
- 5.20 A significant proportion of these savings relate to proposals in Children's Social Care - The Leaving Care Service and Looked After Children. After review by the Director it has been concluded that savings in these areas are not achievable without increasing the risk of service non delivery to vulnerable groups and potentially breaching the councils statutory duties.
- 5.21 Further savings were also identified through an administration review, but these have not been progressed; the council is now undertaking a wider examination of all its support service processes as part of the 2017 MTFS and that review will consider support services across the Council.

5.22 As a result the Director has asked that non-delivery of these savings are instead met from the central contingency budget.

### **Adults' Services (£7.4m overspend)**

5.23 The directorate is currently reporting a £7.361m overspend position at the end of Period 6, before the use of reserves and contingencies. The original budget has increased by £1.650m, of this pay accounts for 171k and the balance (£1.479m) relates to the increase in the Adults' Social Care (ASC) 2% precept. The directorate expects to be able to evidence and therefore drawdown from the contingencies for growth and inflation (£3.358m). Use of the remaining Public Health ring-fenced reserve (£0.850m) is also proposed to reduce the overspend to £3.153m.

5.24 Currently there is a 2016-17 directorate savings target of £5.762m. We are expecting delivery of £3.391m of the savings in 2016-17 with the remainder slipping into 2017-18. This is because of the late start on savings projects in the current financial year. The balance of savings that will not be achieved is £2.4m and includes :

Joint Funding NHS Packages with NHS	£1.000m
Reablement of Social Care Users	£.0400m
Sharing Services with NHS Partners	£0.435m
Charging for Social Care Services	£0.540m

5.25 The Adult Social Care Service is currently reporting an overspend of £3.863m mostly within the costs of client services. The budget pressure since the start of the year has remained almost static. This has been achieved by delivering efficiencies through the review of client service needs and costs. The increase in client numbers is at a steady rate and in line with the growth forecasts at the start of the year. The client area that has seen most of the increase is within Physical Disabilities, with the rest experiencing a relatively smaller increase. The directorate has implemented a person centred assessment and resource allocation model which is hoped will help to mitigate part of the budget pressure. The directorate is facing increased inflationary pressures from service providers and a review of current contracts is under way and evidence to support a drawdown from the inflation contingency is expected.

5.26 The Commissioning and Health budget is currently reporting an underspend of £0.308m which is mostly due to staffing underspends. Given the nature of this budget, covering mostly staffing and block contracts, the final budget position is not expected to change significantly. The directorate is planning a review of a number of services with the aim of implementing more efficient and effective delivery models.

5.27 The Public Health Service has identified a net overspend of £2.957m (after use of the £0.850m ring-fenced reserve) which reflects the gap between savings agreed, increased demand on the 'free infant school meals' scheme and the effects of the central government grant reduction. The remaining Public Health reserve is now fully utilised and the service has presented a recovery plan to its DMT with a range of measures intended to minimise any potential overspend in this area.

5.28 The current forecast on the directorate's budget is compiled on a prudent basis. As a demand led service, the forecast is subject to future risks and opportunities. Whilst these are not factored into the current forecast, the Service records and monitors a schedule of possible risks and opportunities which aims to inform future forecasts. Unachievable savings, unknown demand and new income from Health are some of the areas which are currently under consideration. A zero based budget review is ongoing which is tracking the demand changes due to the newly implemented resource allocation model. This combined with a number of budget and activity reports which have recently been put in place are helping to validate the forward projections of spend in line with savings targets. The service is also considering how additional savings can be made to mitigate the current projected overspend.

### **Development and Regeneration (276k overspend)**

5.29 The directorate is currently reporting a slight overspend position of £276k. Specific areas where variances are expected or risks are anticipated are included below.

5.30 Capital Development resources of £523k were set aside for 2016-17 to fund a planned maintenance programme in respect of the Council's building assets. These resources are held corporately and will be released at the end of the financial year to reflect expenditure incurred. The forecast assumes that full expenditure is incurred.

5.31 Administrative Buildings – Overspend 140K. The budget includes a growth bid of £140k for security costs at the Royal London Hospital site that was approved as part of the 2016-17 budget process. This is currently held in reserves and will be released at the end of the financial year when the final expenditure position is known.

5.32 Homelessness – Overspend 82k. This is a demand led service. Due to the current housing market and economic climate there has been a persistent stream of homeless applications and acceptances, with an acute shortage of properties available to place clients. The increase in Temporary Accommodations (B&Bs and Nightly Lets and NSTs) spend is however offset by additional income.

5.33 Planning income – Underspend £319K. This budget is driven by local development and income can vary significantly between financial years. It is anticipated that fee income in 2016-17 will be higher than anticipated, resulting in a net surplus on the service budget. This coincides with the second year of the council's Community Infrastructure Levy (implemented in April 2015) which includes an element to cover the costs of administering the scheme. Current projections are that fee income will exceed the budget including allowing for a reduction in fees over the winter months. There is however a risk in relation to future income levels due to market uncertainties following the decision for the UK to leave the European Union.

## **Resources (Balanced)**

5.34 As at Month 6 this directorate is forecasting a balanced budget position. However, an overspend in excess of £200k is currently forecast within the Customer Access budget as a consequence of THH withdrawing services from SLA arrangements. This is expected to be managed within directorate resources on a temporary basis until the longer term implications are resolved as part of the wider review of the customer access strategy across the Council

## **Corporate Costs & Capital Financing (Budget provision of £16.2m available)**

5.35 Corporate cost budgets comprise provisions for unforeseen events (contingencies) and Council wide budgets for growth and inflation approved at the time of the MTFs and totalling some £13.1m. A number of service based pressures may form legitimate calls against the growth budget at which time the appropriate budget transfer will be made to reduce the service overspend position. However, currently these are being held and reflected centrally.

5.36 Currently the contingency budget (£3.1m) will be used to offset those service pressures highlighted above although the Director of Resources has made it clear that she expects services to have fully considered management action to contain pressures. Corporate provision specifically to manage the risk associated with the slippage against approved savings can also be applied where it is clear that unavoidable delays are being experienced.

5.37 Given the level of underspending against the Capital Programme for both the general fund and the HRA it is estimated that the need for borrowing in 2016-17 is much lower than expected and this will lead to an underspend against the corporate capital financing budgets.

## **6. Housing Revenue Account (HRA)**

6.1 The overall projected HRA underspend of £11.2m is due to two main variances; the first is that the 2016-17 HRA budget assumes that a levy of £8.4 million would be payable in relation to the Sale of Higher Value Void properties policy contained within the Housing and Planning Act 2016. At the moment it is not yet known when this levy will come into effect, what the size of the levy will be and whether the levy will be revenue or capital in nature. Therefore, it is now being assumed that there will be no cost against this budget in 2016-17.

6.2 In addition, the HRA budget assumes a Revenue Contribution to Capital (RCCO) of £2m. A decision will be made at the end of the financial year about how best to finance the HRA capital programme, at which point it may be considered appropriate for the HRA to use other resources. Given that the current projected HRA capital expenditure is showing an £18m variance, the forecast assumes that no RCCO will take place.

6.3 As well as these two main areas there are some small variances forecast, the principal ones being that non-dwelling rental income (from shops) is projected to be higher than budget, and it is currently forecast that there will be a small overspend on the repairs budget due to pressures arising, particularly in relation to communal repairs.

## 7 Capital

7.1 The capital budget for 2016-17 now totals £170.4m, decreased from the £200.3m reported to Cabinet in February 2016. The decrease is mainly due to re-profiling into 2017-18 of housing schemes relating to new housing supply which are at the pre-construction stage.

7.2 Total capital expenditure to the end of Quarter 2 represented 15% of the revised capital programme budget for 2016-17 as follows:

<b>Spend to Date by Directorate</b>	<b>Annual Budget as at 30th Sep 2016</b>	<b>Spent to 30th Sep 2016</b>	<b>% Budget Spent</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>
Adults'	7.442	0.042	1%
Children's	18.119	6.475	36%
Communities, Localities & Culture	11.372	1.275	11%
Development & Renewal	9.430	0.919	10%
Housing Revenue Account	92.990	17.089	18%
Corporate	31.000	0.000	0%
<b>GRAND TOTAL</b>	<b>170.353</b>	<b>25.800</b>	<b>15%</b>

This compares with 23% at the same stage last year. Expenditure tends to be heavily profiled towards the latter half of the year as new schemes are under development at the start of the year.

7.3 Projected capital expenditure for the year compared to budget is as follows:

<b>Projected Variances by Directorate</b>	<b>Annual Budget as at 30th Sep 2016</b>	<b>Projection to 31st Mar 2017</b>	<b>Forecast Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adults'	7.442	6.985	- 0.457
Children's	18.119	16.073	-2.046
Communities, Localities & Culture	11.372	7.914	-3.458
Development & Renewal	9.430	4.003	-5.427
Housing Revenue Account	92.990	72.195	-20.795
Corporate	31.000	0.00	-31.000
<b>GRAND TOTAL</b>	<b>170.353</b>	<b>107.170</b>	<b>-63.183</b>

- **Corporate Budget Provision for Infrastructure Delivery (£30.0m)**

This relates to budget provision for allocations made under the Infrastructure Delivery Framework (IDF) Process. Amounts will be moved to Directorates as allocations are approved. Sessions have been scheduled to agree allocations in the year. It is

anticipated any amounts unspent in the current year will be rolled forward to 2017-18.

- **Tower Hamlets Homes Managed Housing Capital Programme (£15.8m)**

This budget incorporates the final year of the backlog Decent Homes programme together with the mainstream HRA investment programme for the existing dwelling stock. THH has undertaken a review of all capital works, including priority blocks, newly arising need and planned maintenance. These works, originally scheduled for 2016-17, will now be delivered across two years, 2016-17 and 2017-18 to enable a constructive and streamlined approach to section 20 consultations.

- **Blackwall Reach (£3.2m)**

The remaining spend on this scheme relates to the purchase of leasehold interests, and it is forecast that due to delays in acquiring all necessary properties, this scheme will slip into future years.

- **Parks (£3.0m)**

The Christ Church Gardens scheme is delayed due to ongoing legal issues. Bartlett Park scheme is held in abeyance awaiting final delivery programme which will be delivered in November. The majority of the schemes will now take place in 2017-18, and budgets will be re-profiled to reflect this.

- **Provision for 2 year olds (£1.8m)**

There has been a variety of reasons for delays in committing the funds within the 2 year old programme, resulting in expected slippage from 2016-17 into 2017-18.

In many of the projects in LBTH buildings lease issues have arisen, which has delayed implementation. There have also been issues around commissioning in other cases. These are being resolved and the level of spend should increase.

In non-LBTH building projects a number of problems have resulted in delays. In one case the contractor went into liquidation, in some the tenders came in above the budget estimates resulting in time redesigning the scheme to bring costs down, in others the providers changed the project they wish to do and one also failed planning applications.

- **New Housing Supply – Schemes On Site (£1.2m)**

This budget relates to new-build schemes that are currently on site (Watts Grove and the Extensions programme) or where work has finished and accounts are being finalised (Bradwell Street). It is forecast that the Extensions programme will underspend against the budget due to fewer extensions being completed than originally planned.

- **Private Sector Improvement Grants (£1.0m)**

This scheme has recently been re-staffed after a restructure. Resources are ring-fenced and any underspends will be carried forward to fund ongoing commitments and to maintain a grants programme in 2017-18.

- **229 Bethnal Green Road (£1.0m)**

Asset management are continuing negotiations with Tower Hamlets College; a final sum is yet to be agreed. Given the necessary steps required before payment can be made, it is not anticipated that expenditure will be incurred in this financial year, and therefore the unspent amount should be carried forward to 2017-18.

7.5 Capital receipts received in 2016-17 from the sale of Housing and General Fund assets as at 30<sup>th</sup>September 2016 are as follows:

	£m	£m
<b>Dwellings Sold under Right to Buy (RTB)</b>		
Receipts from RTB sales (80 properties)	23.586	
Less poolable amount paid to DCLG	-0.878	
		22.708
<b>Sale of Other Housing Revenue Account (HRA) assets</b>		
Preserved Right to Buy receipts	0.361	
11-31 Toynbee St and 67-69 Commercial St	8.000	
32-34 Hessel Street	0.027	
		8.388
<b>Sale of General Fund Assets</b>		
2 Jubilee Street	4.050	
Limehouse Library – Deed of Variation	0.033	
		4.083
<b>Total</b>		<b>35.179</b>

Retained Right to Buy receipts must be set aside to meet targets on housing provision as set out in regulations governing the pooling of housing capital receipts, so they must be ring-fenced for this purpose and are not available for general allocation.

## 8 **Balance Sheet Information**

8.1 The following information relating to the Council's balance sheet assets and liabilities is intended to give Members further information relating to the overall position of the Council's finances.

### **Debtors (assets)**

8.2 Debtors are individuals, organisations and companies that owe the Council for goods and services. In year debtors are usually lower as a number of debtors are raised at year end to recover income from other government bodies.

	31 March 2016	30 Sept 2016	
<b>Debtors</b>	<b>£m</b>	<b>£m</b>	
- Council Tax Debtors*	16.5	14.1	
- NNDR Debtors*	14.6	14.2	Some backdated bills raised in 2016-17
- Other Debtors	66.2	37.5	Year-end debtor invoices paid in early 2016-17
<b>Total Debtors</b>	<b>97.3</b>	<b>65.8</b>	

\* only debt pre 31-03-16 show

### Creditors (liability)

8.3 Creditors are individuals, organisations and companies that the Council owes for goods and services.

	31 March 2016	30 Sept 2016	
	<b>£m</b>	<b>£m</b>	
<b>Total Creditors</b>	<b>201.8</b>	<b>98.5</b>	Most year-end accruals paid in early 2016-17

### Reserves

8.4 Amounts set aside, which do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances which every Council must maintain as a matter of prudence.

---

	31 March 2016	31 March 2017 (forecast)	
<b>Usable Revenue Reserves</b>	<b>£m</b>	<b>£m</b>	
- General Fund	72.1	48.7	
- Housing Revenue Account	32.1	43.3	Ring-fenced
- Schools	31.8	31.8	
- Earmarked Reserves	122.0	138.0	Includes new £20m reserve for Civic Centre
- Capital Receipts unapplied	86.3	95.0	RTB receipts increased. Spend of receipts monitored to maximise usage and avoid penalty interest
- Capital Grants unapplied	56.2	56.2	
- Major Repairs Reserve (HRA)	9.2	9.2	
<b>Total Reserves</b>	<b>409.7</b>	<b>422.2</b>	

## Business Rates

- 8.5 The second quarter of 2016-17 has seen the rateable value plateau as assessments are removed from the local list to make way for new developments. The rateable value will increase on completion of these developments and everything will be done to ensure completion notices are served promptly, but this may be some way off. Gross rates receivable remain on target for the year and collection is ahead of target at 56.88% (Target 50%) however this will be closely monitored over the second half of the year and any concerns reported if necessary.
- 8.6 A review of reliefs continues has seen a drop in the cost of awarding the relief of over £2m, but it is anticipated that this will increase again as the review comes to an end. It is however anticipated that the cost of charitable relief and Section44a (Partly Occupied Relief) will continue to be lower than at the start of the year.

## Council Tax

- 8.7 In 2016-17 the total budgeted yield from the Council Tax base is £99,928,720, of which the Council retains £76,885,062 (76.9%). This calculation is based on a tax base of 83,493 chargeable properties. As at 30th September, the tax base has risen to 86,079, so at this stage is ahead of the projected end of year position, although students exemptions will increase again and the Taxbase is likely to drop.
- 8.8 The budgeted collection rate is slightly ahead of target at 50.69% (Target 50%) for the first 6 months of 2016, but with the growth achieved in September, the second half of the year will see a rise in income collected as instalments become due for new assessments and revised bills being sent out as part of the SPD and student review.

## 9 APPROVED SAVINGS PROGRAMME

- 9.1 A total saving of £20.458m needs to be delivered in 2016-17. £17.423m of this relates to new savings projects agreed as part of the 2016-17 budget setting process. The balance represents historic savings (£3.035m), mainly within Adults' Services and Children's Services, which have previously been covered off through one-off measures but require permanent sustainable plans.
- 9.2 £4.541m of the £20.458m has been achieved within 2016-17, and a further £10.55m is anticipated to be delivered by the end of the year although this carries a low risk of slipping into the following year.
- 9.3 The table below summarises the current savings position by directorate, this is further analysed by the current RAG status of the savings.

**Green** – Forecast Savings Delivered

**Amber** - Low Level of Risk & and potential for slippage

**Red** - High level of Risk and unlikely to be delivered

**Grey** - 2016-17 Slippage expected to be fully delivered in 2017-18

**Black** - No delivery plan or decision required

**Table 2 – Total 2016-17 savings**

Directorate	Total Savings 2016/17 £'000	Forecast Savings 2016/17 RAG Green £'000	Forecast Savings 2016/17 RAG Amber £'000	Forecast Savings 2016/17 RAG Red £'000	Slippage 2016/17 £'000	Variance (Total Non Delivery) 2016/17 £'000
Adults' Services	6,931	221	3,381	-	2,736	593
Children's Services	6,673	506	4,368	-	833	966
Communities, Localities and Culture	4,833	2,324	2,509	-	-	-
Development and Renewal	979	605	213	-	161	-
Law, Probity and Governance	339	260	79	-	-	-
Resources	703	625	-	-	78	-
<b>Total</b>	<b>20,458</b>	<b>4,541</b>	<b>10,550</b>	<b>-</b>	<b>3,808</b>	<b>1,559</b>

## 10 COMMENTS OF THE CHIEF FINANCE OFFICER

- 10.1 This report is primarily financial in nature and therefore financial comments are included throughout; there are no additional comments to make.

## 11 LEGAL COMMENTS

- 11.1 The report provides financial performance information. It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted.

11.2 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Monitoring of financial and other performance information is an important way in which that obligation can be fulfilled.

11.3 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council’s chief finance officer has established financial procedures to ensure the Council’s proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Members to receive information about the revenue and capital budgets as set out in the report.

## **12 ONE TOWER HAMLETS CONSIDERATIONS**

12.1 The budget monitoring report assists in reviewing the financial performance of the Council. It ensures that financial resources are applied to deliver services meeting the needs of the diverse communities living in Tower Hamlets and supporting delivery of One Tower Hamlets.

## **13 BEST VALUE (BV) IMPLICATIONS**

13.1 The Council’s achievement of the principles of Best Value are assessed annually as part of the final audit of the Council’s financial statements by the Council’s external auditors KPMG.

## **14 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

14.1 There are no specific actions for a greener environment implications

## **15 RISK MANAGEMENT IMPLICATIONS**

15.1 There is a risk to the integrity of the authority’s finances if an imbalance occurs between resources and needs. This is mitigated by regular monitoring and, where appropriate, corrective action. This report provides a corporate overview to supplement more frequent monitoring that takes place at detailed level. The explanations provided by the Directorates for the budget variances also contain analyses of risk factors.

## **16 CRIME AND DISORDER REDUCTION IMPLICATIONS**

16.1 There are no specific crime and disorder reduction implications.

---

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE.

### **Appendices**

**None**