Public Accounts Select Committee

Financial Monitoring and MTFS Update

Date: 26 September 2024

Key decision: No

Class: Part 1

Ward(s) affected: None specific

Contributors: Executive Director of Corporate Resources

Outline and recommendations

This report presents the current financial monitoring position for the 2024/25 financial year, setting out the position as of 31st July 2024.

The report covers the latest position on the Council's General Fund, Dedicated Schools Grant, Housing Revenue Account, Collection Fund and Capital Programme. It also provides an update on the Council's Medium Term Financial Strategy, specifically progress against savings delivery and the 2025/26 budget build.

The Council-wide financial forecast for General Fund activities is showing a £27.4m overspend after the commitment of £4.2m of budgeted once off funding from corporate provisions and reserves.

£36m of pressures funding was added to the 2024/25 budget, intended to stabilise the forecast position, and this is the basis on which the Council's Medium Term Financial Strategy (MTFS) was predicated.

Due to the level of financial overspend forecast in 2024/25, the extended leadership team are working towards £31.5m of cost avoidance/reductions measures in 2024/25 and 2025/26 to address the General Fund pressure reported in this report, as well as £20m of savings measures from 2025/26 onwards to address the budget gap in the MTFS.

The Housing Revenue Account is also looking for permanent savings of £10m to address the ongoing challenge managing within the available funding.

Timeline of engagement and decision-making

Wednesday 11th September – Financial Monitoring and MTFS Update to Executive Management Team.

Thursday 26th September – Financial Monitoring and MTFS Update to Public Accounts Select Committee.

Wednesday 23rd October - Financial Monitoring and MTFS Update to Mayor and Cabinet.

1. Summary

1.1. This report sets out the current financial forecasts for 2024/25 as at 31 July 2024 and provides an update on the Council's Medium Term Financial Strategy, specifically progress against savings delivery and the 2025/26 budget build. The key areas to note are as follows:

1.2. The General Fund (GF) has a forecast net overspend of £27.4m against the directorates' net general fund revenue budget, after utilising £4.2m of budgeted once off funding which is used to mitigate some of the Children's Social Care (CSC) and Temporary Accomodation (TA) pressures and £5m overachievement on interest earned. The main causes of the forecast overspend is an increase in the number of TA users and the cost of housing them, the anticipated increase in costs due to the level of need of children supported in CSC and inflationary increases in Adult Social Care (ASC).

1.3. There is a net adverse movement of £5.1m since Period 2, despite £2.2m of cost avoidance measures, £1m of concessionary fares underspend and £0.9m of underspends across the rest of Corporate Resources being fed into the position. The adverse movement is due £3m of the TA costs previously categorised as risk being moved into the reported position, £3m of additional CSC costs following detailed placements analysis and salary pressures within Place and external fee pressures in Legal Services.

1.4. Due to the level of overspend EMT have agreed and taken the following actions: 1) more stringent recruitment processes aimed at limiting both permanent staff and agency expenditure, 2) peer challenge on value for money for all social care commissioning via care panels, 3) review of procurement pipeline and contract commitments being raised, 4) review of debt collection payment end to end processes to improve cash collected, and 5) in year cost reduction measures and early delivery of future savings for 2024/25 totalling £11.6m.

1.5. Of the identified cost reduction and early delivery of future savings measures, £2.1m are reflected within the reported pressure to mitigate some of the financial pressures, the remaining £9.5m are being worked on and will be included within the monitoring position when they have been delivered. The GF reported position also assumes delivery of £7.8m of the £8m savings from

2024/25, there are £1m of amber savings, if these and any of the on track (green) savings cannot be delivered, this will worsen the reported position. This is set out in more detail in section 5 of the report.

1.6. A risk section highlights areas of concern that may become a financial pressures as the year continues, work is ongoing to monitor these risks for future iterations of the report. This is set out in more detail in section 12 of the report.

1.7. The dedicated schools grant (DSG) is projected to overspend by £2.4m on the high needs block, in line with the overspend in 2023/24 and as set out in more detail in section 14 of the report.

1.8. The Housing Revenue Account (HRA) is currently projected to overspend by £6.5m due to the volume and value of repairs and maintenance works exceeding the budgeted level, this and mitigation measures are set out in more detail in section 15 of the report.

1.9. The reprofiled capital expenditure budgets for 2024/25 are £110.1m for the general fund and £101.8m for the HRA. This is set out in more detail in section 16 of the report.

1.10. As at 31st July, 33.9% of council tax due had been collected which is £6.4m less than the billed level. At the same date, 48.1% of business rates due had been collected which is £1.9 more than the billed level. This is set out in more detail in section 17 of the report.

1.11. A new section on debt has been added (section 19) which explains the level of outstanding debt on Sundry Debt, Council Tax and Business rates as well as the amount held in the bad debt provision for each.

1.12. Section 20 provides an update on the Council's Medium Term Financial Strategy position, the progress made in identifying the necessary budget savings and the implications for the 2025/26 budget.

2. Recommendations

2.1. The purpose of this report is to set out the current financial forecast for 2024/25 as at the end of July 2024, projected to the year-end, 31 March 2025.

2.2. Public Accounts Select Commitee are asked to: Note the current financial forecasts for the year ending 31 March 2025 and that the Executive Management team continue to work on bringing forward further cost avoidance/reduction measures to address the current financial position and deliver on those already proposed.

2.3. Public Accounts Select Commitee are asked to: Note that the shortfall in savings and cost reduction measures identified will mean that the 2025/26 budget will need to be set using reserves and that the balance will need to be added to the 2025/26 savings gap.

3. Policy Context

3.1. The Council's strategy and priorities drive the budget with changes in resource allocation determined in accordance with policies and strategy. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy (2022-2026)](#):

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

3.2. Values are critical to the Council's role as an employer, regulator, securer of services and steward of public funds. The Council's values shape interactions and behaviours across the organisational hierarchy, between officers and members, between the council and partners and between the council and citizens. In taking forward the monitoring of the Council's financial position, we are guided by the Council's five core values:

- Ambitious;
- Inclusive;
- Collaborative;
- Accountable; and
- Trustworthy.

3.3. This financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year, despite the increasing demand to deliver services to the growing number of borough residents in continuing constrained financial times, especially for the poorest or those with highest needs in society. The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy.

3.4. The Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.

3.5. This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough for new homes, school improvements, regenerating town centres, renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. There is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to increase housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.

4. General Fund Summary

4.1. The Council is reporting a net overspend on general fund activities of £27.4m as shown in the table below:

Table 1: General Fund Outturn Position for 2024/25

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£m	£m	£m	£m	£m
Children and Young People	91.5	106.0	14.5	12.1	2.4
Adult Social Care and Health	77.2	82.9	5.7	5.9	(0.2)
Place	35.7	40.3	4.6	3.5	1.1
Housing	16.2	29.1	12.9	10.0	2.9
Corporate Resources	41.1	39.2	(1.9)	0.0	(1.9)
Chief Executive	15.0	15.8	0.8	0.0	0.8
Directorate Total	**276.7**	**313.3**	**36.6**	**31.5**	**5.1**
Corporate Items	17.1	7.9	(9.2)	(9.2)	0.0
Corporate Provisions and Reserves	0.0	0.0	0.0	0.0	0.0
General Fund Total	**293.8**	**321.2**	**27.4**	**22.3**	**5.1**

4.2. The above position includes energy costs of £3.1m over and above the budgeted level, due to the continued higher energy tariffs. These are funded by budget set aside corporately in 2024/25. £4.2m of once off funding has been held corporately to partially mitigate some of the financial pressure on CSC and TA, this is shown within the corporate items line. Similar to 2023/24, there is additional income from interest earned from cash balances. This is not expected to reoccur in 2025/26 as the Bank of England base rate has already reduced by 0.25% this year and is forecast to further decrease as inflation has now returned to the long term target of 2%, and the Council's capital programme will reduce cash balances held during 2024/25.

4.3. The main causes of the overspend is the increased number of high need children requiring support in CSC, the increased number of & cost of housing service users and the consequential increased pressure on the limitation recharge in TA and inflationary increases in ASC. Despite £2.1m of cost reduction measures, £1m of concessionary fares underspend and £0.9m of other Corporate Resources underspend, the overall position has still worsened by £5.1m.

4.4. This is due to £3m of TA risk being recategorised as a reported pressure, £3m of additional CSC placement costs following a detailed review of children receiving a package of care at the end of July 2024, and arising salary pressures in Public Realm and agency staffing/external fee pressure in Legal

Services. The overspend is explained in more detail in sections 6-11 of this report, the reported position does not include the financial impact of any of the risks set out in Section 12 of this report.

4.5. Given the scale of the overspend in 2023/24, the Council funded £36m of pressures as part of budget setting for 2024/25, this removed its ability to fund significant future growth. EMT undertook a number of deep dive reviews into the persistent overspending services of CSC, ASC, TA and supported transport (for childrens and adults).

4.6. EMT have set up Transformation Programmes to provide the governance and scruitny and to ensure that any necessary up front investment required to enable service transformation and cost reduction is available, as detailed more in Section 11.

4.7. EMT agreed to find £31.5m of cost reduction/cost avoidance in 2024/25 and 2025/26 across the high pressure areas, Children and Young People's, Adult Social Care and Health, Place and Housing. To date £11.6m has been found of which £2.1m has been verified as delivered or is on track to be delivered and is within the reported overspend position. If the full £31.5m cannot be found then this will add to the £20m MTFS gap which has been spread across all 6 Directorates and will mean that the 2025/26 budget will need to be set with the use of reserves.

5. Savings Delivery and Cost Reduction Measures 2024/25

5.1. As part of the budget setting process in 2024/25, £8m of savings were agreed which need to delivered across the general fund in 2024/25. The table below shows the split of these across the directorates, the savings have been RAG rated on the following basis; green on track to be delivered, amber delivery still expected but work required to deliver or verify delivery, and red which means delayed or undeliverable in 2024/25:

Table 2: Savings by Directorate

Savings By Directorate	£m	Green	Amber	Red
Children and Young People	1.3	0.4	1.0	
Adult Social Care and Health	3.5	3.5		
Place	1.2	1.0		0.2
Housing	0.7	0.7		
Corporate Resources	0.7	0.7		
Chief Executive	0.5	0.5		
Totals	**8.0**	**6.8**	**1.0**	**0.2**

5.2. At this early stage of the year, £6.8m of the savings are expected to be delivered and are on track, £1m require further work or verfication of delivery and £0.2m are not expected to be achieved in 2024/25. If later in the year it becomes apparent that the any of the green or amber rate savings cannot be delivered then services will need to take alternative action to manage the financial impact. If this is not possible the reported position for the general fund would worsen.

5.3. Due to the overspend position reported at Period 2, EMT were tasked with finding cost reduction measures in year to reduce down the financial pressure. At Period 4, £11.6m of cost avoidance measures and early delivery of future savings have been found, as detailed in Appendix B. The reported position assumes delivery of £2.1m, with further work required to deliver the remaining £9.5m, which would significantly improve the position reported at Period 4. The table below shows the split by Directorate:

Table 3: Cost Avoidance and early savings delivery by Directorate

Cost Avoidance by Directorate	In Period 4 Reported Position	Not Included in Period 4 reported Position
	£m	£m
Children and Young People	1.1	0.2
Adult Social Care and Health	0.8	2.5
Place	0.0	0.0
Housing	0.0	5.6
Corporate Resources	0.0	0.0
Chief Executive	0.2	0.0
Totals	**2.1**	**8.3**

Savings (early delivery in 2024/25	In Period 4 Reported Position	Not Included in Period 4 reported Position
	£m	£m
Children and Young People	0.0	0.0
Adult Social Care and Health	0.1	0.9
Place	0.0	0.0
Housing	0.1	0.0
Corporate Resources	0.0	0.0
Chief Executive	0.1	0.0
Totals	**0.3**	**1.0**

6. Children and Young People’s

6.1. The table below shows the reported position at Period 4:

Table 4: Children and Young Peoples Period 4 Monitoring

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£	£	£m	£m	£m
Children's Social Care Services	64.5	74.6	10.1	8.0	2.1
Education Services	19.6	21.5	1.9	1.7	0.2
Schools	(2.4)	(0.6)	1.8	1.8	0.0
Families, Quality and Commissioning	9.3	10.0	0.7	0.7	0.0
Executive Director, Provisions & Reserves	0.5	0.5	0.0	(0.1)	0.1
Directorate Total	**91.5**	**106.0**	**14.5**	**12.1**	**2.4**

6.2. **Children’s Social Care:** The forecast position for placements is based on data provided by the service for active care packages at the end of July 2024. The forecast position assumes that these children remain in the current level of care for the remainder of 2024/25 with the exception of care leavers/parents with babies. No assumption is made for further demand growth during 2024/25 or additional need and therefore costs rising on current packages of care. This is listed as a risk in Section 12.

6.3. The directorate have been working towards more intervention and support strategies, this involves improved commissioning work with the PAN London Commissioning Alliance to secure more favourable rates and work undertaken to create alternative capacity such as the Amersham and Northover in house provision as well as further support offered to parents and young people. Further opportunities similar to this are being sought, however these are medium to long term solutions.

6.4. The service as part of the high cost panel review process, considers all young people with an endeavour to limit their stay in high cost provision and also where appropriate secure funding from partner organisations. The aim is to find alternative placements within a 3 to 4 month timeframe, however this is not always possible. Following amendments to the care planning placement and case review regulations, it has been made illegal to place children under 16 years of age in unregulated placements. This is a significant driver behind the increased cost per child that the market are demanding and forecasting the expenditure on high cost (£7k a week plus) placements is extremely volatile, as there is huge uncertainty over their length of stay.

6.5. The CSC deep dive review has identified a number of key lines of enquiry, which is largely aligned with existing projects and programmes of improvement and which will be developed further to identify specific cost reduction measures.

6.6. **Education:** The forecast has been slightly revised following analysis of the current service demand, with an assessment made on future growth. In previous years there has been circa 300 new EHCP's, of which 1 in 3 tend to require a home to school transport package of support. The agreement and commencement of these will be spread over the academic year. The impact of EHCP's agreed in the new academic year will be compared to the growth allowed within the current position, with any variance fed into the monitoring in the coming months. Given the persistent overspend on home to school transport in multiple prior years, a deep dive review commenced at the start of 2024/25. This is a cross cutting project looking at all supported transport for both childrens and adults and is seeking to identify ways of reducing this spend.

6.7. **Schools:** The pressure is due to the reduction in Dedicated Schools Grant (DSG) central services support block grant funding (£1.4m in prior years) with a further £0.4m for the additional reduction in 2024/25, creating a general fund pressure. The service are to undertake a review of services provided to schools to ensure that this budget pressure is managed down.

6.8. **Families, Quality and Commissioning** – The forecast pressure is due to challenges managing with the revised budget level as the service transitions towards a preventative service.

6.9. **Executive Director, Provisions & Reserves** – expenditure in line with the budget is anticipated.

7. Adult Social Care and Health

7.1. The table below shows the reported position at Period 4:

Table 5: Adult Social Care and Health Period 4 Monitoring

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£	£	£m	£m	£m
Adult Social Care & Commissioning	77.2	82.9	5.7	5.9	(0.2)
Public Health	0.0	0.0	0.0	0.0	0.0
Directorate Total	**77.2**	**82.9**	**5.7**	**5.9**	**(0.2)**

7.2. The Adult Social Care & Health Directorate is forecasting a £5.7m overspend for 2024/25, a favourable movement of £0.2m since Period 2 due to £0.9m of cost reduction measures mitigating £0.7m of placement cost increase. The cost increase is demand for direct payment packages for 65+ Physical support clients as well as increases in Mental Health and over 65+ Physical support Nursing packages. The key cause of the pressure is the unusually high inflation requests from providers, largely due to the increase in London Living Wage, which is estimated to be £4m over and above the £2m set aside as part of budget setting.

7.3. This pressure is further exacerbated by the complexity of care requirements for discharged clients, additionally there is a steady increase in both the number of and cost of children transitioning to adulthood. Work is ongoing to ensure early intervention and planning so that their care costs can be better managed.

7.4. The deep dive into ASC will look to re-assess the significant changes made post the Adults Transformation Programme in 2021/22 and 2022/23 to see whether further cost reductions can be made to offset these pressures.

7.5. There is an ongoing challenge around collecting service user care costs where they are liable to pay for all or part of the care provided. The Directorate is currently carrying a significant amount of aged debt totalling £18m. This requires a provision to manage the risk of non-recovery, the forecast assumption is that £2m will need to be set aside in 2024/25 to ensure the provision is adequately topped up at year end.

7.6. Debt collection has been identified as a corporate priority and there is a specific project set up to ensure that these processes are improved, aim at improving collection rates and reducing the provision top up required in future financial years (if not in 2024/25).

7.7. **Public Health:** At Period 4, it is assumed that the grant will be fully spent.

8. Place

8.1. The table below shows the reported position at Period 4:

Table 6: Place Period 4 Monitoring

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£	£	£m	£m	£m
Public Realm	19.8	22.9	3.1	2.0	1.1
Communities, Partnerships & Leisure	15.0	15.0	0.0	0.0	0.0
Planning	1.1	1.7	0.6	0.6	0.0
Inclusive Regeneration	(0.6)	0.3	0.9	0.9	0.0
Housing, Regeneration & Public Realm Reserves & Provisions	0.4	0.4	0.0	0.0	0.0
Directorate Total	**35.7**	**40.3**	**4.6**	**3.5**	**1.1**

8.2. The Place Directorate is forecasting an overspend of £4.6m for 2024/25, an adverse movement of £1.1m since Period 2, due to a staffing pressure arising in Public Realm. This is broken down by division below:

8.3. **Public Realm:** There is a contractual obligation for indexing and increasing the gate fee relating to the extended waste contract from January 2024, resulting in a pressure against the budget of £1m. There is a further £1.1m pressure on staffing expenditure across the Division, with the service drawing up plans to address this. The changes in the Sustainable Streets program is expected to lead to an income shortfall of up to £1m.

8.4. **Community Services:** A balanced position is forecast on the division.

8.5. **Planning:** Building control is experiencing an increase in staffing costs due to additional qualifications required by government, and the Planning service has additional costs for the local plan this year. Several agency posts have been converted to permanent roles and agency costs are being further reviewed. The building industry has been slow in the past few months but is predicted to pick up now that the legislation is clear on second staircases on high rise buildings and post the general election. There are several significant planning applications and fee generating pre-application discussions in the pipeline or expected this year. The new government has set a high target for the delivery of new homes across the country and due to the lag in new housing developments in Lewisham and other parts of London in the past few years this is predicted to improve, particularly as interest rates stabilise or fall.

8.6. **Inclusive Regeneration**: The division is forecasting undelivered income growth from Creekside, Home Park, Edward Street and Turnham and Downham Enterprise, along with a reduction in income from building lettings. These are the revenue impacts of delays and changes to the Capital programme.

9. Housing

9.1. The table below shows the reported position at Period 4, there is an adverse movement of £2.9m since Period 2, due to £3m of demand risk being recategorised as a pressure, marginally reduced by £0.1m of reduced staffing costs:

Table 7: Housing Period 4 Monitoring

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£	£	£m	£m	£m
Strategic Housing	16.2	29.1	12.9	10.0	2.9
Directorate Total	**16.2**	**29.1**	**12.9**	**10.0**	**2.9**

9.2. There is a limit (or cap) on how much Housing Benefit can be claimed by a client housed in a Local Authority administered TA unit. Local Authorities aim to agree rent rates with a TA accommodation provider within these rates, but where this can not be achieved and the rent exceeds the limit (or cap), the excess over the limit value is not supported by the DWP in benefit subsidy and the Council has to fund the difference – which is known as the Limitation Recharge.

9.3. The forecast recharge for 2024/25 is £29.5m, driven by the increased numbers housed and increased rental charges. The limitation recharge for 2023/24 was £16.2m (including all nightly paid accommodation).

9.4. The 2024/25 forecast is £13m over and above the budgeted level, an adverse movement of £3m since Period 2. In Period 2, £5m was highlighted as a risk, due to the numbers supported, of which £3m of this has been recategorised as a pressure for Period 4.

9.5. Currently in July 2024, there are 1,405 (1,330 June) in TA accommodation and 715 (750 June) people in Private Sector Leasing and Privately Managed Accommodation.

9.6. In addition, it is worth noting that the average cost of TA has increased so where we have handed properties back, the replacement properties that we have acquired to rehouse the families who were displaced has significantly increase. For example two years ago we would have been paying c£60 per night for a two bed nightly paid property in borough, now we can only get a similar property for between £90-100.

9.7. The drivers behind the increase cost and widening of the limitation recharge gap are as follows;

- There are 445 more people being supported in TA than in March 2024 which has a full year impact of £5.6m.
- There is a cost increase of £2.5m due to increasing all rental charges in line with the LHA rate for Private Sector Leasing, Privately Managed Accommodation and the Hyde acquired stock.
- The impact of HB status changes in 24/25 but backdated to 23/24 is £0.8m.

9.8. This totals £8.9m, the remaining £1.1m increase is due to:

- Full year effect of service users coming into TA partway through 23/24.
- Increasing in Landlord rates in nightly paid (over and above LHA rates).
- Changes to the HB status, both forward and backdated (24/25 impact only).

9.9. The Service began a TA reduction programme in April 2023, aimed at targeting specific areas of expenditure. Some of the focus areas include cleansing rent accounts, reviewing partnership placements, reviewing storage costs and high cost placements. As part of the reduction programme, the service has actively sought to reduce numbers accommodated and to move people into the new units for TA which were acquired in 2023/24. This will continue in 2024/25 with the Housing Acquisition Programme (HAP) and will potentially reduce the numbers accommodated in expensive nightly paid (B&B) accommodation. Financial assessments of the benefit of this are currently being undertaken but and are not yet included in the forcast outturn position.

9.10. The service are also seeking to minimise the use of the most expensive nightly paid providers as far as possible and when there is no alternative to using these properties, move people out as quickly as possible. Work is ongoing to maximise rent income collected and reduce arrears as well as working to place clients in accommodation that is more affordable and where the HB limitation recharge is either zero or lower than where we are currently placing clients. The service are maintaining very stringent oversight of TA service activity through bi-monthly challenge meetings where progress is monitored against activities aimed at reducing reliance on nightly paid accommodation as well increasing the use of cheaper TA placements including placements outside Lewisham and where possible ending our main housing duty through private rental sector placements. The service has a cost avoidance proposal aimed at reducing expenditure by £10.8m over the 2024/25 – 2026/27.

10. Corporate Resources

10.1. A £1.9m underspend is reported on Corporate Resources at Period 4, as detailed in the table below:

Table 8: Corporate Resources Period 4 Monitoring

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£	£	£m	£m	£m
Resident & Business Services	11.4	11.0	(0.4)	0.0	(0.4)
IT & Digital Services	10.2	9.9	(0.3)	0.0	(0.3)
Assurance	2.7	2.6	(0.1)	0.0	(0.1)
Finance	6.3	6.2	(0.1)	0.0	(0.1)
Concessionary Fares	10.9	9.9	(1.0)	0.0	(1.0)
Resources Reserve	(0.4)	(0.4)	0.0	0.0	0.0
Directorate Total	**41.1**	**39.2**	**(1.9)**	**0.0**	**(1.9)**

10.2. **Residents and Business Services:** £0.4m underspend due to a reduction in supported accommodation costs compared to the budgeted level.

10.3. **IT and Digital Services:** £0.3m underspend due to vacant posts across the service, some of these have now been filled but the costs will only be incurred in the later part of the year. It should be noted that the budget for the Project Management Office has been moved to the Chief Executive directorate in July.

10.4. **Assurance:** £0.1m underspend due to vacant posts across the service.

10.5. **Finance:** £0.1m underspend due to vacant posts across the service.

10.6. **Concessionary Fares:** The concessionary fares budget is held within Corporate Resources but is shown on a separate line reflecting that this is not expenditure that the service can influence. The expenditure is based on the number of people travelling on public transport who are eligible for free or discounted travel. It is expected that the expenditure in 2023/24 will be £1m less than the budgeted level.

11. Chief Executive

11.1. A £0.8m pressure is reported on Chief Executive at Period 4, due to a salary pressure in legal services as there continue to be challenges recruiting to posts on a permanent basis, leading to additional expenditure (either agency or externally commissioned) as detailed in the table below:

Table 9: Chief Executive Resources Period 4 Monitoring

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£	£	£m	£m	£m
Communications & Engagement	2.6	2.5	(0.1)	0.0	(0.1)
Law & Corporate Governance	8.1	9.1	1.0	0.0	1.0
People & Organisational Development	2.7	2.6	(0.1)	0.0	(0.1)
Strategy, Transformation, Policy and Performance	1.6	1.6	0.0	0.0	0.0
Directorate Total	**15.0**	**15.8**	**0.8**	**0.0**	**0.8**

11.2. **Communications & Engagement:** The £0.1m underspend has arisen due to holding posts vacant within the service.

11.3. **Law & Corporate Governance:** The £1m pressure is due to challenges recruiting to vacant posts within the team. The volume of work is such that it cannot be managed without a level of externally commissioned legal service or agency staff, both of which are more expensive than permanent staff. The service continue to work to recruit permanently and reduce external expenditure however this continues to prove challenging due to the rates agency workers can demand within the sector.

11.4. **People & Organisational Development:** The £0.1m underspend has arisen due to reducing expenditure within the Learning and Development part of the service.

11.5. **Strategy, Transformation, Policy and Performance:** From Period 4, the Project Management Office (PMO) budget and associated expenditure is shown within the Chief Executive Directorate under the Strategy, Transformation, Policy and Performance division. It is proposed that the other budgets and services relating to this area are transferred once the post is filled.

11.6. There is £2m of budget held within Corporate Items which has been set aside to fund investment into the transformation programme (over and above the pre-existing staffing level) which includes the following workstreams and deep dives:

- Housing
- Assets

- No wrong front door
- Children Social Care Deep Dive
- Adult Social Care and Health Deep Dive
- Temporary Accommodation Deep Dive
- Supported Transport Deep Dive

11.7. The £2m will be used to invest in the above workstreams with the aim of generating cost reduction measures or budget savings. Expenditure against this will be monitored within this report.

12. General Fund Risks

12.1. Below is a list of potential risks, over and above the service specific issues which are largely being managed within the service monitoring position (with the exception of the TA risk listed below). Some of which are being worked through and quantified for 2024/25.

12.2. **Council Tax (Council Wide):** Collection rates for Council Tax may be impacted due to the challenging economic times, especially if unemployment rises significantly. This would put income budgets under pressure, a 1% reduction in collection rates compared to the budgeted level of income is £1.5m. This would be funded in 2024/25 via a reduction in the collection fund reserve.

12.3. **Business Rates:** Collection rates for Business rates may be impacted due to the challenging economic times, similar to Council Tax. A shortfall in business rates income collection would be funded by reserves, although persistent shortfalls over multiple years would then fall to revenue budgets to support via the MTFS.

12.4. **General inflationary cost lag:** Whilst general inflation (CPI) reached the Bank of England long term target of 2.2% in July 2024 (up from 2% in June 2024), there is a lag between the rate of general inflation, and the inflationary pressures faced by Local Government. This is either through uplifts in contracts based on prior published CPI levels, increases in the London Living Wage being above inflation (or retrospectively matching CPI), and delays to the agreement of Local Government salary uplifts. The known impact of this is reflected in the reported position above, noting that the 2024/25 budgets allowed for inflation of net 4%, however if costs continue to increase further pressures may emerge.

12.5. **Cost of capital programme slippage and inflation:** The impact of high inflation has been a slowdown in capital programme delivery and higher capital cost. The revenue impact of this is the inability to fully capitalise revenue costs with the risk that these then fall to revenue budgets. Furthermore, as schemes are being brought forward it’s important that the full revenue charges are levied for these, including the minimum revenue provision charge, and interest costs, either from external or internal borrowing and that these are properly accounted for and charged to the relevant schemes.

12.6. **Pension Fund:** The annual monitoring between valuations may poses a financial risk to the council, with fluctuations in the value of the funds assets and liabilities requiring an increase in the Council's employers contribution.

12.7. **Legislative/Policy Change:** All Council services can be impacted by such changes, an example within the monitoring position is the impact on the income levels within the planning services due to delays in government's proposed legislation changes.

12.8. **Temporary Accommodation:** There is am estimated risk of further demand increases and an increase in the limitation recharge of £2m based on the current numbers housed and risk of growth during the remainder of 2024/25, being in line with 2023/24.

12.9. **Children's Social Care:** The forecast position is based on children currently supported by the service continuing to receive a similar level of care for the remainder of 2024/25. Should there be a net increase in care costs either due to children currently supported having additional need and therefore higher care costs, or new children requiring support then this would adversely impact the reported position. It is challenging to estimate the financial impact of this, but we are currently seeing an increase in expensive teenager children, the risk is estimated to be in the region of £2-3m.

13. Corporate Provisions and Reserves

13.1. The table below provide more detail on the Council's corporate provisions revenue budgets, these are held for either specific service purposes, centrally held corporate expenditure or for corporate risks and pressures mitigation.

Table 10: Corporate Provisions 2024/25

Corporate Items	£m
Working balances	3.9
Service pressures (Allocated)	4.1
Capital financing (Committed)	15.8
Pension strain (Cost of Restructures)	5.4
Levies (statutory)	2.9
Salary and energy inflation	9.2
Grant risk held centrally	(27.0)
Other risk & pressures	2.9
TOTAL	**17.1**

13.2. The majority of the budgets held are to either meet the Council's revenue cost of financing its capital programme and borrowing, or held for inflationary pressures. Of the £2.9m listed under other risks and pressures, £2m is being invested in the transformation programme detailed within Section 11.

14. Dedicated Schools Grant

14.1. The 2024/25 Dedicated Schools Grant (DSG) grant allocation was advised by the Department for Education (DfE) in December 2023 and reported to Schools Forum at the January 2024 meeting. These figures have been revised following adjustments to the high needs block (academy recoupment and placements made in other LA/from other LA's) and early years block (revised down following January census validation). The table below shows the reported position at Period 4:

Table 11: DSG Projected Outturn 2024/25

DSG Projected Outturn	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£m	£m	£m	£m	£m
Gross Budget	240.7	3.0	79.0	38.9	361.6
Academy Recoupment	(89.1)	0.0	(0.7)	0.0	(89.8)
DSG Budget	151.6	3.0	78.3	38.9	271.8
Expenditure	151.6	3.0	80.7	38.9	274.2
Total Spend	151.6	3.0	80.7	38.9	274.2
Variance	**0.0**	**0.0**	**2.4**	**0.0**	**2.4**

14.2. **Schools Block:** Expenditue will be in line with the allocation as the disbursement of funding has already been agreed with the DfE in January 2024. The overall net budget position has been revised to reflected that some schools have now fully converted to academies, as yet from a funding perspective the DSG has not been revised for the 3 schools recently converted, however the impact will be cost neutral.

14.3. **Central School Services Block:** The table below notes the funding received from the Central Services Schools Block (CSSB), which has an annual reduction of 20%. The service are reviewing spend within this area with the aim of reducing the cost pressure on the General Fund as shown in Section 6, under Schools.

14.4. **High Needs Block:** The available funding has been updated to reflect the place led element in respect of those placements made in other LA's by Lewisham and vice versa (known as import/export adjustment) and also for those schools that have academised and will now be funded directly by the Education and Skills Funding Agency in respect of the place funding element. High Needs continues to show a pressure against the available funding. Lewisham has been progressing a mitigation plan and is now working with the DfE as part of the Delivering Better Value (DBV) initiative. A pressure of £2.4m is reported which will be revised following the secondary transfer which should be October. It is anticipated that the overspend will continue to reduce /stabilise, which could potentially have a positive impact on some General Fund pressures including home to school transport and education psychologists.

14.5. **Early Years Block:** The DfE has now confirmed the final position for 2023/24 allocation. It should be noted that the 2023/24 at the point of finalising the 2023/24 accounts remained provisional. There was a £1.5m drift between the January pupil validation and the final 2023/24 position, of which the DfE will clawback £1.1m. It is intended that the remaining £0.4m would be discussed with Schools Forum with a view to adding funding to the High Needs Block.

14.6. The table now reflects the lower funding that will be received following the validation of the January pupil count. It should be further noted that there is significant change taking place with regards Early Years provision including extending the Early Years offer to under 2's. This means funding is subject to further change depending on the roll out and take up level.

14.7. At the end of 2021/22 13 schools were in deficit, this grew to 22 by the end of 2022/23, 25 by the end of 2023/24 and at the end of quarter 1 2024/25, based on the schools returns 35 have stated that they may be in deficit at the end of the 3 year budget setting process. This is subject to the Schools Finance team working with these schools over the remainder of 2024/25, so we would expect this number to reduce, however this does show the financial challenge schools are facing.

14.8. The table below shows what the DSG deficit would be at the end of 2024/25, based on the projected outturn position shown above.

Table 12: DSG Overall Position

DSG Overall	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£m	£m	£m	£m	£m
DSG Projected Outturn 2024/25	0.0	0.0	2.4	0.0	2.4
DSG Variance 2023/24	0.0	0.0	2.4	0.0	2.4
DSG Variance 2022/23	(0.1)	0.0	2.6	0.0	2.5
DSG Variance 2021/22	0.0	0.0	5.4	0.0	5.4
DSG Variance Prior Years	(0.3)	0.0	5.0	0.0	4.7
Deficit/(Surplus) at end of 2024/25	**(0.4)**	**0.0**	**17.8**	**0.0**	**17.4**

15. Housing Revenue Account

15.1. The Housing Revenue Account (HRA) has experienced significant overspends in the last two financial years which, along with the need to fund the capital programme, has meant that reserves are now below the recognised minimum level which should be held. The medium term financial plan is therefore very vulnerable and is being very closely monitored and managed. In addition to the general fund housing projects to reduce the spend in TA, there are a number of transformation and improvement projects within the HRA. EMT continues to closely monitor the situation and will report this via the regular financial monitoring to members.

15.2. At Period 4, the HRA is forecasting an overspend of £6.5m, an improvement of £3.9m since Period 2 due to a £1.5m reduction in the forecast bad debt impairment charge, £1m income from Milford Towers being shown within the HRA and a £1.4m reduction in the repairs forecast. The remaining pressure is due to the volume and value of repairs being undertaken. At this stage of the year there are other risks with regards to damp and mould works, income collection including leaseholder works and service charges and other operational efficiencies and improvements, however at this point it is forecast that these can be contained within budget, or alternative mitigations implemented, however these will be closely monitored.

Table 13: HRA Period 4 Monitoring Position

Housing Revenue Account	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement
	£m	£m	£m	£m	£m
Housing Management	22.7	22.7	0.0	0.0	0.0
Brockley PFI Scheme (Net)	0.5	0.5	0.0	0.0	0.0
Repairs and Maintenance	19.2	28.2	9.0	10.4	(1.4)
Council Charges	7.1	7.1	0.0	0.0	0.0
Housing Rents Expenditure	13.5	13.5	0.0	0.0	0.0
Housing Rents & Service Charge Income	(95.1)	(97.6)	(2.5)	0.0	(2.5)
Leaseholder Charges	(12.9)	(12.9)	0.0	0.0	0.0
Capital Financing	45.0	45.0	0.0	0.0	0.0
Total	**0.0**	**6.5**	**6.5**	**10.4**	**(3.9)**

15.3. The level of reserves held by the HRA stands at £2.9m, after funding the 2023/24 pressure of £6.1m, largely due to the reoccuring pressure on repairs. This is significantly below the recognised level which is 10% of rental and service charge income (£9.5m).

15.4. To address the overspend in repairs, a Repairs Transformation Project is underway which is improving delivery, efficiency and value for money. This is expected to reduce the overspend in repairs in year, several measures have been put in place aimed at improving the efficiency of the repairs function, with the supplementary aim of reducing the financial pressure, these include:

- **Job Allocation:** There used to be a cut off at 2pm for emergency jobs, before they were routed to the out of hours team. The cut off has been extended to 5pm, with the aim of allocating and fitting as many jobs as possible into the next day, saving on external contractor spend. **A volume reduction is included within the Period 4 repairs forecast.**
- **Productivity:** Operative productivity has been reviewed with a view to increasing it from the 2023/24 average of 1.8 jobs per day to 3.5 jobs per day. This will reduce expenditure on contractor jobs and reduce renewals in favour of repairs. **The Period 4 forecast position assumes an average number of jobs assigned to operatives of 3.2 jobs per day.**
- **First Time Fixes:** The planning team are being mentored and have been provided structured questions to increase first time fix and reduce wasted visits which will increase productivity. **An improvement in reducing repeat visits has been made in the Period 4 forecast position.**
- **Maximise Internal Repairs Function:** All repairs are to be raised internally unless there are not the in-house skills to deliver the job. This will reduce the level of responsive repairs given to contractors and reduce costs by 50%. **The financial benefit appears in the productivity measure above as well as reduced external contractor spend which will be picked up in the monthly monitoring.**
- **Overtime:** Overtime will be significantly reduced. The cost in 2023/24 was over £0.3m and the aim is to reduce this by 66% to £0.1m in 2024/25. **The Period 4 forecast assumes overtime is contained to £0.1m, with monthly monitoring of all staffing spend reflected in the repairs forecast.**
- **Better Contract Management 2024/5 and prior:** Commercial resource and contract management with the aim of reducing spend and claw back potential overbilling by contractors. The initial assessments of £70K of contractor spend reviewed showed £15K in potential over-claims. Total contractors spend in 2023/24 was £16.6m so if there is a 10% overcharge across the totality of this spend, there would be a potential clawback of £1.6m. **At Period 4, none of this benefit is assumed within the forecast, with work on going to include some of this once the review work has been done.**
- **Upskilling Internal Workforce:** Scope works in house by upskilling supervisors, currently we pay contractors to do this for us, reducing void costs. Voids transformation program to reduce key to key time and reduce void rent loss. **This is included as a void reduction measure within the Period 4 forecast, reducing the average cost per void from £7.5k to £6.5k. The impact within the monitoring is £0.7m.**

15.5. There is still the potential to out perform the monitoring assumptions on those measures above which have been factored into the Period 4 position.

15.6. Further on repairs mitgations are being explored with a view to containing some of the in year pressure, either on a once off or ideally an ongoing basis. These are not reflected in the reported position, these include:

- **Revenue Contribution to Capital:** Cease any short term HRA Revenue contribution to capital or contribution to reserves until the revenue account can be fully balanced. However, this will lead to additional borrowing costs and interest charges unless the capital program allocations are reduced to compensate for this. This is likely to be in the region of £5m.
- **Right to Buy Receipts:** In 2019 the authority was obliged to return unused Right to Buy (RTB) 1-4-1 receipts which it had not used, with a compounded interest penalty. The interest cost of £3.1m was charged to the HRA. However, subsequent clarification of the regulations sought by Lewisham and other local authorities indicate that the interest charge should be charged to the General Fund or off-set against the use of Capital Receipts. A review of capital receipts will be undertaken to establish if there are sufficient funds to accommodate this charge and refund the HRA. This will take place in September.
- **General Fund to HRA charges:** Review the ringfence of the HRA, with a consequential impact on the General Fund. The current value of corporate recharges to the HRA for 2024/25 is in the region of £9.5m or 7.7% of total expenditure. Service Level agreements are being prepared by Directors/Service leads, with a review to be undertaken in September. This could yield circa £0.5m.
- **Service Charges:** There is an ongoing income review aimed at ensuring full cost recovery for service charges, as well as major works income. This income review is ongoing and not expected to be complete until late summer/early autumn, however, it is clear that some charges are not being recovered in full. Whilst it is difficult to fully quantify the shortfall in full cost recovery, early estimates put this in the region of between £1m-£2m. Leaseholder Major Works income is part of this review but is more complicated and relies on data related to the Capital Investment program being fully scrutinised before charges can be raised, there is a risk in this area related to consultation and timing.
- **Housing PFI balances:** There are currently some Housing PFI balances that may be available to be used, on a one off basis. This is in the region of £1.0m.
- **Lewisham Homes Balances:** There may be some reserves balances within the Lewisham Homes company account that will need to be returned to the authority now that the management company has been closed once the audit of accounts is complete. Whilst exact values are still to be established, this could be in the region of £1m-£2m.

- **Limiting Work delivered externally:** Limiting external spend where in-house is better value for money, an example being more legal work delivered externally.

15.7. Therefore, whilst there are a number of mitigating actions that could enable the HRA reserves to not be completely exhausted by the end of 2024/25, careful management and active intervention is required to deliver this. EMT and the Housing Transformation governance are continuining to manage this closely and will be engaging with the Ministry of Housing, Communities and Local Government to ensure that they are appraised of the financial position of the HRA.

16. Capital Expenditure

16.1. The table below sets out the Current Capital Programme as at 31st July 2024.

Table 14: Current Capital Programme

Capital Programme	2024/25	2025/26	2026/27	2027/28	Future Years	Total
General Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Resources	0.5	0.0	0.0	0.0	0.0	0.5
CYP	10.5	8.8	2.8	0.0	0.0	22.1
Place	36.5	25.1	7.3	0.5	0.8	70.2
GF Housing	62.6	39.3	5.0	1.5	13.0	121.3
Total General Fund	**110.1**	**73.2**	**15.1**	**2.0**	**13.7**	**214.1**
HRA	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Building for Lewisham Programme – HRA	18.2	36.1	38.8	13.8	0.0	106.9
HRA Capital Programme (Inc. Decent Homes)	82.5	68.0	50.8	50.7	0.0	252.0
Housing Management System	0.6	0.0	0.0	0.0	0.0	0.6
Aids & Adaptions	0.5	0.5	0.5	0.5	0.5	2.5
HRA Allowances for Buybacks & Brockley PFI	0.0	6.9	3.1	3.2	0.0	13.3
Total HRA	**101.8**	**111.6**	**93.2**	**68.3**	**0.5**	**375.3**
Total Capital Programme	**211.8**	**184.8**	**108.3**	**70.3**	**14.2**	**589.4**

16.2. The current Capital Programme totals £589.4m. This is split into £214.1m General Fund (GF) and £375.3m Housing Revenue Account (HRA). For 2023/24 there is an allocation of £211.8m of which £110.1m is for GF & £101.8m is for HRA. There have been several schemes added to the Capital Programme since the most recent M&C approved programme in Period 2. These schemes have been approved at the Regeneration & Capital Programme Delivery Board (RCPDB). The main sources of financing the Capital programme over the MTFS period are laid out in the below table:

Table 15: Current Capital Programme Financing

Capital Programme	2024/25	2025/26	2026/27	2027/28	Future Years	Total
General Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Capital Receipts	0.0	0.9	0.1	0.0	0.0	1.0
Capital Reserves	10.7	4.8	2.0	1.0	2.1	20.6
CIL	1.4	4.6	2.0	0.0	0.7	8.8
Corporate Reserves	1.7	0.9	0.0	0.0	0.0	2.6
Grants	56.4	41.3	2.3	0.0	0.0	100.0
Prudential Borrowing	32.9	17.8	2.5	1.0	10.9	65.0
Revenue Contribution	0.3	0.0	0.0	0.0	0.0	0.3
RTB Receipts	0.3	0.2	0.5	0.0	0.0	1.0
S106	6.4	2.8	5.6	0.0	0.0	14.8
Total General Fund	**110.1**	**73.2**	**15.1**	**2.0**	**13.7**	**214.1**
HRA	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Major Repairs Reserve	26.6	27.2	27.7	28.2	0.0	109.7
Revenue Contribution	1.1	2.2	2.9	5.8	0.0	12.0
RTB	0.9	6.5	6.9	2.9	0.0	17.2
Grants	1.6	15.1	8.0	2.4	0.0	27.1
Prudential Borrowing	71.6	60.6	46.0	21.2	0.5	199.8
Capital Receipts	0.0	0.0	1.7	7.8	0.0	9.5
Total HRA	**101.8**	**111.6**	**93.2**	**68.3**	**0.5**	**375.3**
Total Capital Programme	**211.8**	**184.8**	**108.3**	**70.3**	**14.2**	**589.4**

16.3. Total Prudential Borrowing of £264.9m across the MTFS period, of which £65.0m is for GF projects & £199.8m is for HRA projects. Accurate borrowing forecasts are important for the council, and they link heavily with the TMS. The financing profile of the Capital Programme is flexible and may change as the Council is constantly looking for additional funding opportunities such as additional grants and contributions which will reduce the use of council resources & external borrowing. Details on the 2024/25 spend to date and the 2024/25 forecast spend are laid out in the following table.

Table 16: P4 Capital Spend Monitoring

Directorate	Category	24/25 Budget	Spend as at Period 4	Forecast as at Period 4
General Fund		**£m**	**£m**	**£m**
Resources	ICT - Tech Refresh	0.5	0.0	0.5
CYP	Education Services - School Places Programme	2.4	0.0	1.5
CYP	Education Services - School Minor Works Programme	5.3	0.3	4.8

CYP	Children's Social Care	1.4	0.4	1.4
CYP	Families, Quality and Commissioning - Youth Service	1.2	0.1	1.2
CYP	Myatt Garden RAAC	0.2	0.0	0.2
Place	Safer Communities	0.1	0.0	0.1
Place	Parks, Sports and Leisure	2.0	1.2	2.0
Place	Highways & Bridges – TfL	2.9	0.7	2.3
Place	Highways & Bridges – LBL	5.4	0.9	4.6
Place	Asset Management Programme	1.9	0.2	1.9
Place	Corporate Estates Maintenance Programme	4.6	0.5	3.5
Place	Strategic Regeneration - Lewisham Gateway	3.4	0.8	3.4
Place	Strategic Regeneration - Catford Programme	9.4	3.3	9.4
Place	Planning	0.3	0.0	0.2
Place	Public Realm	0.1	0.0	0.0
Place	LUF Programme - Cultural Hub	0.6	0.1	0.6
Place	LUF Programme - Public Realm	6.0	0.3	6.0
Housing	General Fund Housing	60.6	14.2	59.7
Housing	Housing Services	2.0	0.4	2.0
Total General Fund		**110.1**	**23.6**	**105.1**
HRA		**£m**	**£m**	
Building for Lewisham Programme - HRA	Building for Lewisham Programme - HRA	18.2	1.0	14.5
HRA Capital Programme (Inc. Decent Homes)	HRA Capital Programme (Inc. Decent Homes)	82.5	10.7	72.0
Housing Management System - HRA	Housing Management System - HRA	0.6	0.1	0.6
Aids & Adaptations	Aids & Adaptations	0.5	0.1	0.5
Total HRA		**101.8**	**11.9**	**87.7**
Total		**211.8**	**35.5**	**192.8**

16.4. The current in-year expenditure across all projects is £35.5m or 17% of budget. If spend is consistent across the year, we would expect spend at Period 4 to be 33%. We expect the spend to be lower than forecast for most of the year for numerous reasons such as lag times on setting up purchase orders and receiving invoices from suppliers. There are also certain projects with large current years budgets, where the spend is forecast to be spent in the latter half of the year. The current forecast spend for the full year is £192.8m or 91% of budget, meaning we are currently forecasting slippage of £19.0m or 9%. The following section outlines some of the areas of slippage within the programme as well as areas with large spend forecast later in the year.

CYP:

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- **Schools Minor Works Programme:** There is currently £0.3m spend against a forecast of £4.8m. This is because the works began over the school summer holidays to cause as little disruption to the schools as possible. These works will be invoiced in the coming months. There will also be some works scheduled over the upcoming winter holidays.

Place:

- **CEMP:** The forecast has slipped to £3.5m from a budget of £4.6m. This is due to delays within the programme.
- **LUF programme (Public Realm):** There is currently £0.3m spend against a forecast of £6.0m. The works for these two programmes are yet to start on site, however once they do spend will pick up rapidly.

GF Housing:

- **Housing Acquisition Programme:** Currently £14.1m spend against a forecast of £56.6m. Spend for this programme will be consistent throughout the year but will ultimately depend on when properties are identified to be acquired.
- **Temporary Accommodation – Manor Conversion:** Currently nil spend against a forecast of £1.2m. This Project is now out of planning, with works expected to start shortly.

BFL:

- **Longfield Crescent**: Currently a forecast of £1.9m against a budget of £5.6m. A new budget was recently agreed for this programme with a new schedule of works. This scheme will be re-profiled in the upcoming re-profiling.
- **Sommerville**: Currently nil spend against £0.6m forecast. This spend is being held for retention and will be paid later in the once the scheme is out of the defects period.

HRA:

- **HRA Capital programme:** The programme is forecasting spend of £72.0m against a budget £82.5m. Due to requirements of the Gateway approvals and Building safety requirements, we expect to see a reduction in spend as we are unlikely to deliver all the planned works within this financial year.

17. Collection Fund

17.1. **Council Tax:** As at 31st July, £66.1m of Council Tax has been collected representing 33.9% of the total amount due for the year. This is £6.4m below the 33.9% target required in order to reach 100% for the year. The £66.1m collected represents 91.1% of the cash needed to meet 100% of the debt raised in year.

Table 17: Council Tax Collection

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Council Tax	Cash Collected (cumulative)	Cash needed to meet 100% Profile	Difference between collected and 100% profile	Current Year Collection Rate%	Required Collection Rate to reach 100%	Difference
Apr-24	19,865,481	21,565,970	1,700,489	10.2%	10.7%	0.4%
May-24	35,456,917	38,647,501	3,190,585	18.3%	19.5%	1.3%
Jun-24	50,301,559	55,137,565	4,836,006	25.8%	27.2%	1.4%
Jul-24	66,081,521	72,511,785	6,430,264	33.9%	35.7%	1.8%

17.2. **Business Rates:** As at 31st July 2024, £29.1m of Business Rates has been collected representing 48.1% of the total amount due for the year. This is 1.9m above the level required in order to reach 100% for the year, due to the full collection of schools business rates.

Table 18: Business Rates Collection

Business Rates	Cash Collected (cumulative)	Cash needed to meet 100% Profile	Difference between collected and 100% profile	Current Year Collection Rate%	Required Collection Rate to reach 100%	Difference
Apr-24	8,077,862	7,799,563	(278,298)	13.4%	13.0%	-0.5%
May-24	15,210,306	15,034,050	(176,257)	25.3%	25.0%	-0.3%
Jun-24	18,796,209	21,074,501	2,278,292	31.3%	35.0%	3.8%
Jul-24	29,097,233	27,221,328	(1,875,905)	48.1%	45.0%	-3.1%

17.3. Work is ongoing to review and clear the exceptions listing (suspense account) which is expected to close the gap between cash collected and cash need to meet the profiles above.

18. Treasury Management

18.1. The 2021 CIPFA Treasury Management Codes of Practice requires the Council to provide quarterly monitoring of Treasury Management including the Prudential Indicators to members.

Table 19: Borrowing

Borrowing as at 30 June 2024	Actual £m
PWLB Loans	90.5
LOBO Loans	94.5
PFI and other finance	179.5
Total Debt	**364.5**

Table 20: Investments

Investments as at 30 June 2024	Actual £m
Direct Investments	160.0
Certificates of Deposit	35.0
Money Market Funds	84.0
Total Investments	**279.0**

18.2. During the quarter ended 30 June 2024, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2024/25. The Executive Director of Corporate Resources reports that no difficulties are envisaged for 2024/25 in complying with these indicators.

18.3. There are two measures of limiting external debt; the 'operational boundary' and 'authorised limit for external debt', which the Council reports on as part of its prudential indicators. The table below shows Operational Boundary as at 30 June 2024.

18.4. As part of its regular treasury management and planning the Council is anticipating to borrow between £30m - £50m in the third quarter of the year to fund the capital programme, this is within the parameters of the TMS.

Table 21: Operational Boundary as at 30 June 2024

Operational Boundary	Limit for 2024/25 £m	Actual as at 30/06/24 £m	Not exceeded limit
Total Debt	**609.1**	**370.1**	✓

Table 22: Authorised Limit for External Debt as at 30 June 2024

Authorised Limit for External Debt	Limit for 2024/25 £m	Actual as at 30/06/24 £m	Not exceeded limit
Total Debt	**670.0**	**370.1**	✓

19. Debt

19.1. **Sundry Debt:** As at the 31st July 2024, there is outstanding debt owed to the general fund of £26.4m. The current reported position above includes an estimated bad debt provision (BDP) top up of £3m, which is in line with the BDP top up in 2023/24. This brought the level of provision held at the end of 2023/24 to £18m. A project group has been established led by the Executive Director of Corporate Resources aimed at improving the council wide processes around debt chasing and debt collection, with the aim of reducing the outstanding debt. It is hoped that this may reduce the level of BDP top up required at the end of 2024/25.

19.2. **Council Tax:** As at the 31st July 2024, there is outstanding debt of £173.7m, of which £122.6m relates to 2024/25, leaving £51.1m relating to 2023/24 or earlier. The level of BDP held for council tax debts is £34.7m.

19.3. **Business Rates:** As at the 31st July 2024, there is outstanding debt of £37.2m, of which £31.4m relates to 2024/25, leaving £5.8m relating to 2023/24 or earlier. The level of BDP held for business rates debts is £1.9m.

20. MTFS Update and 2025/26 Budget Setting

20.1. The MTFS approved by Mayor and Cabinet in July set out the need to make £20m of savings over the four year period. The agreed approach was to identify these in 2024/25 for implementation in 2025/26 and 2026/27. The MTFS was predicated on the assumption that any overspends in 2024/25 would be mitigated in full, and therefore no allowance for funding growth for current overspend pressures was allowed for.

20.2. In order to deliver this MTFS strategy, EMT undertook the process of engagement with services to both identify new budget savings initiatives and cost avoidance proposals to reduce the gross £31.5m overspend at that point.

20.3. This work has resulted in the identification of £11.6m of combined cost avoidance and early savings delivery proposals for 2024/25, as set out in section 5 above, as well as a further £3.6m of base budget reductions and £13.4m of cost avoidance measures for 2025/26 and 2026/27.

20.4. The process to bring these forward for scrutiny and Mayor and Cabinet approval (where appropriate) was set out in the MTFS report, and will ensure that the November scrutiny panels receive the relevant proposals before being tabled at PASC and M&C in November and December to enable their inclusion in the budget build process for 2025/26.

20.5. The summary of this is set out in the tables below.

Table 23: Summary of Cost Avoidance, Once Off and Base Budget Reductions

Savings (if 24/25 will be used to bring down the overspend)	Year 24/25 £000	Year 25/26 £000	Year 26/27 £000	Total Savings £000	Target £000	Under / (Over) Achievement
Chief Executive	96	80	0	176	1,000	824
Corporate Resources	49	1,016	40	1,105	3,000	1,895

Place	0	111	614	725	2,600	1,875
CYP	41	187	300	528	6,600	6,072
ASC & H	1,010	1,150	150	2,310	5,600	3,290
Housing	60			60	1,200	1,140
GF Total	**1,256**	**2,544**	**1,104**	**4,904**	**20,000**	**15,096**

Cost Avoidance (recurrent	**Year 24/25 £000**	**Year 25/26 £000**	**Year 26/27 £000**	**Total Cost Avoidance £000**	**Target £000**	**Under / (Over) Achievement £000**
Chief Executive	0	0	0	0	0	0
Corporate Resources	0	0	0	0	0	0
Place	0	0	0	0	3,500	3,500
CYP	200	2,220	3,000	5,420	12,000	6,580
ASC & H	2,500	3,000	0	5,500	6,000	500
Housing	5,613	2,404	2,786	10,803	10,000	(803)
GF Total	**8,313**	**7,624**	**5,786**	**21,723**	**31,500**	**9,777**

Cost Avoidance One Offs (not included in Period 3 monitoring position)	**Year 24/25 £000**	**Year 25/26 £000**	**Year 26/27 £000**
Chief Executive	142		
Corporate Resources			
Place			
CYP	1,100		
ASC & H	800		
Housing			
GF Total	**2,042**	**0**	**0**

20.6. However, the cumulative totals of £4.9m of savings and £21.7m of recurring cost avoidance measures fall short of the respective £20m and £31.5m targets. This will mean two things.

20.7. Firstly, the £9.8m shortfall of cost avoidance measures will need to be added to the remaining £15m savings target, meaning that in 2025/26 a further £24.8m of savings will need to be identified and implemented.

20.8. Secondly, the Council will need to use reserves to set the budget in 2025/26 to ensure adequate time for the additional saving identification, scrutiny and implementation process. This use of reserves will be in addition to the need to use reserves to fund the net overspend in 2024/25, currently forecast as £26.8m.

20.9. This position will be further informed by the Chancellors Budget on the 30 October and the Provisional Local Government Finance Settlement expected prior to Christmas, however Government has been clear that there is no new funding expected to be available.

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21. Financial implications

21.1. This report concerns the projected financial outturn for 2024/25. Therefore, any financial implications are contained within the body of the report.

22. Legal implications

22.1. The Council is under a duty to maintain a balanced budget. Pursuant to section 28 of the Local Government Act 2003, the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.

23. Risk Implications

23.1. This report concerns the projected financial outturn for 2024/25. Therefore, any risk implications are contained within the body of the report, specifically Section 12.

24. Equalities implications

24.1. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

24.2. There are no equalities implications directly arising from this report.

25. Climate change and environmental implications

25.1. There are no specific climate and environment implications directly arising from this report.

26. Crime and disorder implications

26.1. There are no specific crime and disorder implications directly arising from this report.

27. Health and wellbeing implications

27.1. There are no specific health and wellbeing implications directly arising from this report.

28. Background papers

28.1. Budget Report 2024/25 – Full Council 28 February 2024
[Lewisham Council - Agenda for Council on Wednesday, 28th February 2024, 7.30 pm]

28.2. 2023/24 Financial Outturn Report – Mayor & Cabinet 12 June 2024
[Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 12th June, 2024, 6.00 pm]

29. Report author(s) and contact

29.1. Nick Penny, Head of Service Finance, nick.penny@lewisham.gov.uk
29.2. Katharine Nidd, Director of Finance, katharine.nidd@lewisham.gov.uk

30. Appendices

30.1. [Type here, Arial size 12]

30.2. Please attach appendices as separate documents and list them below.

Appendix A – Savings to be delivered 2024/25
Appendix B – Cost Reduction Measures 2024/25
Appendix C- Key performance indicators
Appendix D – Scenario Planning

Appendix A: Savings to be delivered in 2024/25

Directorate:	Reference:	Title:	Saving Value £m	Status	On Track to Be delivered £m	At Risk £m	Finance Comment
CEX	CEX01	Lewisham Life Magazine	0.07		0.07		On Track
CEX	CEX02	Executive Support Team Post Removals	0.09		0.09		On Track
CEX	CEX04	Electoral Services Annual Canvass	0.00		0.00		On Track
CEX	CEX06	Electoral Services Electoral Phones In-House	0.04		0.04		On Track
CEX	CEX07	Information Security and Governance (GF)	0.04		0.04		On Track
CEX	CEX08	Mayor's Office Salary & Non-Salary	0.00		0.00		On Track
CEX	CEX09	Corporate Policy Team Staffing Reduction	0.07		0.07		On Track
CEX	CEX10	People & Org Development Vacant Posts	0.17		0.17		On Track
PRO	PLA06	One-Council Employment Support	0.08		0.08		On Track
COM	COM_SAV_02	Delegation of Care Plan Budgets to Operation Managers	0.30		0.30		On Track
COM	COM_SAV_04	ASC Empowering Lewisham	1.00		1.00		On Track

COM	COM11	Bereavement Services Fees and Charges	0.10		0.10		On Track
COM	COM01	ASC Homecare Efficiencies	0.32		0.32		On Track
COM	COM02	ASC Transitions	0.48		0.48		Saving is being delivered; however current demand outweighs the benefit. So further work required to embed longer term processes to bring down spend.
COM	COM03	ASC Care Home Reviews	0.20		0.20		On Track
COM	COM04	ASC Staffing Reorganisation	0.35		0.35		On Track
COM	COM05	ASC Section 117 Recharge	0.52		0.52		On Track
COM	COM06	ASC Arranging Care Fees & Charges	0.13		0.13		On Track
COM	COM10	Public Health NCDP	0.09		0.09		On Track
COR	D-14	Facilities Management	0.01		0.01		On Track

COR	COR01	Assurance Budget Adjustments	0.03		0.03		On Track
COR	COR02	Assurance Insurance Contracts	0.19		0.19		On Track
COR	COR03	Internal Audit Restructure	0.01		0.01		On Track
COR	COR04	Finance Structure Revisions	0.25		0.25		On Track
COR	COR06	IT & Digital STS	0.17		0.17		On Track
COR	COR07	IT & Digital Applications	0.05		0.05		On Track
CYP	CYP14	FQC Children's Centre Revenue	0.04		-	0.04	Further work required to deliver/evidence the savings delivery
CYP	CYP01	CSC Housing Benefit Claims	0.06		-	0.06	Further work required to deliver/evidence the savings delivery
CYP	CYP02	CSC Placement Payments Efficiency	0.14		-	0.14	Further work required to deliver/evidence the savings delivery
CYP	CYP03	CSC Building Residential Homes	0.31		0.31		On Track

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CYP	CYP04	CSC S17 & Placements	0.40		-	0.40	Further work required to deliver/evidence the savings delivery
CYP	CYP05	Primary Phase Commissioning Costs Management Action	0.03		0.03		On Track
CYP	CYP07	Lewisham Challenge Management Action	0.04		0.04		On Track
CYP	CYP09	Short Breaks Review	0.11		-	0.11	Further work required to deliver/evidence the savings delivery
CYP	CYP11	FQC Reduction in Business Support	0.07		-	0.07	Action required to deliver the saving
CYP	CYP16	SEND Travel Assistance	0.12		-	0.12	Further work required to deliver/evidence the savings delivery
CYP	CYP19	Early Years Block Grant Maximisation	0.02		0.02		On Track

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HOU	HRPR_SAV_01	Temporary Accommodation Cost Reduction	0.30		0.30		The work is being delivered however the benefit is outweighed by demand.
HOU	HSG02	Capitalisation of Housing Casework Officer to HRA	0.05		0.05		On Track
HOU	HSG03	TA Reduction Project	0.20		0.20		The work is being delivered however the benefit is outweighed by demand.
HOU	HSG04	Reduction of Property Negotiator Posts	0.11		0.11		On Track
HOU	HSG05	Cease Contribution to Capital Letters	0.05		0.05		On Track
PLA	D-10	Commercial Estate Review	0.10		0.10		On Track

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PLA	D-12	Asset Use Review and Regularisation	0.09		-	0.09	Work is in progress on this project but there is a significant risk that this target will not be met this year due to delays in implementing the project.
PLA	HRPR_INC_01	Additional Yellow Box Junction Enforcement & Moving Traffic Contravention by CCTV	0.30		0.30		On Track
PLA	HRPR_INC_06	Review of fees charged for Garages	0.07		0.07		On Track
PLA	HRPR_SAV_02	Road Safety Service Review	0.07		-	0.07	Saving will not be achieved until the infrastructure outside the schools are delivered of which will be 25/26
PLA	HRPR_INC_08	Housing Programme Commercial Units' Income Generation	0.08		0.08		On Track

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PLA	HRPR_SAV_03	Increased recharging of salary costs to capital	0.03		0.03		On Track
PLA	HRPR_SAV_05	Utilisation of UKSPF grant funding to reduce the general fund burden for the service.	0.01		0.01		On Track
PLA	PLA03	Fly-Tipping Fees and Charges	0.03		0.03		On Track
PLA	PLA04	Garage Portfolio Rental Charges Review	0.08		0.08		On Track
PLA	PLA07	Seasonal Street Cleansing	0.04		0.04		On Track
PLA	PLA01	Council Offices Rationalisation	0.06		-	0.06	Holbeach office not closing till 25/26
PLA	COM07	ALL GF Subsidy Reduction	0.10		0.10		On Track
PLA	COM08	Leisure Service Savings	0.13		0.13		On Track
Total			**7.97**		**6.82**	**1.15**	

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Appendix B: Cost Reduction Measures 2024/25:

REF	Service	Cost Reduction Title	2024/25	In P4 Position Amount	Not In P4 Position
			£m	£m	£m
CX03	Electoral	Various one off in Electoral Services	0.1	0.1	0.0
CX05	Executive Support	Underspend in Executive Support	0.1	0.1	0.0
H10	Housing Needs & Refugees	TA Cost Reduction	5.6	0.0	5.6
CYP01	CYP	Cost Reduction (once off)	1.1	1.1	0.0
CYP05	CSC & Families Quality Commissioning	Workforce Realignment	0.2	0.0	0.2
ASC09	Adult Social Care	One off release of PH grants	0.8	0.8	0.0
ASC10	Adult Social Care	Revised bad debt provision calculations	2.0	0.0	2.0

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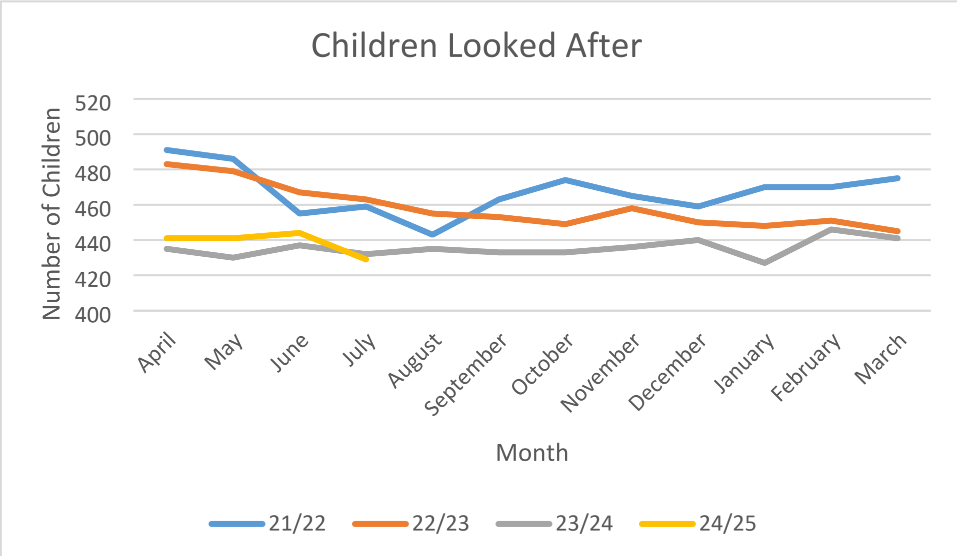
ASC11	Adult Social Care	Additional Section 117 ICB/SLAM recharge (treat as recurrent for now)	0.5	0.0	0.5
			10.4	**2.1**	**8.3**

Appendix C: Early Savings 2025/26 (delivered in 2024/25):

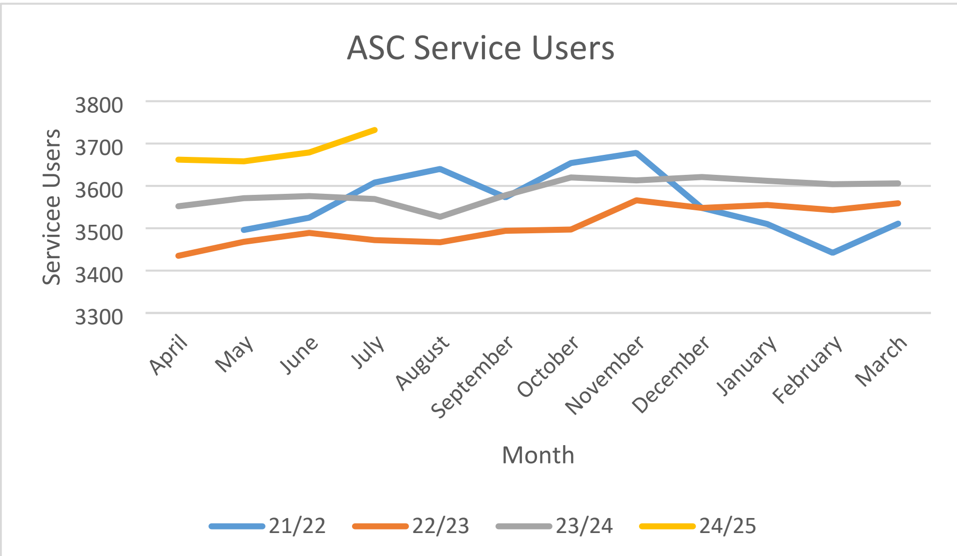
REF	Service	Early Saving	2024/25	In P4 Position Amount	Not In P4 Position
			£m	£m	£m
CX01	Resilience	Resilience Team Savings Proposal	0.01	0.01	0.0
CX04	Mayors	Transport - Mayor & Speaker	0.02	0.02	0.0
CX06	People & OD	People & OD Savings proposal	0.07	0.07	0.0
CR02	Facilities	Water temp checks	0.01	0.01	0.0
CR07	Passenger Services	Reduction in Hired Vehicles	0.04	0.04	0.0
H11	Housing Needs & Refugees	Deletion of a post	0.06	0.06	0.0
CYP02	Education	Review of Education Service Delivery	0.04	0.0	0.04

ASC01	Supported Housing, floating support, rough sleepers	Supported Housing, Floating Support	0.05	0.05	0.0
ASC02	Adult Integrated Commissioning	Integrated Community Equipment Services	0.06	0.06	0.0
ASC04	Adult Social Care	Additional savings from Care Home Reviews	0.60	0.0	0.60
ASC05	Adult Social Care	ECM savings	0.30	0.0	0.30
			1.3	**0.3**	**0.9**

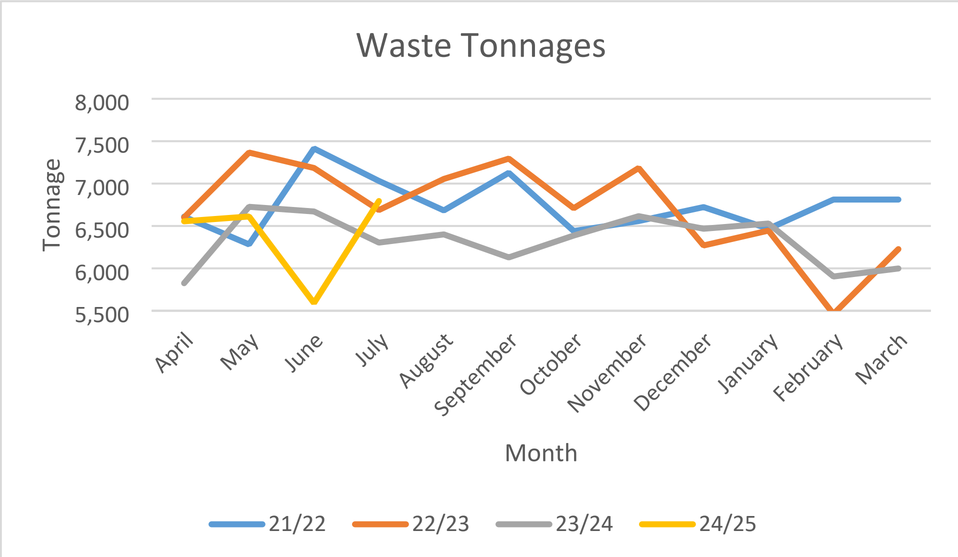
Appendix D: Key Performance Indicators



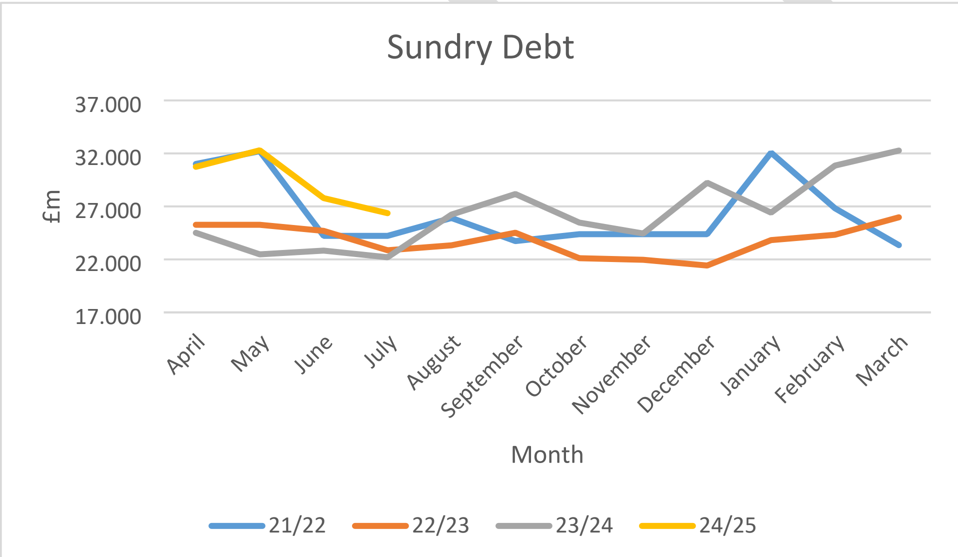
This graph shows the CLA's from 2021/22 onwards, this shows the trend that the number of CLA's supported by the service in 2023/24 and 2024/25 to date. The source document is the monthly performance report.



This graph shows the number of adults supported from 21/22 onwards. The source document is the Controcc System. People supported has increased by c2% year on between 22/23 and 24/25.



This graph shows the wasted in tonnages from 21/22 onwards. The source document is a monthly SELCHP Waste Delivery File from Veolia.



This graph shows the level of sundry debt from 21/22 onwards, the source document is the debt file produced from the oracle financial system.

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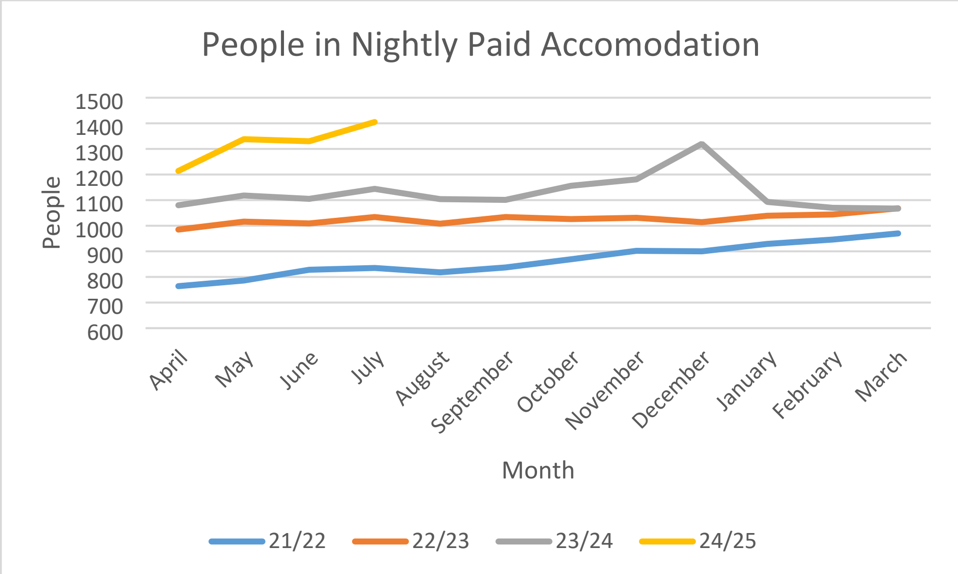
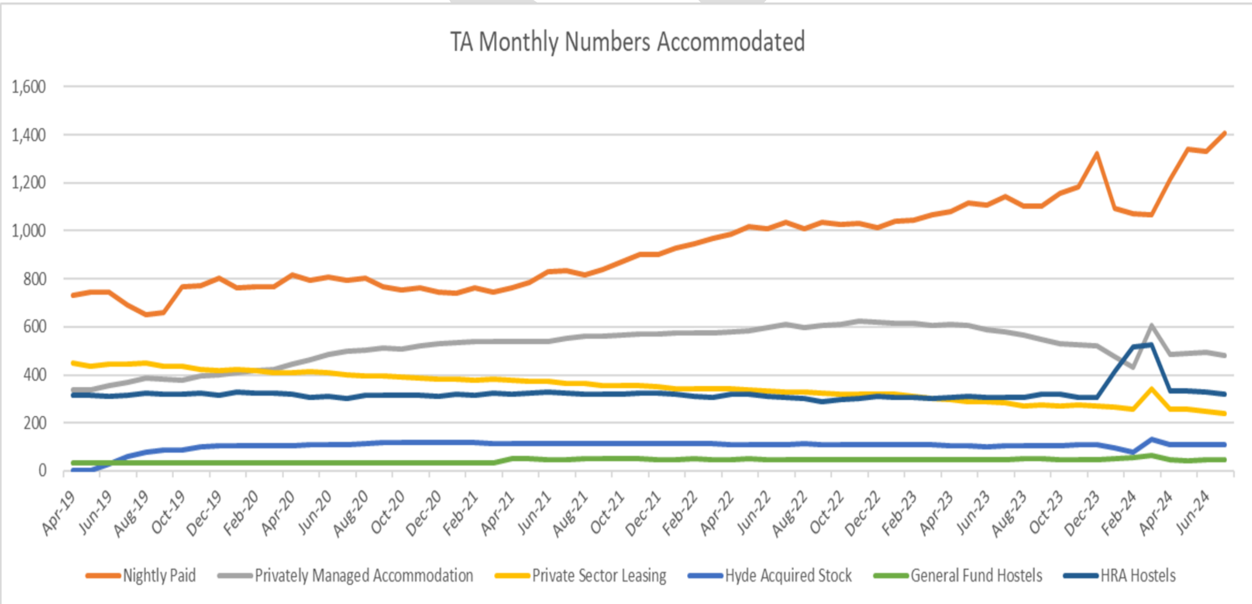


This graph shows the number of people in nightly paid accommodation from 21/22 onwards, the level has increased from 786 in April 2021 to a high of 1,186 in November 2023. The data is sourced from the academy system.



TA numbers broken down by accommodation type. The data is sourced from the academy system.

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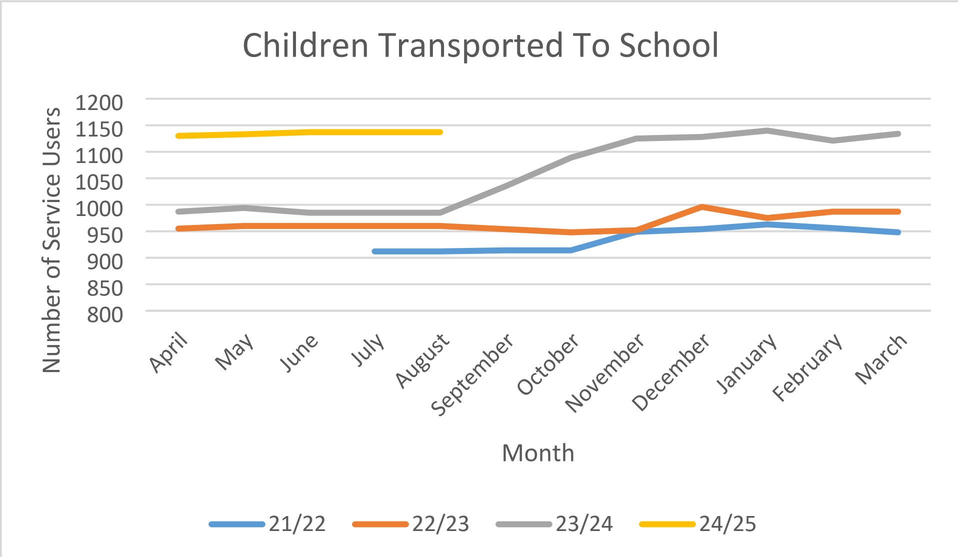

This graph shows the number of children transported from home to school, the number of EHCP's continues to increase and approx. 1/3rd of children who have an EHCP require a transport package. The data source is Route wise.

Appendix E: scenario planning – these builds upon Section 12 within the report

Scenario	Assumption	2023/24 Budget £m	Impact £'m
Pay award	3.5% pay award was budgeted for as part of budget setting 24/25. A pay award 1% above the this would have a financial impact of £1.6m	5.8	1.6
Net non-pay inflation	4% non-pay inflation was budgeted for as part of budget setting 24/25, We have already seen an impact of £4m over and above this in ASC which is included within the reported position.	4.4	0
Inflationary Pressure on ASC	Inflation requests are significantly higher than the budgeted amount, £4m pressure in the monitor but there is a risk this could be higher.	89	1
Average Children Looked After cost in CSC increasing	Currently additional demand costs of £5m have been modelled for 2024/25, based on 10 children costing £10k per week, for every child over and above this the financial impact would be £0.5m	41	0.5

Increase in Nightly Paid Service Users	Numbers have continued to increase since the budget was set for 24/25. Other contributary factors included lengths of stay increasing as well as rents increasing. A £15m pressure is reported based on 15% growth between now and the end of the financial year, if the growth is 20% (as it was in 22/23) then there would be a £1.2m further pressure.	12.1	1.2
High Needs Block deficit becomes a general fund pressure (currently ringfenced to the Dedicated Schools Grant).	The current deficit is £15.4m, with a further £2.4m deficit reported. There is a risk the DSG override may be removed in April 26 as per the current legislation.	291	0
Schools Academisation	There is a risk of schools moving to academies	0	TBC