

MAYOR & CABINET		
Report Title	Financial forecasts for 2012/13	
Key decision	No	Item No.
Ward	N/A	
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES & REGENERATION	
Class	Part 1	Date: 10 April 2013

1 Summary of the Report

1.1 This report sets out the financial forecasts for 2012/13 as at 31 January 2013. The key areas to note are as follows:

- An increased underspend of £2.9m against the directorates' net general fund revenue budget is now forecast, up from the £2.6m forecast last month.
- As at 31 January 2013 council tax collection had fallen back to the level achieved at this time last year. Current indications are therefore that overall performance will remain as last year. However, there have been significant – and difficult to explain – monthly variations in the collection rate for the year to date, and further significant fluctuations cannot be ruled out.
- Forecast outturn expenditure on the capital programme has decreased by £0.3m since last month and is now £124.0m against the revised budget of £143.8m. Expenditure in January was £8.8m, £3m higher than in December, but this will need to be increased to an average of £22m in each of the remaining 2 months if the current forecast is to be delivered.

Other key messages are that:

- The Housing Revenue Account (HRA) is projecting a surplus of £0.3m.
- The Dedicated Schools Grant (DSG) is forecast to be spent to budget.
- 97% of the £16.6m savings agreed in setting the 2012/13 budget are forecast to be delivered on schedule.
- Business rates collection is 2.5% higher than the same period last year and the target of 98.5% for the year should be achieved.

2 Purpose of the Report

2.1 To set out the financial forecasts for 2012/13.

3 Recommendation

3.1 To note the financial forecasts for the year ending 31 March 2013.

4 Policy Context

- 4.1 Reporting financial results in a clear and meaningful format contributes directly to the Council's tenth corporate priority: inspiring efficiency, effectiveness and equity.

5 Overall directorate outturn

- 5.1 The forecasts against the directorates' general fund revenue budgets are shown in the table below. Expenditure controls through Directorate Expenditure Panels (DEPs) remain in place. This tight control helped to deliver an underspend in 2011/12.
- 5.2 The forecast underspend has improved by a further £0.3m. There is no single or even principal cause for this; it merely reflects the aggregation of a series of minor improvements across each directorate in the forecast results for the year.

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
CYP (1)	104,217	(39,006)	65,212	(992)
Community Services	164,584	(50,367)	114,217	(1,221)
Customer Services (2)	93,760	(61,763)	31,996	772
Resources & Regeneration	62,830	(14,891)	47,939	(1,507)
Directorate total	425,391	(166,027)	259,364	(2,948)
Corporate items			9,146	
Budget requirement			268,510	

(1) – gross figures exclude £252m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude £250m matching income and expenditure for housing benefits

- 5.3 The table below sets out the proportion of agreed savings delivered in the year. Any variances are included in the overall forecasts shown in the table above.

Directorate	Savings agreed for 2012/13	Forecast delivery	Variance	
	£'000	£'000	£'000	%
CYP	4,394	4,394	0	0
Community Services	4,610	4,610	0	0
Customer Services	3,528	3,128	400	11.3
Resources & Regeneration	2,954	2,954	0	0
Fees & Charges	1,068	977	91	8.5
Total	16,554	16,063	491	3.0

- 5.4 In September concerns were highlighted that financial regulations were not consistently being followed as purchase orders were being raised after the date of the relevant invoices. Despite these concerns being raised and training offered the problem persists and individual cases from now on are proposed to be escalated and treated as appropriate.

6 Children and Young People's Services

6.1 The underspend has remained at £1.0m.

CYP division	Gross expenditure	Govt grants	Other income	Net budget	Forecast over / (under) spend
	£'000	£'000	£'000	£'000	£'000
Children's Social Care	48,050	(1,059)	(733)	46,258	127
Standards and Achievements	4,991	(554)	(1,889)	2,548	(57)
School Infrastructure	2,120	0	(15)	2,105	(76)
Commissioning, Strategy & Performance	3,753	(910)	(342)	2,501	(126)
Access & Support	15,346	(219)	(3,713)	11,414	(553)
Resources	29,957	(14,508)	(13,738)	1,711	(307)
Schools	0	0	(1,326)	(1,326)	0
Total	104,217	(17,250)	(21,756)	65,211	(992)

- 6.2 The main budget pressure is £0.4m, in respect of the placements for Looked after Children (LAC). This is net of planned management action to move placements towards lower cost areas such as fostering, where this is appropriate to the needs of the child. There were 490 placements as at 31 January, as against 481 as at 31 December 2013 and 491 at 31 March 2012. There are currently more cases of families with no recourse to public funds who need support and this is expected to cost £0.4m.
- 6.3 It is expected that this pressure can be offset by reducing staffing costs by £0.3m over the year through grant substitution and reduction in the number of agency staff and savings of £0.4m on supplies and services budgets including short breaks.
- 6.4 Other services within the directorate operate complex budgets which are nonetheless lower risk than for children's social care. General underspends of £1.1m are expected to be delivered within the Resources area (£0.3m) and the Youth service (£0.4m), the children centre contract delay (£0.3m) and through continued application of the DEP process and other controls in order to offset the pressures on the placement budget and enable the directorate to forecast an underspend of £1.0m.
- 6.5 As part of the youth remand reforms all children remanded in custody will be granted looked-after status affording them a number of additional rights. Children will be entitled to care planning while in custody and if they spend 13 weeks or more on remand, they are entitled to care leaver support encompassing entitlement to financial support and accommodation. Leaving care entitlement may be until the age of 21 or possibly 25.
- 6.6 It is difficult to estimate the likely number of young people who will be affected by these changes and the cost of support will vary. However, based on current full year data available (2011/12), it indicated approximately 22 young people being entitled, equating to 11 full time equivalents. The costs for young people leaving care are on average £750 per week. It was originally estimate that the reforms would cost £429k. It appears from the numbers currently coming through that more children will become looked after and the cost is likely to be higher at £800k.

6.7 Support for families with children who have no recourse to public funds is become an increasing pressure. Currently there are 50 cases this year. In the past some of these cases would have been regarded as Asylum Seekers and we would have been entitled to government grant to cover the cost but fewer people are now regarded as such by the Home Office. This is creating a budget pressure of £400k.

7 Community Services

7.1 The forecast underspend for the year is £1.2m, increased from the £1.1m underspend forecast last month.

Community Services division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/ (under) spend
	£'000	£'000	£'000	£'000
Cultural Services	16,584	(7,232)	9,352	473
Adult Services	110,525	(34,284)	76,241	(525)
Community & Neighbourhood Development	8,501	(325)	8,176	(618)
Crime Reduction & Supporting People	26,687	(7,081)	19,607	(1,105)
Strategy & Performance	2,286	(112)	2,175	(137)
Community Reserves	0	(1,334)	(1,334)	691
Total	164,584	(50,367)	114,217	(1,221)

7.2 The forecast overspend in cultural services of £0.5m reflects the following pressures:

- £0.2m representing the difference between the cost of the new leisure contract and the budget in the current year (this will reduce next year as the contract value falls).
- Additional pressures due to R&M and other works to leisure centres of around £0.1m.
- Costs of Deptford Lounge exceeding the allocated budget by £0.2m. This is due to costs incurred in 2011/12 not being charged to the Directorate's budget until the current financial year and to confirmation that the Council will retain responsibility for payment of business rates.

7.3 There are other minor underspends of £0.1m on the CEL budget, and some other minor pressures throughout the division.

7.4 Adult Social Care is still forecast to underspend by £0.5m, after taking into account health funding of £2.0m. This funding is expected at least until 2014/15 and will increase next year. Within the service there are some forecast under and over spends as set out below.

7.5 The balance of purchased provision for older people has shifted somewhat during the year from residential/nursing to home-based provision, in line with the policy intention. At the start of the year home care/direct payments represented 40.4% of total cost; by February this had increased to 41.9%, or in cash terms a shift of £360k. Within Assessment & Support Planning the overspend on home care budgets has increased following the annual price increase and the service is now projecting a £0.2m overspend. There has been a small reduction for younger adults, for whom care at home as a proportion of all care has dropped from 56.1% to 55.8% this year and there are overspends totalling £0.3m on

placement budgets for younger adults services within safeguarding, quality and risk.

- 7.6 However the modernisation budget is now projected to underspend by £0.6m. This will not recur in 2013/14 because a £0.5m saving on this budget has been agreed.
- 7.7 Mental health budgets are forecast to be £0.1m overspent with pressures on salaries, residential care and supported accommodation. Action to contain these pressures has included reducing the number of residential service users from 89 as at 31 March 2012 to 76 as at 31 January 2012 (no change from December).
- 7.8 Following a review of projections for new placements in the remainder of the financial year budgets for learning disability are now projected to underspend by £0.1m (a further improvement on the position projected at December). The staffing savings in day opportunities have remained at £0.5m; these budgets are the subject of savings in 2013/14.
- 7.9 The Community & Neighbourhood Development budget is forecast to be underspent by £0.6m. This reflects a £0.5m underspend forecast on the voluntary sector grants budget is mainly due to further slippage in allocation of the Community Sector Investment Fund element of the budget. The division now forecasts that £0.6m of planned expenditure will take place in 2012/13 with the balance of £1.9m in 2013/14 (previously the forecast split was £1.1m and £1.4m). The increase in back loading of this budget leaves little room for further slippage if the policy objectives are to be achieved.
- 7.10 There are other minor offsetting over and under spends forecast across the division on Local Assemblies, Events and Community Centres.
- 7.11 Crime Reduction & Supporting People is projecting an underspend of £1.1m. Savings for 2013/14 of £0.7m and £0.2m respectively within supporting people and the drugs & alcohol service have been delivered early, leading to an equivalent one-off underspend in 2012/13.
- 7.12 The Youth Offending Service is under spending by £0.1m as fewer than expected secure remand placements have been required for the current year. From April 2013 significant changes will be introduced to local authorities' responsibilities for this service and to the way that it is funded. Permission will be sought to carry the current year underspend forward to address any pressures in the new financial year. This carry forward has been assumed in this report but is subject to usual year end consideration.

8 Customer Services

- 8.1 As at 31 January 2013 an overspend of £0.8m was forecast, a £0.1m improvement on last month's projection.
- 8.2 However, due to a contract dispute a significant proportion of £1.1m budgeted income from recyclables is at risk. Senior council officers are strongly defending the council's position, but unless the dispute is resolved satisfactorily there is a risk that the forecast will worsen substantially as a result.

Customer Services division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
Strategic Housing and Regulatory services	11,676	(7,287)	4,389	0
Environment	42,259	(20,824)	21,434	324
Public Services *	38,054	(33,412)	4,642	503
Strategy & Performance	1,771	(240)	1,531	(55)
Total	93,760	(61,763)	31,996	772

* - excludes £250m of matching income and expenditure in respect of housing benefits

- 8.3 The Strategic Housing and Regulatory Services division anticipates being able to contain expenditure within budget. The cost of bed and breakfast provision remains at £0.2m above budget, as unit costs in some cases are still above the allowable housing benefit rates. Within PSL there is an overspend of £0.1m, where void rates are significantly above budget thus reducing income and increasing turnaround costs. Slippage in the Milford Towers Project has resulted in an income shortfall of £0.1m.
- 8.4 Minor salary and other incidental underspends within the housing division offset the above by £0.1m. Similarly, but to a slightly greater degree, incidental underspends and additional income within business regulatory and other services have been achieved in order to be able to project an overall forecast on budget.
- 8.5 The Environment division is projecting an overspend of £0.3m, an improved position by £0.1m. As previously reported the main overspends are:
- £0.2m on staffing costs within the street management division, reduced from £0.3m last month
 - £0.2m on SELCHP fees for waste disposal
 - £0.1m of income shortfalls within the Green Scene budgets, principally relating to Beckenham Place Park and pest control
 - Partially offset by minor underspends aggregated to £0.2m across trading standards, and vehicle replacement contributions.
- 8.6 Within Public Services there are, as previously reported, overspends of £0.5m against the cost of providing parking enforcement services, principally as a result of the previous decision to defer the contract re-letting. Income, including relevant offsets for collection costs etc is on budget.
- 8.7 There are staffing underspends in aggregate of £0.1m in strategy and performance.

9 Resources and Regeneration

- 9.1 The forecast underspend is £1.5m, an increase of £0.1m since last month.

Service Area	Gross Inc	Gross Exp	Net Budget	Forecast Variance
	£000's	£000's	£000's	£000's
Audit & Risk	(2,383)	5,529	3,146	(128)
Corporate Policy & Governance	(77)	3,234	3,157	(230)
Finance	(1,168)	6,736	5,568	(510)
Executive Office	0	345	345	(90)
Personnel & Development	(283)	3,842	3,559	(247)
Legal Services	(408)	2,940	2,532	(21)
Strategy	(409)	3,243	2,834	(128)
IMT	(1,272)	9,737	8,465	175
Planning & Economic Development	(1,661)	3,957	2,296	80
Regeneration & Asset Management	(5,175)	22,728	17,553	(515)
Performance & Strategy	(61)	539	478	(90)
Controllable Total Before Reserve Transfers	(12,897)	62,830	49,933	(1,704)
Transfers To/From Reserves	(1,994)	0	(1,994)	197
Controllable Totals After Reserve Transfers	(14,891)	62,830	47,939	(1,507)

- 9.2 Most divisions are forecasting underspends; in five out of 11 cases these exceed £0.1m. These have been achieved through a combination of delivering planned savings early, tight cost control for miscellaneous expenditure items and in some cases taking advantage of opportunities such as in insurance renewals. These underspends are typically either one-off in nature or have been built into future budget proposals. There are also underspends against corporate and adult social care learning and development budgets held within the Personnel & Development division.
- 9.3 The only significant overspend (£0.2m) is in the IMT division. Despite tight controls over printing costs existing contractual obligations mean that it will not be possible to eliminate this overspend during 2012/13, although it has been managed downwards substantially during the year.
- 9.4 As previously reported, spending pressures and risks highlighted earlier in the year within the Regeneration & Asset Management division have been eliminated by creating efficiencies on the highways revenue budget and because of lower than expected street lighting costs including clienting. In addition payments to the street lighting contractor that have been withheld due to under performance have been retained within the sinking fund. However, there are continued pressures against the repairs and maintenance and energy cost budgets.

10 Corporate Provisions

- 10.1 The Corporate financial provisions include working balances, capital expenditure charged to the revenue account (CERA) and interest on revenue balances. Overall, the budget monitoring to date indicates that the corporate financial provisions are not expected to overspend. The certainty on the outturn of these provisions will only become more apparent as we approach the year-end close down position in March 2013.

11 Dedicated Schools' Grant

- 11.1 The Dedicated Schools' Grant (DSG) for 2012/13 was finally determined at £235.0m. The only change since then has been an increase to the pupil

premium. At the start of the year it stood at £600 for each pupil who has had an entitlement to a free school meal in the past six years. It now stands at £623 per pupil.

11.2 The Dedicated Schools' Grant budget is as follows

	Gross Expenditure	Govt Grants	Other Income	Internal Income	Net Budget
	£'000	£'000	£'000	£'000	£'000
Individual Schools Budget	208,286	(208,286)	0	0	0
Central expenditure on education of children under 5s	6,666	0	0	(112)	6,554
Provision for pupils with SEN (including assigned resources)	13,580	(696)	(1,204)	(2)	11,678
Education out of school	7,329	0	(29)	(1,082)	6,218
Capital Expenditure from Revenue (CERA) (Schools)	3,879	0	0	0	3,879
School(specific contingencies	4,595	(36,617)	0	0	(32,022)
Other	2,476	0	(14)	(95)	2,367
Academy Recoupment	6,064	(6,064)	0	0	0
Total	252,875	(251,663)	(1,247)	(1,291)	(1,326)

11.3 The grant is expected to balance at the end of the financial year.

11.4 The main spending pressures arise from writing off the deficit at Crossways Sixth Form college following its proposed closure and the merger costs of Pendragon and Meadowgate special schools to form a new special school called Drumbeat. These costs can be covered by the use of the contingency.

12. Housing Revenue Account

12.1 The Housing Revenue Account is projecting a surplus of £0.3m compared to £0.5m reported in December (and £0.7m in November). The table below sets out the variance by service.

	Gross expenditure budget	Gross income budget	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
Customer Services – Housing	10,815	(2,045)	(8,770)	281
Lewisham Homes managed budgets	36,774	(33)	36,741	0
Resources	1,766	(0)	1,766	0
Centrally Managed Budgets	89,255	(130,532)	(47,277)	(585)
Total	138,610	(138,610)	0	(304)

12.2 Cost of the New Build Programme of £0.3m are shown within Customer Services Housing. These can be managed within the overall projected surplus in the HRA for the year.

12.3 The underspend shown under centrally managed budgets mainly relates to an increase in tenants rental and service charge income of £0.5m. This is as a result of lower than anticipated void rates of 1.8%, compared to a budgeted rate of 2%. Additional income arising from slower progress in decanting arrangements in respect of regeneration schemes account for the balance of the projected underspend.

13. Collection Fund

- 13.1 As at 31 January 2013, £81.7m of Council Tax had been collected, 83.44% of the total amount due for the year of £98.0m. This compares to a year to date collection rate of 83.37% collection as at the same time last year. It is 0.9% lower than the profiled collection rate of 84.34% if the overall target for the year of 95.5% is to be met.
- 13.2 Essentially, then, collection is flat against last year's achievements. Assuming that collection rates in other boroughs are not worsening this will mean that performance remains lower quartile for London and below average for inner London.
- 13.3 Business rates collection is at 96.15%, an increase of 2.5% compared to the same period last year. For the previous five consecutive months performance had been substantially above the interim results at the same point last year. The percentage improvement this month is very slightly higher than last month's of 2.45%. The target collection rate for the year is 98.5%, which should be achieved if not surpassed.

14. Capital Expenditure

- 14.1 The table below shows the latest forecast position for 2012/13. Forecast outturn expenditure has decreased by £0.3m since last month and is now £124.0m against the revised budget of £143.8m.
- 14.2 Capital expenditure in January was £8.8m, compared to £5.8m in December.

	2012/13 Original Budget	2012/13 Revised Budget	2012/13 Forecast Outturn	Spend to 31 Dec 12	Spend to 31 Jan 13	%age of Forecast spent to date
	£m	£m	£m	£m	£m	%
Community Services	3.8	3.8	3.4	1.9	2.0	59
Resources & Regeneration	20.5	18.2	18.0	7.2	8.7	48
BSF	35.8	35.8	21.3	9.0	12.2	58
CYP - Other	30.4	31.6	27.2	23.8	26.1	95
Customer Services	3.7	0.8	0.5	0.3	0.3	60
Housing (Gen Fund)	12.6	11.5	10.4	4.2	4.5	43
Total General Fund	106.8	101.7	80.8	46.4	53.8	67
Lewisham Homes	42.1	42.1	43.2	24.5	25.9	60
Total Expenditure	148.9	143.8	124.0	70.9	79.7	64

- 14.3 The table below summarises the accelerated spending that is needed to ensure that the latest forecast outturn is met.

Directorate	Spend in January	Further spend needed this year to meet forecast	Amount needed to be spent per month	Ratio of January spend needed to achieve forecast outturn
	£m	£m	£m	
Community Services	0.1	1.4	0.7	7
Resources & Regeneration	1.5	9.3	4.7	3.1
BSF	3.2	9.1	4.6	1.4
CYP - Other	2.3	1.1	0.6	0.3
Customer Services	0.0	0.2	0.1	1.0
Housing (General Fund)	0.3	5.9	3.0	10
Total General Fund	7.4	27.0	13.5	1.8
Lewisham Homes	1.8	17.3	8.6	4.8
Total Expenditure	8.8	44.3	22.2	2.5

14.4 The Revised Budgets remain unchanged from last month.

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Revised Budgets	£m	£m	£m	£m	£m	£m
Community Services	3.8	1.7	0.5	0.4	0.4	6.8
Resources & Regeneration	18.2	7.7	3.1	3.0	3.0	35.0
BSF	35.8	15.6	4.9	0	0	56.3
CYP - Other	31.6	4.5	1.2	1.2	1.2	39.7
Customer Services	0.8	1.0	0	0	0	1.8
Housing (General Fund)	11.5	9.7	3.9	2.1	2.4	29.6
Total General Fund	101.7	40.2	13.6	6.7	7.0	169.2
HRA	42.1	51.0	52.1	53.3	54.4	252.9
Total Expenditure	143.8	91.2	65.7	60.0	61.4	422.1
Resources	143.8	91.2	65.7	60.0	61.4	422.1
(Over) / Under Programming	0	0	0	0	0	0

15 Treasury Management

- 15.1 With continued concerns about the stability of the banking sector the Council's chosen treasury management strategy is highly risk averse. The counterparty list is based on industry analysis and is narrow in that it excludes the lowest credit rated counterparties but includes the part nationalised banks. As at the end of January 2013 the balance stood at £267m, a third of which is placed in 'term investments' with nationalised and part nationalised institutions. The performance of our internally managed funds remains on target to at least perform in line with the Council's established benchmark for 2012/13, despite historically low rates of interest.

16 Financial Implications

- 16.1 This report concerns the financial forecasts for the 2012/13 financial year. However, there are no direct financial implications in noting these.

17 Legal Implications

- 17.1 The Council must act prudently in relation to the stewardship of Council taxpayers funds. The Council must set and maintain a balanced budget.

18 Crime and Disorder Act Implications

- 18.1 There are no crime and disorder implications relevant to this report.

19 Equalities Implications

- 19.1 There are no equalities implications relevant to this report.

20 Environmental Implications

- 20.1 There are no environmental implications relevant to this report.

21 Conclusion

- 21.1 The forecast underspend last month of £2.6m has increased to an underspend of £2.9m.
- 21.2 The key risks in the last two months of the year are delivery of the capital programme, control of purchase orders and council tax collection.

BACKGROUND PAPERS AND APPENDICES

None

If there are any queries on this report, please contact Conrad Hall, Head of Business Management and Service Support Ext. 48379.