

| <b>MAYOR &amp; CABINET</b> |   |                 |              |
|----------------------------|---|-----------------|--------------|
| <b>REPORT TITLE</b>        | Financial Outturn 2013/14                         |                 |              |
| <b>KEY DECISION</b>        | No  | <b>Item No.</b> |              |
| <b>WARD</b>                | N/A   |                 |              |
| <b>CONTRIBUTORS</b>        | Executive Director for Resources and Regeneration |                 |              |
| <b>CLASS</b>               | Part 1  | <b>Date</b>     | 25 June 2014 |

## **1. EXECUTIVE SUMMARY**

1.1 This report sets out the financial results for 2013/14. The key areas to note are as follows:

- The directorates' net General Fund revenue budget was underspent by £1.8m.
- The Dedicated Schools' Grant (DSG) of £250.4m was spent to budget.
- The Housing Revenue Account (HRA) was spent to budget.
- Council Tax collection for the year was 94.8%. This was a slight improvement on last year and above the 'in year' key performance target of 94.5%.
- Capital expenditure for the year was £114.4m. This represents 96% of the revised forecasted year-end expenditure budget of £119.8m.
- A total of 95% of the £20.9m savings agreed in setting the 2013/14 budget were delivered on schedule.
- Business Rates collection was 99.0% against a target for the year of 98.5%.

## **2. PURPOSE**

2.1 To set out the Council's financial results for 2013/14.

## **3. RECOMMENDATION**

3.1 The Mayor is asked note the financial results for the year ending 31 March 2014.

## **4. POLICY CONTEXT**

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

## 5. OVERALL DIRECTORATE OUTTURN

- 5.1 The overall net General Fund underspend against the directorates' net controllable budgets was £1.8m, as set out in Table 1.

**Table 1 – Directorates Financial Results for 2013/14**

| Directorate               | Gross budgeted spend | Gross budgeted (income) | Net budget   | Final Outturn | Over / (Under) Spend | Variance      |
|---------------------------|----------------------|-------------------------|--------------|---------------|----------------------|---------------|
|                           | £m                   | £m                      | £m           | £m            | £m                   | %             |
| Children & Young People 1 | 79.6                 | (20.4)                  | 59.2         | 63.3          | 4.1                  | 6.5%          |
| Community Services        | 179.2                | (60.8)                  | 118.4        | 113.3         | (5.1)                | (4.5%)        |
| Customer Services 2       | 78.4                 | (46.1)                  | 32.3         | 33.9          | 1.6                  | 4.7%          |
| Resources & Regeneration  | 59.7                 | (13.2)                  | 46.5         | 44.1          | (2.4)                | (5.4%)        |
| <b>Directorate Total</b>  | <b>396.9</b>         | <b>(140.5)</b>          | <b>256.4</b> | <b>254.6</b>  | <b>(1.8)</b>         | <b>(0.7%)</b> |
| <b>Corporate Items</b>    |                      |                         | <b>28.2</b>  |               |                      |               |
| <b>Budget Requirement</b> |                      |                         | <b>284.6</b> |               |                      |               |

1. Gross figures exclude £250.4m Dedicated Schools' Grant (DGS) expenditure and matching grant income.
2. Gross figures exclude £225.0m matching income and expenditure for housing benefits. This figure is lower than last year due to the implementation of the Council Tax Reduction Scheme (CTRS), an effect of which is to replace benefits paid out with discounts at source.

- 5.2 Table 2 sets out the proportion of the agreed revenue budget savings which have been delivered in the year. Any variances have been reflected in the overall net General Fund position which has been set out in Table 1 above.

**Table 2 – Savings delivered for 2013/14**

| Directorate              | Savings agreed for 2013/14 | Saving delivered | Variance   |            |
|--------------------------|----------------------------|------------------|------------|------------|
|                          | £m                         | £m               | £m         | %          |
| Children & Young People  | 6.5                        | 6.5              | 0.0        | 0.0        |
| Community Services       | 6.9                        | 6.4              | 0.5        | 7.0        |
| Customer Services        | 2.4                        | 2.2              | 0.2        | 8.0        |
| Resources & Regeneration | 5.1                        | 4.7              | 0.4        | 8.0        |
| <b>Total</b>             | <b>20.9</b>                | <b>19.8</b>      | <b>1.1</b> | <b>5.0</b> |

- 5.3 The year end variances reported for Community Services represents the proposed saving from the reablement service. The shortfalls in Customer Services relates to the introduction of cashless parking payments. This will materialise over the life of the new contract, but not in the first year of operation. The shortfall for Resources and Regeneration mainly relates to staffing re-organisations which have been paused to come into line with the implementation of the Oracle Financials R12 upgrade. The delivery of these savings are now being progressed.

## 6. CHILDREN & YOUNG PEOPLE

- 6.1 The directorate overspent by £4.1m. This was generally in line with the forecasts being reported during the year and the overall position for the directorate has been set out in Table 3.

**Table 3 – Children & Young People’s Services**

| Directorate                               | Gross budgeted spend | Govt Grants  | Other Income  | Net budget  | Final Outturn | Over / (Under) Spend |
|---|----------------------|--------------|---------------|-------------|---------------|----------------------|
|   | £m                   | £m           | £m            | £m          | £m            | £m                   |
| Children's Social Care services           | 49.5                 | (1.9)        | (0.6)         | 47.0        | 53.0          | 6.0                  |
| Resources & Performance                   | 8.2                  | 0.0          | (11.0)        | (2.8)       | (4.0)         | (1.2)                |
| Standards & Achievement                   | 5.3                  | (0.2)        | (2.1)         | 3.0         | 2.7           | (0.3)                |
| Education Infrastructure                  | 1.5                  | 0.0          | 0.0           | 1.5         | 1.5           | 0                    |
| Targeted Services and Joint Commissioning | 15.1                 | (1.1)        | (2.2)         | 11.8        | 11.4          | (0.4)                |
| Schools                                   | 0                    | 0.0          | (1.3)         | (1.3)       | (1.3)         | 0                    |
| <b>Directorate Total</b>                  | <b>79.6</b>          | <b>(3.2)</b> | <b>(17.2)</b> | <b>59.2</b> | <b>63.3</b>   | <b>4.1</b>           |

- 6.2 The overspend of £6m within children’s social care services was mainly in respect of the costs of clients with ‘no recourse to public funds’ and the placements for Looked After Children (LAC).
- 6.3 The clients with ‘no recourse to public funds’, including bed and breakfast accommodation and Section 17 payments had created a cost pressure of some £4.6m for the year. These are families who have made an application to remain in the country and are waiting to be dealt with by the Home Office. The number of cases at the end of the year was just over 200.
- 6.4 For the LAC service, the year end overspend of £1.4m is the net of management action to move placements towards lower cost areas such as fostering and less residential packages, where this was deemed appropriate to the needs of the child. The placement numbers for LAC have increased from 491 at the start of the year to 508 at the end. The social care management team have reviewed placements weekly throughout the year to ensure that care packages have provided value for money and met the desired outcome.
- 6.5 The increase in the number of clients with ‘no recourse to public funds’, bed & breakfast accommodation and Section 17 payments is significant. In the past, some of these cases would have been regarded as asylum seekers and the Council would have been entitled to receive grant funding. However, fewer people are now regarded as such by the Home Office and hence there are no asylum seekers being funded.
- 6.6 There were other pressures which arose in the leaving care service of £1.1m, due to the increase in the number of young people requiring support and national changes in housing benefit. Client numbers at the start of the year were 53 and this increased to 117 by the year end.

- 6.7 There were a number of other net underspends in children's social care services which totalled £1.1m and mainly relate to staff vacancies and savings in supplies and services through the operation of the directorate expenditure panel.
- 6.8 All the other divisions in the directorate either spent to budget or underspent overall. For resources and performance, the underspend of £1.2m was mainly due to staff vacancies and use of the unallocated contingency. For standards and achievements, the underspend of £0.3m again relate to staff vacancies in the main and the early delivery of future agreed savings. The underspend for targeted services and joint commissioning of £0.4m has been delivered through improved commissioning arrangements, staff vacancies and savings on supplies and services.

## 7. COMMUNITY SERVICES

- 7.1 The directorate underspent by £5.1m. This was generally in line with the forecasts being reported during the year and the overall position for the directorate has been set out in Table 4.

**Table 4 – Community Services**

| Directorate                           | Gross budgeted spend | Gross budgeted income | Net budget   | Final Outturn | Variance     |
|---------------------------------------|----------------------|-----------------------|--------------|---------------|--------------|
|                                       | £m                   | £m                    | £m           | £m            | £m           |
| Culture and Community Development     | 24.4                 | (7.5)                 | 17.0         | 16.6          | (0.4)        |
| Adult Services                        | 112.2                | (30.9)                | 81.3         | 79.2          | (2.1)        |
| Public Health                         | 14.6                 | (14.6)                | 0.0          | (0.5)         | (0.5)        |
| Crime Reduction and Supporting People | 25.7                 | (7.6)                 | 18.0         | 16.6          | (1.4)        |
| Strategy & Performance                | 2.3                  | (0.2)                 | 2.1          | 1.8           | (0.3)        |
| Community Reserves                    | 0.0                  | 0.0                   | 0.0          | (0.4)         | (0.4)        |
| <b>Directorate Total</b>              | <b>179.2</b>         | <b>60.8</b>           | <b>118.4</b> | <b>113.3</b>  | <b>(5.1)</b> |

- 7.2 The culture and community development budget underspent by £0.4m. This reflects a £0.2m underspend on the voluntary sector grants budget which is mainly due to further slippage in the allocation of the Community Sector Investment Fund element of the budget. There were overspends for the sports service of £0.3m due to increased electricity costs at the Glassmill and various works at the older centres, including the Bridge and Wavelengths. Other net underspends amounting to £0.5m have been delivered through the early implementation of budget savings, underspends in the libraries services and unused directorate balances.
- 7.3 Adult services has reported a year end underspend of £2.1m. This is mainly due to an underspend on the modernisation budget, including savings achieved through negotiation of contracts for care services of £1.1m. There were a number of other underspends in this area and these include: day opportunities and support, due to the early achievement of budget savings and the gradual shift in provision away from building based care to more personalised services of £0.5m; non-

residential services for older people and people with a physical disabilities of £0.2m; residential and nursing services for older people and people with physical disabilities of £0.2m. There were some further net underspend variances for adult services which amounted to £0.1m at the year end.

- 7.4 The services for crime reduction and supporting people recorded an overall underspend of £1.4m for the year. In total, £1.2m of this underspend related to the drugs and alcohol service, where there were underspends which pertained to those areas funded by the public health grant. Budget pressures on the youth offending service of £0.3m which related to the overspend on secure remand following changes in government policy, have been offset by the early achievement of savings in the supporting people service of £0.2m and through staff savings mainly in the community safety and CCTV service areas of £0.3m.
- 7.5 There was a net underspend of £0.5m on the core public health budgets. The underspend in strategy and performance of £0.3m mainly related to the employee budget and the contracts for purchased services. There were also unused contingencies of some £0.4m which has led the directorate to deliver an overall underspend of £5.1m for the year.

## 8. CUSTOMER SERVICES

- 8.1 The directorate overspent by £1.6m. The overall position for the directorate has been set out in Table 5.

**Table 5 – Customer Services**

| <b>Directorate</b>                      | <b>Gross budgeted spend</b> | <b>Gross budgeted income</b> | <b>Net budget</b> | <b>Final Outturn</b> | <b>Variance</b> |
|---|-----------------------------|------------------------------|-------------------|----------------------|-----------------|
|   | <b>£m</b>                   | <b>£m</b>                    | <b>£m</b>         | <b>£m</b>            | <b>£m</b>       |
| Strategic Housing & Regulatory Services | 13.6                        | (10.1)                       | 3.5               | 4.5                  | 1.0             |
| Environment                             | 41.1                        | (19.1)                       | 22.0              | 22.2                 | 0.2             |
| Public Services                         | 21.9                        | (16.7)                       | 5.2               | 5.6                  | 0.4             |
| Strategy & Performance                  | 1.8                         | (0.2)                        | 1.6               | 1.6                  | 0.0             |
| <b>Directorate Total</b>                | <b>78.4</b>                 | <b>(46.1)</b>                | <b>32.3</b>       | <b>33.9</b>          | <b>1.6</b>      |

- 8.2 The main cause of the directorate's overspend is within the bed and breakfast budget as a result of a significant increase in the number of clients in bed and breakfast accommodation. The number risen from an average of 79 in 2012/13 to an average of 197 in 2013/14. The number of 'live' rent accounts relating to bed and breakfast at the end of the year was 318. This compared to 108 at the end of March 2013. This has led to an overspend of some £1.1m. There are some net underspends amount be £0.1m which has brought down the overall pressure in strategic housing and regulatory services to £1.0m.
- 8.3 The environment division overspent by £0.2m. This was mainly due to income shortfalls within the bereavement services, street management and green scene budgets and the lumber collection service.

8.4 There was a net underachievement of parking income overall for the year, even though the collection rates of fines has increased over the course of the year. In addition to this, the planned savings from the new parking contract have not yet materialised. These has been partially alleviated by the Council receiving additional court fee income and leaving the public services division ending the year with a net overspend of £0.4m.

## 9. RESOURCES & REGENERATION

9.1 The directorate underspent by £2.4m. The overall position for the directorate has been set out in Table 6.

**Table 6 – Resources and Regeneration**

| Directorate                                  | Gross budgeted spend | Gross budgeted income | Net budget  | Final Outturn | Variance     |
|--|----------------------|-----------------------|-------------|---------------|--------------|
|  | £m                   | £m                    | £m          | £m            | £m           |
| Audit and Risk                               | 5.4                  | (2.3)                 | 3.1         | 2.6           | (0.5)        |
| Corporate Policy and Governance              | 3.6                  | (0.1)                 | 3.5         | 3.2           | (0.3)        |
| Finance                                      | 6.5                  | (1.2)                 | 5.3         | 4.6           | (0.7)        |
| Executive Office                             | 0.2                  | 0.0                   | 0.2         | 0.2           | 0.0          |
| Personnel & Development                      | 3.4                  | (0.3)                 | 3.1         | 2.9           | (0.2)        |
| Legal Services                               | 2.7                  | (0.4)                 | 2.3         | 2.3           | 0.0          |
| Strategy                                     | 2.8                  | (0.4)                 | 2.4         | 2.1           | (0.3)        |
| Information Management and Technology (IM&T) | 11.5                 | (1.2)                 | 10.3        | 10.3          | 0.0          |
| Planning & Economic Development              | 3.7                  | (1.5)                 | 2.2         | 2.0           | (0.2)        |
| Regeneration and Asset Development           | 19.9                 | (5.3)                 | 14.6        | 14.4          | (0.2)        |
| Transfers to/from Reserves                   | 0                    | (0.5)                 | (0.5)       | (0.5)         | 0.0          |
| <b>Directorate Total</b>                     | <b>59.7</b>          | <b>(13.2)</b>         | <b>46.5</b> | <b>44.1</b>   | <b>(2.4)</b> |

9.2 No divisions with the directorate were overspent. The principal underspends were as set out in the following paragraphs.

9.3 The audit and risk division underspent by £0.5m, principally driven by a £0.3m underspend in the cost of insurance renewals and related premia. Within corporate policy and governance, just under £0.2m of the underspend was achieved by holding staffing vacancies open as they arose. The balance of the underspend was achieved by a variety of smaller cost control measures being implemented.

9.4 The underspend in the finance unit budget was £0.7m and was mainly due to an underspend on the directorate contingency budget. There was also an underspend in the personnel and development service of £0.2m due to staff vacancies and reduced agency costs. The underspend in the strategy of £0.3m

was due to a managed underspend on community budgets of mainstreamed grant funding and a delay in an English for Speakers of Other Languages (ESOL) project. The planning and economic development underspend of £0.2m had arisen because of additional land charge fee income. For the regeneration and asset management service, a number of overspends and underspends make up the overall net underspend position of £0.2m. This includes a staffing overspend offset by underspends on the street lighting budget and flood risk funding.

- 9.5 The executive office, legal services and Information Management and Technology (IM&T) have all spent to budget at the year end.

## 10. DEDICATED SCHOOLS GRANT

- 10.1 The overall spend on the Dedicated Schools' Grant (DSG) budget was contained within budget by the year end, as set out in Table 7.

**Table 7 – Dedicated Schools' Grant**

| Dedicated Schools Grant                                  | Gross budgeted spend | Govt Grants    | Other Income | Internal Income | Net Budget   |
|--|----------------------|----------------|--------------|-----------------|--------------|
|  | £m                   | £m             | £m           | £m              | £m           |
| Individual Schools Budget                                | 224.4                | (224.4)        | 0.0          | 0.0             | 0.0          |
| Central expenditure on education of children under 5s    | 17.1                 | (13.5)         | (0.4)        | (0.1)           | 3.1          |
| Provision of pupils with Special Educational Needs (SEN) | 12.4                 | (20.4)         | 0.0          | 0.0             | (8.0)        |
| Education out of school                                  | 1.5                  | 0.0            | 0.0          | (0.1)           | 1.4          |
| Capital Expenditure from Revenue (CERA) (Schools)        | 36.9                 | (24.2)         | (1.4)        | (5.9)           | 5.4          |
| School specific contingencies                            | 4.2                  | (9.6)          | 0.0          | (1.7)           | (7.1)        |
| Other  | 5.0                  | 0.0            | 0.0          | (1.1)           | 3.9          |
| Academy Recoupment                                       | (6.2)                | 6.2            | 0.0          | 0.0             | 0.0          |
| <b>DSG Total</b>   | <b>295.3</b>         | <b>(285.9)</b> | <b>(1.8)</b> | <b>(8.9)</b>    | <b>(1.3)</b> |

- 10.2 The main spending pressures related to the increase in the number of placements in the independent special school sector where there were 12 more pupils placed than allowed for in the budget. These costs were covered by the use of the DSG contingency. The DSG provides the funding for the delegated schools budget. At the end of the financial year 2013/14, the schools had unspent balances of £15.7m, which was the same level as at the end of the previous financial year.

## 11. HOUSING REVENUE ACCOUNT

- 11.1 The Housing Revenue Account spend to budget by 31 March 2014. Table 8 sets out the budgets and year end variance by services.

**Table 8 – Housing Revenue Account**

| <b>Housing Revenue Account</b>                        | <b>Gross budgeted spend</b> | <b>Gross budgeted income</b> | <b>Net budget</b> | <b>Final Outturn</b> | <b>Final Outturn</b> |
|---|-----------------------------|------------------------------|-------------------|----------------------|----------------------|
|   | <b>£m</b>                   | <b>£m</b>                    | <b>£m</b>         | <b>£m</b>            | <b>£m</b>            |
| Lewisham Homes management costs (including R&M)       | 36.5                        | 0.0                          | 36.5              | 34.9                 | (1.6)                |
| Housing management (LBL & PFI)                        | 12.2                        | (3.2)                        | 9.0               | 8.9                  | (0.1)                |
| Management and Support Services (LBL, including SLAs) | 1.6                         | 0.0                          | 1.6               | 2.0                  | 0.4                  |
| Energy costs  | 2.8                         | 0.0                          | 2.8               | 2.2                  | (0.6)                |
| Capital Financing                                     | 46.8                        | 0.0                          | 46.8              | 64.6                 | 17.8                 |
| Balances, Provisions and Contingencies                | 20.7                        | 0.0                          | 20.7              | 5.7                  | (15.0)               |
| Rents, Services Charges and major works income        | 0.0                         | (83.0)                       | (83.0)            | (83.9)               | (0.9)                |
| Government Grants (PFI Credit/Decent Homes funding)   | 0.0                         | (34.4)                       | (34.4)            | (34.4)               | 0.0                  |
| <b>Total</b>  | <b>120.6</b>                | <b>120.6</b>                 | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>           |

- 11.2 Lewisham Homes manages certain budgets on behalf of the Council in addition to those that are formally delegated to them. The repairs and maintenance budget was underspent by just over £1.6m for the year. This in part reflects the continued investment in the decent homes programme, which has tended to reduce demand for day to day repairs and maintenance as properties are brought up to standard.
- 11.3 Underspends on salaries costs and additional fee income in the Council's own housing management budget was partially offset by reduced rent and service charge income from hostels, due to higher than budgeted void rates. This has resulted in a small underspend overall. The final void rate was 11.7% compared to a budget rate of 10%.
- 11.4 The overspend in management and support services relates to the insurance and risk recharge which has increased by £0.4m for the year. This is due to the revaluation of dwelling stock values which led to an increase in the proportion recharged to the HRA.
- 11.5 Energy costs slightly underspent due to credits received for meters read, due to a change in contract provider. The previous costs were based on energy supplier estimates. The energy budgets for 2014/15 will be reviewed as part of the contract change.
- 11.6 The net variance between capital financing and balances and provisions, relates to additional interest costs due to higher than forecast interest rates and technical accounting adjustments. This is to recognise the decent homes costs as revenue rather than capital expenditure and increases in depreciation costs over budgeted allowances, due to revaluations in stock asset values.



11.7 Overall, the HRA made a surplus of £3.6m for the financial year 2013/14, which has been transferred into balances for use in future years. This meant that the HRA ended the year with an overall balanced budget position.

## 12. COLLECTION FUND

12.1 As at 31 March 2014, £100.7m of Council Tax had been collected, which represents 94.8% of the total amount due for the year of £106.2m. This compares to the 'in year' key performance target collection rate of 94.5%. The collection rate as at the end of the 2012/13 financial year was 94.8%.

12.2 Business rates collection stood at 99.0%, compared to 97.4% at the end of 2012/13 financial year. Performance has improved from last year and is 0.5% above the target collection rate for the year of 98.5%.

## 13. CAPITAL EXPENDITURE

13.1 The overall spend to 31 March is £114.4m, which is 95.4% of the revised forecast year end expenditure of £119.8m. The reduced forecast and overall final outturn was due to the further re-phasing of a number of schemes including Parker House, Sydenham Bridge, Catford Phase 1 and Lewisham Central Opportunity Site. The overall underspend for the year will be carried forward to 2014/15. A breakdown of the expenditure by directorate and fund has been set out in Table 9.

**Table 9 – Capital Programme**

| <b>Capital Programme</b>    | <b>Original Budget</b> | <b>Revised Budget</b> | <b>Final Outturn</b> | <b>Spend as %age of forecast</b> |
|-----------------------------|------------------------|-----------------------|----------------------|----------------------------------|
|                             | <b>£m</b>              | <b>£m</b>             | <b>£m</b>            | <b>%</b>                         |
| Community Services          | 0.9                    | 1.7                   | 1.1                  | 64.7                             |
| Resources and Regeneration  | 8.3                    | 18.7                  | 17.7                 | 94.6                             |
| Children and Young People   | 70.5                   | 45.2                  | 41.4                 | 91.6                             |
| Customer Services           | 1.3                    | 3.3                   | 3.0                  | 90.1                             |
| Housing (General Fund)      | 10.4                   | 5.6                   | 6.2                  | 110.7                            |
| <b>Total – General Fund</b> | <b>91.4</b>            | <b>74.5</b>           | <b>69.4</b>          | <b>93.2</b>                      |
| HRA – Council               | 1.0                    | 2.5                   | 1.9                  | 76.0                             |
| HRA - Lewisham Homes        | 59.0                   | 42.8                  | 43.0                 | 100.5                            |
| <b>Total – HRA</b>          | <b>60.0</b>            | <b>45.3</b>           | <b>44.9</b>          | <b>99.3</b>                      |
| <b>Total Expenditure</b>    | <b>151.4</b>           | <b>119.8</b>          | <b>114.3</b>         | <b>95.4</b>                      |

13.2 Table 10, shows the year end position on the major projects in the 2013/14 General Fund capital programme (i.e. those projects and schemes over £1m in value for 2013/14).

**Table 10 – Summary of Major Capital Schemes**

| Capital Programme 2013/14  | Original Budget | Revised Budget | Final Outturn | Spend as %age of forecast |
|--|-----------------|----------------|---------------|---------------------------|
|  | £m              | £m             | £m            | %                         |
| Vehicle Replacement  | 2.1             | 2.1            | 2.1           | 100.0                     |
| Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge) | 5.2             | 3.7            | 3.7           | 100.0                     |
| BSF - Prendergast Hilly Fields   | 8.6             | 8.6            | 7.6           | 88.4                      |
| Primary Places Programme   | 36.6            | 19.3           | 18.9          | 97.9                      |
| BSF – Sydenham   | 10.0            | 8.8            | 8.0           | 90.9                      |
| BSF – Brent Knoll  | 2.8             | 1.6            | 0.5           | 31.2                      |
| Other Schools Capital Works  | 10.2            | 6.2            | 4.9           | 79.0                      |
| Deptford Station, Town Centre & High Street Improvements                   | 1.6             | 2.0            | 1.8           | 90.0                      |
| Lewisham Mortuary - Cremator   | 1.2             | 0.6            | 0.5           | 83.3                      |
| Disabled Facilities / Private Sector Grants                                | 1.7             | 1.2            | 1.1           | 91.7                      |
| Catford Broadway & Town Centre Regeneration                                | 6.5             | 1.8            | 1.5           | 83.3                      |
| Asset Management Programme   | 2.4             | 2.4            | 2.4           | 100.0                     |
| Highways and Bridges (TfL)   | 3.4             | 4.0            | 3.8           | 95.0                      |
| Highways and Bridges (LBL)   | 5.5             | 5.3            | 5.1           | 96.2                      |

- 13.3 One of the main sources of financing the programme was capital receipts from the sale of property assets. In total, £15m of these usable capital receipts was used to finance the programme in 2013/14, whilst £74m of grants were also allocated.

#### **14. TREASURY MANAGEMENT AND PENSION FUND**

##### Treasury Management

- 14.1 The overall treasury management portfolio as at 31 March 2014 has been set out in Table 11.

**Table 11 - Treasury Position as at 31 March 2014**

|  | Outstanding at 31 March 2014 | Average Coupon Rate | Average Remaining Duration | Outstanding at 31 March 2013 |
|--|------------------------------|---------------------|----------------------------|------------------------------|
|  | £m                           | %                   | Years                      | £m                           |
| <b>Fixed Rate Borrowing</b>                |                              |                     |                            |                              |
| Public Works Loans Board                   | 83.9                         | 5.99                | 20.8                       | 87.7                         |
| Market Debt                                | 86.5                         | 4.72                | 39.8                       | 85.7                         |
| <b>Sub Total – Fixed Rate Borrowing</b>    | <b>170.4</b>                 |                     |                            | <b>173.4</b>                 |
| <b>Variable Rate Borrowing</b>             |                              |                     |                            |                              |
| Public Works Loans Board                   | 0.0                          | 0.0                 | 0.0                        | 0.0                          |
| Market Debt                                | 25.0                         | 4.54                | 24.8                       | 25.0                         |
| <b>Sub Total – Variable Rate Borrowing</b> | <b>25.0</b>                  |                     |                            | <b>25.0</b>                  |
| <b>Total Debt</b>                          | <b>195.4</b>                 |                     |                            | <b>198.4</b>                 |
| <b>Investments</b>                         |                              |                     |                            |                              |
| Internally Managed                         | 285.6                        | 0.69                | 77.6 days                  | 268.4                        |
| <b>Total Cash Managers</b>                 | <b>285.6</b>                 |                     |                            | <b>268.4</b>                 |

- 14.2 The net borrowing requirement for 2013/14 was minus £5.6m, this being £0.3m higher than the net borrowing requirement of minus £5.9m for 2012/13, as set out in Table 12.

**Table 12 – Net Borrowing Requirement for 2013/14**

|                                  | 2013/14      | 2012/13      |
|----------------------------------|--------------|--------------|
|                                  | £m           | £m           |
| Capital Investment               | 70.8         | 66.4         |
| Capital Grants                   | (39.5)       | (41.1)       |
| Capital Receipts                 | (16.1)       | (16.2)       |
| Revenue                          | (12.4)       | (5.8)        |
| <b>Net</b>                       | <b>2.8</b>   | <b>3.3</b>   |
| Minimum Revenue Provision        | (8.4)        | (9.2)        |
| Maturing Debt                    | 0.0          | 0.0          |
| <b>Net Borrowing Requirement</b> | <b>(5.6)</b> | <b>(5.9)</b> |

- 14.3 In previous years, the Council has financed its net borrowing requirement from temporary cash balances held by the Council. As at 31 March 2014, this internal borrowing totalled £40.4m. There was no new borrowing in the year 2013/14.
- 14.4 It has been the Council's strategy to borrow up to the level of the Government's assessment of the Council's underlying need to borrow which is termed the Capital Financing Requirement (CFR). The calculation of the CFR broadly corresponds to the net borrowing requirement as set out in Table 12. The comparative position is as set out in Table 13.

**Table 13 – Debt and CFR Movement in 2013/14**

|                               | 2013/14     | 2012/13     |
|-------------------------------|-------------|-------------|
|                               | £m          | £m          |
| Capital Financing Requirement | 235.9       | 241.5       |
| External Debt                 | 195.5       | 198.4       |
| <b>Difference</b>             | <b>40.4</b> | <b>43.1</b> |

- 14.5 The impact of the debt transactions in 2013/14 was to reduce the average interest rate of the debt by 0.07% from 5.80% to 5.73% and reduce the average duration by approximately 0.4 years, from 24.3 years to 23.9 years.

#### Pension Fund

- 14.6 The net asset worth of the Lewisham Pension Fund as at 31 March 2014 was £905m. This represents an increase of some £37m over the course of the year, where the closing net assets of the scheme as at 31 March 2013 were valued at £868m. This is principally attributable to an increase in stock valuation during the year.
- 14.7 The Pension Fund is, and is likely to remain, 'cash negative'. That is, the benefits paid out in any year are likely to exceed the contributions paid in. This is entirely normal for a Pension Fund of this maturity and is fully taken into account in the investment strategy.

## **15. FINANCIAL IMPLICATIONS**

- 15.1 This report concerns the financial results for the 2013/14 financial year. However, there are no financial implications in agreeing the recommendation of this report.

## **16. LEGAL IMPLICATIONS**

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

## **17. CRIME AND DISORDER IMPLICATIONS**

- 17.1 There are no crime and disorder implications directly arising from this report.

## **18. EQUALITIES IMPLICATIONS**

- 18.1 There are no equalities implications directly arising from this report.

## **19. HUMAN RESOURCES**

- 19.1 There are no human resources implications directly arising from this report.

## **20. CONCLUSION**

- 20.1 The Council has continued to apply sound financial controls and has contained its expenditure for the year within agreed budgets. However, the short and medium-term outlook remains difficult and continued strong management and fiscal discipline will be required to enable the Council to meet its financial targets for 2014/15 and beyond.

## **21. BACKGROUND DOCUMENTS AND FURTHER INFORMATION**

| <b>Short Title of Report</b>       | <b>Date</b>                                 | <b>Location</b>                         | <b>Contact</b>  |
|------------------------------------|---|---|-----------------|
| 2013/14 Budget                     | 27 February 2013<br>(Council)               | 3 <sup>rd</sup> Floor<br>Laurence House | Shola Ojo       |
| Financial Forecasts for<br>2013/14 | 10 July, 2 October, &<br>13 Nov' 2013 (M&C) | 3 <sup>rd</sup> Floor<br>Laurence House | Richard Lambeth |
| 2014/15 Budget                     | 26 February 2014<br>(Council)               | 3 <sup>rd</sup> Floor<br>Laurence House | Shola Ojo       |

For further information on this report, please contact:

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