

MAYOR & CABINET			
REPORT TITLE	Financial Forecasts 2014/15 (including Treasury mid-year review)		
KEY DECISION	No	Item No.	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources and Regeneration		
CLASS	Part 1	Date	12 November 2014

1 EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2014/15 as at 30 September 2014. The key areas to note are as follows:

- An overspend of £10.6m against the directorates' net General Fund revenue budget is forecast. This compares to an overspend of £10.5m reported for the period to 31 July 2014.
- The revised budget for the Capital Programme for the year is £147m and the current forecast expenditure at the year end is £135m. As at 30 September 2014, some 26% of the forecast had been spent (£38.4m) which is below the figure expected on an even monthly profile, if the programme is to be delivered in full. The comparable figure at this point last year was 29% of the budget of £150.8m, with the final outturn being 96% of the revised budget.
- The Housing Revenue Account (HRA) is forecasting a surplus of £0.4m.
- The Dedicated Schools Grant (DSG) is forecast to spend to budget.
- As at 30 September 2014, council tax collection is 0.4% higher than last year in terms of the percentage of gross cash collected, but 0.4% lower than this year's profiled collection rate.
- Business rates collection is 2.8% lower than the same period last year and 1.9% lower than the monthly percentage profile required to achieve the overall target of 99% for the year.

2 PURPOSE

2.1 To set out the Council's financial forecasts for 2014/15.

3 RECOMMENDATION

The Mayor is asked to:

3.1 note the financial forecasts for the year ended 31 March 2015 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.

3.2 note the recommendations contained in the mid-year treasury strategy, attached at Appendix 1 which is asking the Mayor to:

3.2.1 note the report and the Council's MRP Policy

3.2.2 recommend for approval by full Council the following amendments to Treasury Management Strategy:

- Inclusion of Certificates of Deposits as a specified treasury instrument, and
- Increase in the limits of Treasury Bills from £20 million to £60 million.

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 forecasts against the directorates' net general fund revenue budgets are shown in the Table 1 below. In summary, this is projecting a year-end overspend of £10.6m compared to a forecast overspend of £10.5m at the end of July 2014. At the same time last year, an overspend of £0.6m was forecast.

Table 1 – Overall Directorate position for 2014/15

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Sept 2014	Forecast over/ (under) spend July 2014
	£m	£m	£m	£m	£m
Children & Young People	74.3	(20.4)	53.9	9.0	8.6
Community Services	166.8	(57.2)	109.6	0.2	0.2
Customer Services	98.3	(62.5)	35.8	1.9	2.0
Resources & Regeneration	43.5	(11.9)	31.6	(0.5)	(0.3)
Directorate Totals	382.9	(152.0)	230.9	10.6	10.5
Corporate Items			37.2	0.0	0.0
Overall Total	382.9	(152.0)	268.1	10.6	10.5

(1) – gross figures exclude £268m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude approximately £225m 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 It should be noted that in setting the Council's budget for 2014, a sum of £3.9m was set aside and is being held corporately for managing 'risks and other budget pressures'. These are for such items which although difficult to quantify with absolute certainty, could prove significant should they materialise and be confirmed by the year end. The Executive Director for Resources and Regeneration advises that the overall net forecast overspend position of £10.6m could in part be alleviated by the entire use of this corporately held balance, thereby bringing the overall projection down to £6.7m.

5.3 At Mayor & Cabinet on 3 September 2014, officers received the Mayor's support for the introduction of a Corporate Expenditure Panel (CEP). The operation of the CEP will be overseen by the Chief Executive and the Executive Director for Resources and Regeneration and became operational from 23rd October 2014.

6 CHILDREN & YOUNG PEOPLE

6.1 The directorate is forecasting a year-end overspend of £9.0m. This has been set out in Table 2 and compares with £8.6m at the end of July. This time last year, an overspend of £1.2m was forecast and the year end result was an overspend of £4.1m.

Table 2 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – grants	Gross budgeted income - other	Net budget	Forecast over / (under) spend
	£m	£m	£m	£m	£m
Children's Social Care	45.9	(1.9)	(0.6)	43.4	3.0
No Recourse to Public Funds	0.7	(0.0)	(0.0)	0.7	6.2
Standards & Achievements	4.2	(0.2)	(2.2)	1.8	0.0
Education Infrastructure	1.4	(0.0)	(0.0)	1.4	(0.2)
Targeted Services and Joint Commissioning	13.2	(1.1)	(2.2)	9.9	0.6
Resources & Performance	8.9	(0.0)	(10.9)	(2.0)	(0.6)
Schools	0.0	(0.0)	(1.3)	(1.3)	0.0
Total	74.3	(3.2)	(17.2)	53.9	9.0

6.2 The most significant cost pressures for the directorate fall within the children's social care service area and amount to £9.2m. These are in the following three services areas.

6.2.1 *Clients with no recourse to public funds* continues to create a significant cost pressure and now stands at £6.2m. The forecast is based on the current payment levels and does not include any allowance for growth resulting from recent welfare reforms.

6.2.2 In 2013, the average number of cases accepted per month was 11. Since the pilot went live, the number of cases per month has been reduced to 0.6. To date, eight cases have been closed as a result of reassessment resulting in an annual saving of £0.2m.

6.2.3 The pilot team have identified 25 cases where 'access to employment and public funds allowed' status has been granted. The team will be working with claimants over the next three months to transition them to mainstream benefits. This could deliver savings of up to £0.6m per annum. There are a further 40 cases with no outstanding application with the Home Office. This could deliver savings of £0.9m. However, these are likely to be more complex cases requiring the completion of human rights assessments, possibly lengthy eviction proceedings and legal challenge. It should be noted that two temporary specialist project officers have been recruited to specifically focus on clearing these cases.

- 6.2.4 Due to the uncertainty of when these cases will cease only cautious approach has been taken on building the impact into the overspend and it has been reduced by £0.1m.
- 6.2.5 The placement budget for *looked after children (LAC)* is currently forecast to overspend by £2.0m. This includes adoption and special guardianship orders. The numbers of LAC at the end of September is 497, which is a net increase of 13 since April.
- 6.2.6 An increasing number of young people requiring support and national changes in housing benefit has created pressure on the *Children Leaving Care* budget. Also, delays in finding appropriate accommodation for some of the young people results in them remaining in expensive provision. The average caseload for the year so far is 73 against a budget assumption of 23. The budget is currently projected to overspend by £1.0m.
- 6.3 At the end of last year, the *School Transport* budget was overspent by £0.7m. A saving was also agreed of £0.5m which was to be achieved by increasing independent travel by students and reducing the unit costs of taxis. The current forecast is an overspend of £0.9m.
- 6.4 The last tendering around for taxi provision resulted in some reduced costs in line with the budget proposal however there has been some progress on the increased use of independent travel but the financial impact in the current year will be minimal.
- 6.5 While the underlying pressure remains and work on reducing the costs of travel assistance for 2015/16 continue to ensure the original saving proposal can be achieved. The plans that are in place are expected to deliver an annual saving of £1.0m.
- 6.6 There are other budget pressures within the Directorate particularly around legal fees as the family courts have once again begun seeking expert reports to support their decision making. This would create a budget pressure of £0.2m if it continues. Discussions are planned to take place with the judges to address this issue and if the outcome of these discussions are successful will relieve the pressure.
- 6.7 The key unit costs and activity levels within children's social care are summarised in Table 3 below.

Table 3 – Average weekly unit costs

	Average weekly unit costs		Client numbers
	Sept 2013 (£)	Sept 2014 (£)	Sept 2014
Local authority fostering	385	379	200
Agency fostering	875	873	211
Residential homes	2,969	3,205	48*

* This includes 7 clients who are in residential schools

- 6.8 These weekly unit costs demonstrate the importance of the directorate's strategy for shifting the balance of provision towards fostering, as well as trying to bear down on costs. For example, every client moving from agency to local authority fostering

results in a saving of around £26k per annum and around £121k for every movement from a residential placement to agency fostering.

7 COMMUNITY SERVICES

- 7.1 The directorate is forecasting a year end overspend of £0.2m, the same as at the end of July. At the same time last year, an underspend of £1.7m was projected with the actual results last year being an underspend of £5.1m.

Table 4 – Community Services

Service Area	Gross budgeted expenditure	Gross budgeted income	Net budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Adult Services Division	105.0	(26.2)	78.8	2.5
Cultural & Community Development	22.5	(7.8)	14.7	(1.0)
Public Health	15.0	(15.0)	0.0	(0.5)
Crime Reduction & Supporting People	21.7	(8.0)	13.7	(0.3)
Strategy, Improvements & Partnerships	2.6	(0.2)	2.4	(0.5)
Total	166.8	(57.2)	109.6	0.2

*The net budget for Community Services has seen an in-year increase of £1.6m due to the transfer of the line management responsibility for licensing, trading standards & environmental health services. There are no significant variances being reported for these budgets.

- 7.3 The *Adult Services* division is forecast to overspend by £2.5m. This assumes achievement later in the year of savings of £1.1m in addition to savings already achieved. At the end of the last financial year, adult services underspent by £2.1m. Since the last report the Directorate has decided to reduce, delay or freeze spend on a number of non-essential areas in other divisions while further work is done to reduce spend on adult social care. These managed underspends are referred to in the sections on services below.
- 7.4 There are a number of over and underspends forecast against individual services within adult social care. The key issues to note are as follows:
- i. Social work staffing budgets are predicted to overspend by £0.5m. This is mostly due to the increased costs associated with Deprivation of Liberty Safeguards (DOLS) cases where activity has increased significantly in recent months following the recent Cheshire West court case. The full restructure of the social work service will now take effect in mid-September. For the first five months of the year, costs were higher than budgeted and this contributes to the overspend.
 - ii. The in-house day care service is forecast to underspend by £0.7m. This reflects the reduced use of the centres as more service users receive non-building based services.
 - iii. The largest overspends are on budgets for packages and placements where current forecasts are for an overspend of up to £3.3m. Part of this is attributable to demographic factors with increasing numbers of very frail elderly, older people

with dementia and younger physically disabled people. This pressure was estimated during the budget process at approximately £1m.

- iv. A further part of the overspend matches the reduced use of in-house day care, where the realignment of budgets will reduce overspends in one area and underspends in the other.
- v. Monitoring reports earlier in the year identified the cost pressure resulting from a lower than normal number of deaths over the winter. The pressure on older adults' budgets has continued over recent months with net increases in home care numbers increasing by 10-20 per month, much higher than normal at this time of year. There is evidence of increased activity from the hospital with more people being discharged who require intensive care packages. This has added to social care costs. Officers are working to analyse the cost increase in this area and will seek some additional funding from health. Local plans for use of winter pressures funding (paid by DH) have included £350k for care packages. This has reduced, but not eliminated, this cost pressure. The overspend on packages and placements also includes care provided to adults with no recourse to public funds.

- 7.5 The 2014/15 budget assumes savings of £7.2m for adult social care. As at the end of September 2014, savings of £4.2m had already been delivered. Delivery of a further £1.1m is expected in-year and is assumed in the figures in this report. Achievement of the remaining savings is not certain in this financial year. However, work is ongoing to progress these and to identify other areas where spend can be contained to offset any potential non-achievement.
- 7.6 A small underspend of £0.3m is forecast for *crime reduction and supporting people*, compared to an underspend of £1.4m in 2013/14 (and a projected underspend of £0.2m at period 5). There is a projected underspend of £0.1m on staffing in the core Neighbourhood Community Safety Team and a projected underspend of £0.1m on the Crime Reduction budget for once off projects following the decision to freeze uncommitted budgets. Additionally, the supporting people budget is now projected to underspend by £0.1m representing early achievement of part of the 2015/16 savings target.
- 7.7 In 2013/14, there was an overspend within the *youth offending service* of £0.3m as a result of the changes to the financing of secure remand and youth detention, meaning that local authorities now bear the full financial risk associated with this provision. The current year has seen a change in the balance between young people placed in Secure Children's Homes/Training Centres and the less expensive Young Offenders Institutes. This switch has stemmed in part from a change in the way the authority assess the young person's vulnerability criteria. The overall number of placements has also been unusually low in the first part of the year compared with 2013/14, but this remains a volatile area of spend which is not entirely controllable in that costs are driven by the number of local young people ordered into secure remand by the courts, the severity of their offences and hence how long they are held pending the court process. There is currently a small overspend (£50k) projected which the service will seek to absorb within its overall budget.
- 7.8 From April 2013, responsibility for local public health functions transferred to local authorities. Resources to fund these new functions were transferred in the form of a specific grant of £20.2m in 2014/15. This includes £4.9m relating to drug & alcohol

funding that has been managed by the council locally, so only the balance of £15.3m is managed by public health.

- 7.9 There are currently commitments against this budget totalling £14.8m. At this stage, it is assumed that none of this will be committed on new activity, but that it will be used to support eligible base budget activity. This will result in an underspend of £0.5m.
- 7.10 The *cultural and community services division* is forecasting an underspend of £1.0m which represents no change against last month, this compares to an underspend of £0.4m last year. The *community sector grants* service is forecasting an underspend of £0.4m which relates primarily to a reduced contribution to the London Boroughs Grants Scheme and a planned underspend of £0.3m against the budget for the community sector investment fund. Other budgets within the service where management action has created projected underspends are: libraries (£0.1m), community centres (£0.04m) and the lifecycle and dilapidations budget within the leisure management (£0.3m). Additionally, once-off underspends totalling £0.2m are projected for the leisure management service representing two contract reimbursements relating to events in previous years.
- 7.11 There is a £0.1m overspend forecast on the Deptford Lounge budget due to low levels of income generated from third party room hire which continues to be significantly lower than both the budgeted figure and income levels assumed in the original projections for the Deptford Lounge complex. The Broadway Theatre budget is forecasted to overspend by £0.1m due to slippage against delivery of 2014/15 savings.
- 7.12 The *strategy, improvements and partnerships division* is projecting an underspend on staffing of £0.5m which predominantly relates to the directorate management team budget.

8 CUSTOMER SERVICES

- 8.1 The directorate is forecasting a year-end overspend of £1.9m. This compares to an overspend £2.0m reported as at the end of July. The projection for the same period last year was £1.5m.

Table 5 – Customer Services

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£m	£m	£m	£m
Strategic Housing and Regulatory services	13.7	(10.9)	2.8	1.6
Environment	37.8	(18.4)	19.4	0.3
Public Services *	37.3	(31.8)	5.5	(0.2)
Strategy & Performance (inc. IMT)	9.5	(1.4)	8.1	0.2
Total	98.3	(62.5)	35.8	1.9

* excludes £225m of matching income and expenditure in respect of housing benefits

- 8.2 The strategic housing and regulatory services is forecasting an overspend of £1.6m, an increase of £0.1m on last month's projection.

- 8.3 The number of bed & breakfast tenancies as at end of September 2014 was 509. This compares to 171 at the same time last year and is an increase of 191 on the figure as at the end of 2013/14. At this level, the overspend is expected to be in the region of £2.1m. In addition to this, the increased numbers have also impacted on the collection of rent leading to an increase in the provision for bad debts by £0.2m, giving a projected overspend of £2.3m. There is a risk that if the numbers continue to increase at the rate they have been since the beginning of the year, the overspend could rise to approximately £4m by the year-end. Measures have been put in place to reduce demand by increasing focus on homelessness prevention and an increase in supply by giving priority to homelessness cases in other forms of temporary accommodation and the increase in hostel places expected by the year-end to mitigate this risk as far as possible. Additional resources have also been assigned to improving rent collection. This is expected to reduce the need for an increased bad debt provision although this hasn't materialised in time for this report.
- 8.4 Officers have been modelling the potential longer term effects of the higher numbers in B&B, new supply expected to come on-line over the next year and the anticipated impact of measures in place to manage demand. Current indications arising from this exercise suggest that the pressure will continue throughout 2015/16 although at a lower level of around £1.5m.
- 8.5 As a part of the Future Lewisham budget review, Strategic Housing submitted a proposal to transfer commercial assets and garages from the HRA to the General Fund in 2015/16 subject to legal confirmation that the proposal isn't in contravention of HRA regulations. The council has recently received advice that confirms that they have the powers to make that transfer. The net effect on the General Fund is an increased income of £0.7m. Whilst this means the income is lost to the HRA, the proposal reduces debt in the HRA, thus increasing borrowing capacity to meet the Mayor's social housing priorities.
- 8.6 The move from the HRA to the General Fund is in itself an accounting adjustment and can be made at any time. In view of the current financial position, it has been decided to seek the Mayor's approval to make the transfer in 2014/15 to partially offset the overspend on bed and breakfast. The net variation being reported as at the end of September is an overspend of £1.6m, but it should be noted that this is subject to formal mayoral approval of the proposed transfer which will take place in November 2014.
- 8.7 The supply measures mentioned above will impact on the private sector leasing (PSL) budget in the short term, where a higher turnover will increase the loss of income due to increased void rates. Increased turnover will also impact on repairs and maintenance costs. This will be met from balances held in reserves for this purpose.
- 8.8 There is a projected £0.3m overspend due to the delayed implementation of proposed savings in *housing needs* and *housing partnership and development*. This is to be met from the redirection of unspent grant funding following a review of commitments.
- 8.9 The *environment division* is forecasting an overspend of £0.3m. This relates in part to *bereavement services* where a combination of increased coroners court and mercury abatement costs combined with a small income shortfall have resulted in a projected overspend of £0.1m. *Street management* are also reporting an overspend of £0.1m relating to an income shortfall in the lumber service and an overspend on

staffing in street cleansing. The balance of the overspend relates to minor staffing overspends across the division.

- 8.10 The *public services division* is projecting to an underspend of £0.2m. This reflects a projected overachievement of parking fine income.

9. RESOURCES AND REGENERATION

- 9.1 The directorate is forecasting an underspend of £0.5m. This compares to a forecast underspend of £0.3m at the end of July. At this point last year an underspend of £0.1m was forecast and the result for last year was an underspend of £2.4m. The table below sets out this year's forecast by service division.

Table 6 – Resources & Regeneration

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£m	£m	£m	£m
Audit & Risk	5.5	(2.6)	2.9	0.0
Corporate Policy & Governance	3.4	0	3.4	(0.3)
Finance	5.2	(1.2)	4.0	(0.3)
Executive Office	0.2	0	0.2	0.0
Personnel & Development	3.0	(0.3)	2.7	(0.1)
Legal Services	2.7	(0.4)	2.3	(0.0)
Strategy	2.5	(0.4)	2.1	(0.2)
Planning & Economic Development	3.4	(1.6)	1.8	(0.2)
Regeneration & Asset Management	17.6	(5.4)	12.2	0.6
Total	43.5	(11.9)	31.6	(0.5)

- 9.2 The *audit & risk division* is forecasting a nil variance on its budget although there are balancing over and underspends within the division. Insurance is showing a £0.1m overspend due to instability in the insurance market leading to additional costs for the council's liability insurance premium. As highlighted in previous years, a proportion of any additional costs will be attributable to the Housing Revenue Account (HRA) and schools. An estimated recharge has now been accounted for but this will need to be reviewed in the light of the final costs once know and year end transfers to and from provisions in line with the actuaries report. There is also £0.1m relating to the internal audit budget where staff reorganisation and contract end costs have created a budget pressure. These are offset by underspends in Health and Safety and the Anti Fraud & Corruption Team which has received once off grant.
- 9.3 The *corporate policy & governance division* is forecasting an underspend of £0.3m. This is mainly in respect of staffing costs where several posts are being held vacant, though it also includes a series of smaller underspends across various supplies and services budgets.
- 9.4 The *finance division* is forecast to underspend by £0.3m. The bulk of this relates to the contingency for the directorate that is held within this division.
- 9.5 The *personnel & development division* is forecast to underspend by £0.1m. This is mainly due to reduced spend on learning & development and workforce planning.

- 9.6 The *legal services division* is now forecasting a nil variance now that income for reimbursed costs in relation to Lewisham Hospital have been finalised.
- 9.7 The *strategy division* is forecasting an underspend of £0.2m. This is mainly due to delayed recruitment of apprentices.
- 9.8 The *planning division* is forecasting an underspend of £0.2m. This is due to forecast increased land charge income.
- 9.9 The *regeneration & asset management division* is forecasting an overspend of £0.6m. This is mainly due to staffing costs pending a reorganisation later in the year however there are other significant overspends including rates, repairs & maintenance and the letting of the Town Hall, however the increased overspend is mainly due to a reduction in income arising from permit fees and charges for overruns in relation to utility companies roadworks. All of these are offset by street lighting PFI budget headroom and other minor miscellaneous underspends.

10 CORPORATE PROVISIONS AND TREASURY MANAGEMENT

- 10.1 The Corporate financial provisions include working balances, Capital Expenditure charged to the Revenue Account (CERA), and interest on revenue balances. These provisions are not expected to overspend although with the impact of continued reductions in service budgets, there is ever greater pressure on working balances. Certainty on their outturn only becomes clear at the end of the financial year.
- 10.2 With continued concerns about the stability of the banking sector, the council's treasury management strategy continues to be focused on avoiding risk, wherever possible. The mid-year treasury strategy is attached at Appendix 1 to this report. This presents the current economic conditions in which the Council is operating in respect of its investments and borrowing. It then sets out the Council's treasury performance and Capital position as at 30th September 2014. It also provides updates on the arrangements in place and an assessment of the current Treasury Management strategy as required by the Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice.

11 DEDICATED SCHOOLS' GRANT (DSG)

- 11.1 The DSG settlement of £268.6m is set out in Table 7. This compares with the figure of £267.7m stated in the Budget 2014 report to the full Council in February 2014. The extra funding relates to the high needs block and covers some of the growth that the Council bid for. There will be further adjustments to the level of the DSG during the year, particularly on the early years' numbers when the forecast are revised to actual numbers.

Table 7 – DSG Settlement for 2014/15

	Before Academy Recoupment	After Academy recoupment
	£m	£m
2014/15 Schools Block	201.4	182.5
2014/15 Early Years Block	17.0	17.0
2014/15 High Needs Block	43.4	42.3

2014/15 Total additions and deductions for non block funding	6.8	6.8
2014/15 total DSG allocation	268.6	248.6

- 11.2 The current forecast indicates the Special Education Needs matrix budget is overspent by £0.4m when compared to the allocations given to the schools in the spring. The SEN team are currently cleansing the data but it is expected that there will be a further increase in the children on the matrix in September which will increase the overspend which is likely to be £0.7m.
- 11.3 There is an on-going review of children in special schools and which bands of needs they fall within. This will create a financial consequence that is currently uncertain. The students with SEN that attend FE colleges will also become clearer later in the autumn term.
- 11.4 There was an overspend in SEN at the end of last year of £0.8m and the above will add to the overspend on the matrix, making a total overspend of £1.5m. The Schools Forum is being asked not to distribute the reserves they hold to help offset the above.

12. HOUSING REVENUE ACCOUNT

- 12.1 The Housing Revenue Account (HRA) is projecting a surplus of £0.4m. This represents no movement since July's report and relates to additional tenants rental income and additional tenants and leaseholder service charge totalling of £0.4m.

13. COLLECTION FUND

- 13.1 As at 30 September 2014, £54.3m of council tax had been collected, which is 51.1% of the total amount due for the year of £106.3m. This is 0.4% lower than the profiled collection rate of 51.5% if the overall target for the year of 96% is to be met. At the same time last year, the collection rate to date was 50.7%, some 0.4% lower than this year.
- 13.2 Business rates collection is at 62.8% which is a decrease of 2.8% compared to the same period last year and 1.9% lower than the profiled collection rate if the overall target rate for the year of 99% is to be achieved. Officers are investigating the cause of the drop to establish whether this is an isolated dip or if it is likely to have a longer term impact on collection.

14. CAPITAL EXPENDITURE

- 14.1 The capital expenditure to 30 September is £38.4m which is 26% of the revised budget. The following table gives a breakdown of the budget and forecast spend. The revised budget includes carry forward amounts from the previous year as agreed at Mayor & Cabinet in the summer.

Table 8 – Capital Programme

2014/15 Capital Programme	Revised Budget	2014/15 Forecast	Spend to 30 September 2014	Spend to 31 August 2014	Spend to Date (On Revenue Budget)
	£m	£m	£m	£m	%
Community Services	1.5	1.4	0.5	0.5	33
Resources & Regeneration	12.1	12.2	1.7	1.5	14
CYP	59.2	57.3	12.4	12.3	21
Customer Services	1.5	1.4	0.6	0.7	40
Housing (Gen Fund)	13.8	10.8	5.7	4.6	41
Total General Fund	88.1	83.1	20.9	19.6	24
HRA - Council	12.3	4.9	1.1	1.0	9
HRA - Lewisham Homes	47.0	47.0	16.4	12.4	35
Total HRA	59.3	51.9	17.5	13.4	30
Grand Total	147.4	135.0	38.4	33.0	26

14.2 The table below shows the current position on the major projects in the 2014/15 General Fund capital programme (i.e. those over £1m in 2014/15).

14.3 The main sources of financing the programme are grants, contributions, and capital receipts from the sale of property assets. So far this year £7.8m of usable receipts have been received comprising £2.3m in respect of previous year's Housing stock transfers, £4.4m (net) from Housing Right to Buy sales and £1.1m from other sales.

15 FINANCIAL IMPLICATIONS

15.1 This report concerns the financial forecasts for the 2014/15 financial year.

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 ACT 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 ENVIRONMENTAL IMPLICATIONS

19.1 There are no environmental implications directly arising from this report.

20. CONCLUSION

- 20.1 The current projected year-end overspend for the year is £10.6m and this continues to be a major concern for the council. The directorate management teams will need to continue their efforts by pushing at a greater pace and more effectively to manage down this overspend over the coming months.
- 20.2 Since the start of the financial year and the first public report of the financial forecast position to Mayor & Cabinet in August 2014, the Executive Directors have continued to put in place a number of measures designed to alleviate the council's overall budget pressures to help bring spending back into line with budget. These measures include the strengthening of local controls on particular areas of expenditure in the short term. In addition to this and with regards to the most significant budget pressure which the council faces in 'no recourse to public funds' which is currently £6.2m, a corporate team has now been fully established. In summary, this team is responsible for assessing all new cases presenting to the council and its implementation is now beginning to show the signs of limiting the increase of the overall budget pressure in this area.
- 20.3 Notwithstanding the pressure on 'no recourse to public funds', there still remains a significant budget pressures in other areas across the council, totalling £4.4m overall. In the main, these include pressures for service areas such as looked after children, adult social care and temporary bed and breakfast accommodation. At the current level of £4.4m, these pressures alone would still represent the most significant level of reported budget pressures for the council of any financial year in recent years. This all suggests that the council is facing budget pressures of a different order than normal, but to be clear, officers have a firm responsibility to manage it.
- 20.4 The Executive Director for Resources and Regeneration will continue to work with directorate management teams across the council to effect the necessary actions to manage their service pressures and she also advises that directorate management teams will need to consider strengthening local controls on certain expenditure in the short term until monitoring reports show the necessary improvements. The introduction of the Corporate Expenditure Panel effective from 23 October 2014 is intended to help support the drive to reduce the Council's spending further.

21. BACKGROUND PAPERS AND APPENDICES

None

For further information on this report, please contact:

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