PUBLIC ACCOUNTS SELECT COMMITTEE			
REPORT TITLE	Financial Forecasts 2014/15 as at 31 January 2015		
KEY DECISION	No	**Item No.**	3
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources and Regeneration		
CLASS	Part 1	**Date**	10 March 2015

1 EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2014/15 as at 31 January 2015. The key areas to note are as follows:

- A projected year-end overspend of £9.1m against the directorates' net general fund revenue budget is forecast. This is a £0.4m net reduction from the position reported to the end of December 2014 which was presented in the Budget Report 2015. This report had shown a projected year-end overspend of £9.5m reported for the period to 31 December 2014. The projections exclude the costs for staff redundancy associated with the 2015/16 budget savings process and the recently conducted voluntary severance scheme.
- The revised budget for the capital programme for the year is £139.8m and the current forecast expenditure at the year-end is £136.9m. As at 31 January 2015, some 63% of the forecast had been spent (£86.7m) which is below the figure expected on an even monthly profile if the capital programme is to be delivered in full. The comparable figure at this point last year was 69% of the forecast expenditure, with the final outturn being 96% of the revised budget.
- The Housing Revenue Account (HRA) is forecasting a surplus of £0.8m, an increase of £0.4m from the figure reported last month of £0.4m.
- The Dedicated Schools Grant (DSG) is forecast to spend to budget.
- As at 31st January 2015, council tax collection is 1.1% lower than the profiled collection rate of 84.1%, based on the higher collection rate of 96%.
- Business rates collection is 0.4% lower than the same period last year and 1.1% lower than the monthly percentage profile which is 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 Public Accounts Select Committee is asked to:

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

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 £9.1m as at the end of January 2015, which is a reduction of £0.4m on the £9.5m overspend projected at the end of December 2014. At the same time last year an underspend of £0.3m was forecast.

Table 1 – Overall Directorate position for 2014/15

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Jan 2015	Forecast over/ (under) spend Dec 2014
	£m	£m	£m	£m	£m
Children & Young People	74.3	(20.4)	53.9	8.1	8.5
Community Services	168.0	(58.0)	110.0	(1.3)	(0.8)
Customer Services	100.9	(63.1)	37.8	3.1	2.6
Resources & Regeneration	44.5	(12.2)	32.3	(0.8)	(0.8)
Directorate Totals	**387.7**	**(153.7)**	**234.0**	**9.1**	**9.5**
Corporate Items	34.1	0.0	34.1	0.0	0.0
Overall Total	**421.8**	**(153.7)**	**268.1**	**9.1**	**9.5**

(1) – gross figures exclude £268m Dedicated Schools' Grant (DSG) 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 A sum of £3.9m was set aside in setting the 2014/15 Budget 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 over the course of the coming weeks as the year-end approaches. The Executive Director for Resources and Regeneration advises that the overall net forecast overspend position of £9.1m could in part be alleviated by the entire use of this corporately held balance, thereby bringing the overall projection down to below £5.2m.

5.3 The operation of the Corporate Expenditure Panel (CEP) came into effect on 23 October 2014. The establishment of the CEP has provided an additional layer of scrutiny and challenge to the existing Directorate Expenditure Panels (DEPs) and has sent the organisation a clear message of the serious financial difficulties the Council finds itself in at the current time. The avoidance of unnecessary spend has been essential for the operation of the CEP to have had any beneficial impact on bringing spend more back into line with budget by the year-end.

6 CHILDREN & YOUNG PEOPLE

6.1 The directorate is forecasting a year-end overspend of £8.1m. This has been set out in Table 2 and is £0.4m lower than at the end of December 2014. There was an

overspend of £3.6m being forecast at this time last year, resulting in a year-end 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	2.7
No Recourse to Public Funds	0.7	(0.0)	(0.0)	0.7	5.8
Standards & Achievements	4.2	(0.2)	(2.2)	1.8	(0.1)
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	0.5
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**	**8.1**

*The Government grants include the Adoption Reform Grant, SEND reform grant, Troubled Families grant and Music grant

6.2 The most significant cost pressures for the directorate fall within the children's social care service area and amount to £8.5m. These are in the following three services areas.

6.2.1 *Clients with no recourse to public funds* continue to create a significant cost pressure which now stands at £5.8m. These are families who seek support from the local authority under section 17 of the Children's Act because they claim to have no financial means of supporting themselves whilst they are in the process of attempting to regularise their stay in the UK with the Home Office. The financial forecasting system which links subsistence and rent payment to specific clients was introduced earlier in the year. However, rent payments are invoiced with the address of the property as the identifier rather than the client residing in it which makes it difficult to match rent payments to individuals.

6.2.2 There have been significant variations over the last year in overall forecasts for spend for people with no recourse to public funds. This is caused by both the complexity involved in identifying these cases and the reliability of data held in the Controc system. A detailed analysis has recently been completed which has reconciled actual spend to Controc and ICS client data. Although there is still work to be done to improve the data held in this system, officers now have a much more reliable picture of spend in this area.

6.2.3 The corporate team who remain responsible for assessing all new cases presenting to the local authority, have now transferred over all the existing cases from the CYP directorate. The current cases have been split into four different areas. The cost pressure is therefore now identified to be £5.8m for the 243 clients with no recourse to public funds being managed by the corporate team. This includes spend being incurred by the housing procurement team on behalf of no recourse clients which had not appeared in previous forecasts.

6.2.4 A total of 284 cases were transferred to the corporate team at the start of June 2014. Since this time a total of 24 clients have received assistance from the team with a

total of eight receiving more ongoing assistance following the completion of their assessment.

6.2.5 Active work commenced at the end of 2014 to start the process of closing cases for those identified as no longer eligible for support. This has resulted in 37 cases having local authority support terminated to date. Set against eight acceptances, this is a net reduction of 29 cases. It has not been possible at this stage to quantify the exact saving from these specific cases. However, based on an average cost of £22k per client, per annum, this would equate to a saving of some £638k.

6.2.6 The corporate team have been working with the Home Office to get code 1a (entitlement to mainstream benefits) granted for cases being supported by the local authority. In total, 72 have now been granted this status change. The full year impact, once all of these cases have been transitioned is £1.584m per annum.

6.2.7 The process for transitioning these cases has not been straightforward. Significant amendments have had to be made to assessments to ensure that the local authority is not subjected to challenge. Furthermore, the authority is seeking to introduce a comprehensive resettlement approach to the private rented sector to reduce the likelihood of representations back to our housing needs service.

6.2.8 There are a further 39 cases with no outstanding application with the Home Office. This could deliver savings of some £858k. However, these are likely to be more complex cases requiring the completion of human rights assessments, possible lengthy eviction proceedings and legal challenge.

6.2.9 The placement budget for *Looked After Children (LAC)* is currently forecast to overspend by £1.8m. This includes adoption and special guardianship orders. The numbers of LAC at the end of January is 477, which is an increase of one since the end of December 2014.

6.2.10 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 70 against a budget assumption of 23. The budget is currently projected to overspend by £1.2m.

6.2.11 Close control of spending across the Social Care Division has allowed £0.3m of the supplies and services budget to be offset against the spending pressures.

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 It should be noted that the last tendering round for taxi provision resulted in some reduced costs in line with the budget proposal. There has been some progress on the increased use of independent travel, but the financial impact in the current year will be minimal. However, the underlying pressure remains and work on reducing the costs of travel assistance for 2015/16 continues to ensure the original budget saving proposal from 2014/15 can be achieved. The plans which are in place are expected to deliver an annual saving of £1m, although the pressure of pupil numbers remains.

6.5 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 takes place with the judges to address this issue and if the outcome of these discussions is successful, then this should relieve the pressure.

6.6 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
	January 2014 (£)	January 2015 (£)	January 2015
Local authority fostering	357	377	205
Agency fostering	877	887	188
Residential homes	2,900	3,166	52*

* This includes 7 clients who are in residential schools

6.7 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 an underspend of £1.3m at year end, an improvement of £0.5m on the position at the end of December 2014. At the same time last year, an underspend of £4.4m 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	106.9	(28.0)	78.9	1.7
Cultural & Community Development	22.5	(7.3)	15.3	(1.2)
Public Health	15.0	(15.0)	0.0	(1.2)
Crime Reduction & Supporting People	22.6	(8.8)	13.8	(0.3)
Strategy, Improvements & Partnerships	2.3	(0.2)	2.0	(0.3)
Total	**169.3**	**(59.3)**	**110.0**	**(1.3)**

*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.

7.2 The *Adult Services* division is forecast to overspend by £1.7m. This assumes achievement later in the year of savings of £0.2m in addition to savings already achieved. At the end of the last financial year, adult services underspent by £2.1m.

7.3 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 underspend by £0.1m, as at December 2014. This is net of £0.4m winter pressures funding, which will be non-recurrent. There is still a pressure 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 although the projected cost in this area has reduced. The full restructure of the social work service took effect in mid-December. For the first ten 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 £0.8m. 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 £3.1m, a reduction of £0.2m caused by review of projected spend on mental health supported accommodation. Part of this overspend 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 to 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 the Department of Health have included £0.3m 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.

7.4 The 2014/15 budget assumes savings of £7.2m for adult social care. As at the end of January 2015, savings of £4.9m had already been delivered. Delivery of a further £0.2m 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.

7.5 An 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

£0.3m as at the end of December 2014. 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. The supporting people budget is projected to underspend by £0.1m which is a result of the early achievement of part of the 2015/16 savings target. Additionally, the drug & alcohol service is now expecting an underspend of £0.1m resulting from the early achievement of 2015/16 savings.

7.6 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 officers have assessed the young persons' 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 of £0.05m projected for the current year.

7.7 The figures for crime reduction and supporting people exclude the impact of the potential redundancy costs resulting from the reorganisation of the enforcement and regulatory service to deliver a future year budget saving of £0.8m. The early retirement/voluntary retirement (ER/VR) panel has agreed the cost of the proposed restructure pending a final decision by Mayor & Cabinet and subject to any statutory redundancy cost being funded by the service. The maximum statutory redundancy costs resulting from the reorganisation are estimated at £0.25m and this would be an additional 2014/15 budget pressure for the service.

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 £14.1m. 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 £1.2m. This is an increase of £0.3m from last month following a review of contractual commitments and identification of an over-accrual at the end of last financial year.

7.10 The *cultural and community services division* is forecasting an underspend of £1.2m an increase of £0.2m against last month. This compares to an underspend of £1.0m 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. An underspend of £0.1m is expected on the libraries budget due to management action to freeze uncommitted budgets. The leisure management budget is expected to underspend by £0.6m which is an increase of £0.1m against last month. This underspend has resulted from a

combination of factors: a managed underspend on the leisure centre-lifecycle and dilapidations budget; Downham-PFI contract reimbursements relating to events in previous years; and a VAT adjustment relating to 2013/14 energy costs for the Glass Mill Leisure Centre.

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 An underspend of £0.1m is now projected on the Local Assemblies Fund devolved budget which has resulted from the late allocation of 2014/15 funding by some of the wards. It will not be possible to fully release all the agreed funding by 31 March 2015 and therefore, there is likely to be a request to carry forward the unspent portion of each assembly budget as an earmarked reserve.

7.13 Finally, a small overspend is projected on Community Education Lewisham following a 1% pay award for lecturers backdated to April 2013.

7.14 The *strategy, improvements and partnerships division* is projecting an underspend on staffing of £0.3m which predominantly relates to the directorate management team budget. This is a reduction on last month following allocation of the non-pay contingency that was previously held in this division.

8 CUSTOMER SERVICES

8.1 The directorate is forecasting a year-end overspend of £3.1m. This compares to an overspend £2.6m reported as at the end of December 2014. The projection for the same period last year was £1.9m.

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	12.9	(9.9)	3.0	2.1
Environment	38.7	(19.2)	19.5	0.6
Public Services*	38.6	(32.6)	6.0	0.2
Strategy & Performance (including IM&T)	10.7	(1.4)	9.3	0.2
Total	**100.9**	**(63.1)**	**37.8**	**3.1**

* 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 £2.1m, an increase of £0.3 on last month's projection.

8.3 The number of bed & breakfast tenancies as at end of January 2015 was 602, compared to a figure of 603 reported in December 2014. This compares to 284 at the same time last year and is an increase of 352 on the figure as at the end of 2013/14. At this level, the overspend is expected to be in the region of £2.8m. The increase reflects an increase in the level of bad debt provision required in respect of tenants not entitled to benefits.

8.4 Mayor & Cabinet recently agreed a proposal to transfer commercial assets and garages from the Housing Revenue Account (HRA) to the General Fund in 2014/15, The net effect on the General Fund is an increased income of £0.7m which partly offsets the overspend reported in paragraph 8.3.

8.5 Officers have been modelling the potential longer term effects of the higher numbers in bed and breakfast, 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 is likely to continue throughout 2015/16 although at a lower level of around £2m.

8.6 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.

8.7 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.

8.8 The *environment division* is forecasting an overspend of £0.6m, an increase of £0.6m. This increase is in respect of recycling costs arising from a new disposal contract. The balance of the overspend relates in part to *bereavement services* where a combination of increased coroner's court and mercury abatement costs combined with a small income shortfall have resulted in a projected overspend of £0.1m. *Street management* is 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.

8.9 The *public services division* is projecting an overspend of £0.2m due to a small shortfall in parking income. This is an increase of £0.1m compared to the report as at the end of December 2014.

8.10 A forecast overspend of £0.2m remains for the Information Management and Technology (IMT) budget, mainly as a result of a delay in restructuring.

9. RESOURCES AND REGENERATION

9.1 The directorate is forecasting an underspend of £0.8m. This compares to a forecast underspend of £0.8m at the end of December 2014. At this point last year, an underspend of £1.3m. 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)
Financial Services	5.5	(1.2)	4.3	(0.4)
Executive Office	0.2	0	0.2	0.0
Personnel & Development	3.0	(0.3)	2.7	(0.1)
Legal Services	2.8	(0.4)	2.4	(0.1)
Strategy	2.5	(0.4)	2.1	(0.2)
Planning & Economic Development	3.6	(1.6)	2.0	(0.4)
Regeneration & Asset Management	18.0	(5.7)	12.3	0.7
Total	**44.5**	**(12.2)**	**32.3**	**(0.8)**

9.2 The *audit & risk division* is forecasting a nil variance on its budget although there are balancing over and underspends within the division. The insurance budget is forecasting to have a £0.1m variance subject to the calculation of year-end transfers to provisions and reserves in line with the actuary's report. There is a £0.1m overspend forecast on the internal audit budget where the staff reorganisation and contract end costs have created a budget pressure. These overspends are offset by underspends in health and safety, procurement and the anti-fraud and corruption teams.

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 £0.4m, most of which relates to the contingency for the directorate that is held within this division.

9.5 The *personnel & development division* is forecasting a £0.1m underspend mainly due to staffing and training underspends offset by an overspend on occupational health.

9.6 The *legal services division* is forecasting an underspend of £0.1m due to increased income generally and also the reimbursement of costs in relation to Lewisham Hospital.

9.7 The *strategy division* is forecasting an underspend of £0.2m which is mainly due to delayed recruitment of apprentices.

9.8 The *planning division* is forecasting an underspend of £0.4m which is due to forecast increased land charge income.

9.9 The *regeneration & asset management division* is forecasting an overspend of £0.7m. This is mainly due to staffing costs pending a re-organisation later in the financial year. However, there are other significant overspends including building cleaning, repairs & maintenance and the letting of the Town Hall as well as a reduction in income arising from permit fees and charges for overruns in relation to utility companies' road works. All of these are offset by the 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. Final outturn figures are being formulated now and will be reported at the end of the financial year.

11 DEDICATED SCHOOLS' GRANT

11.1 The Dedicated Schools Grants (DSG) settlement stands at £269.3m and 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 last year. 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	44.1	43.0
2014/15 Total additions and deductions for non-block funding	6.8	6.8
2014/15 total DSG allocation	**269.3**	**249.3**

11.2 The current forecast indicates the High Needs block will be overspent by £1.9m at the year end. This is partly due to the overspend from last year (£0.8m) being inherent in the current years spend. Additional costs have been incurred on the SEN matrix and the special schools budget. The number of children with statements is growing by an average of six per month. The special schools budget has required extra resources as both the number of pupils have increased as well as the complexities of the needs of children within our schools. There has also been an increase in the number of pupils within the independent schools and other local authority schools causing an increase in the forecast this month as well as the finalising of the Independent Sector invoice charges. The forecast could change once health and social care recharges are confirmed.

11.3 The impact for next year and allowing for an increase in the pupil population is an overspend of £2.1m. The Schools Forum has agreed the funding for matrix pupils will be reduced by £4,800 per pupil next year. This would yield a saving of £1.8m and the reminder will be found by reducing the collaborative funding for low needs SEN.

11.4 For the current year, the overspend can be met from the carry forward from the two year olds underspend last year. There is also likely to be an underspend on the two year olds this year which will be in the order of £2m as the take up of places continues to be lower than expected. The funding system will change in 2015/16 and Lewisham will be funded on the basis of participation. No future savings will be made in this area.

12. HOUSING REVENUE ACCOUNT

12.1 The Housing Revenue Account (HRA) is projecting a surplus of £0.8m. This is a £0.4m increase on last month.

Table 8 – Housing Revenue Account

	Expend Budget	Income Budget	2014/15 budget	Variance
	£000's	£000's	£000's	£000's
Customer Services - Housing	12.1	-2.9	9.2	0
Lewisham Homes & R&M	36.1	0	36.1	0
Resources	2.0	0	2.0	0
Centrally Managed Budgets	84.5	131.8	-47.3	-0.8
Total	**134.7**	**-134.7**	**0**	**-0.8**

12.2 The surplus is as a result of increased income in respect of tenants' rents, leaseholder service charges and major works income totalling approximately £1.8m. The transfer of garage and commercial income of £700k mentioned in 8.4 above.

13. COLLECTION FUND

13.1 As at 31 January 2015, £88.4m of council tax had been collected, which is 83.05% of the total amount due for the year of £106.4m. This is 1.1% lower than the profiled collection rate of 84.1% 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 83%, some 0.05% lower than this year.

13.2 Business rates collection is at 92.9% which is a decrease of 0.4% compared to the same period last year and 1.1% lower than the profiled collection rate if the overall target rate for the year of 99% is to be achieved. This is at a similar level to improvement on the figure reported to the end of December 2014.

14. CAPITAL EXPENDITURE

14.1 The capital expenditure to 31 January 2015 is £86.7m which is 62% 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 on 16 July 2014.

Table 9 – Capital Programme

2014/15 Capital Programme	Revised Budget	2014/15 Forecast	Spend to 31 Jan 14	Spend to 31 Dec 14	Spend to Date (On Rev Budget)
	£m	£m	£m	£m	%
Community Services	1.5	1.8	1.2	1.2	82
Resources & Regeneration	12.9	13.1	6.1	4.8	47
CYP	59.2	55.8	38	32.2	64
Customer Services	1.3	1.2	1.1	0.9	86
Housing (Gen Fund)	12.4	12.6	7.3	6.6	59
Total General Fund	**87.3**	**84.5**	**53.7**	**45.7**	**62**
HRA - Council	5.5	5.4	2.0	1.7	36
HRA - Lewisham Homes	47.0	47.0	31.0	26.5	66
Total HRA	**52.5**	**52.4**	**33**	**28.2**	**63**
Grand Total	**139.8**	**136.9**	**86.7**	**73.9**	**62**

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).

Table 10 – Summary of Major Capital Schemes

2014/15 Capital Programme	Revised Budget	2014/15 Forecast	Spend to 31 Jan 14	Spend to 31 Dec 14	Spend to Date (On Rev Budget)
	£m	£m	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	5.0	4.9	2.4	2.2	48
Primary Places Programme	25.5	25.5	19.3	16.7	76
BSF - Sydenham	11.9	11.9	10.9	9.4	92
BSF – Brent Knoll	6.8	6.8	3.8	2.5	56
Other Schools Capital Works	13.4	9.3	4.3	3.8	32
Acquisition & Conversion of properties	3.3	3.1	2.8	2.8	84
Disabled Facilities / Private Sector Grants	1.8	1.8	0.7	06	39
Catford Broadway & Town Centre Regeneration	0.6	0.6	0.3	0.1	48
Asset Management Programme	2.4	2.4	1.6	1.4	67
Highways and Bridges (TfL)	2.8	2.8	1.2	1.0	43
Highways and Bridges (LBL)	3.9	3.9	1.7	1.2	44
Acquisition – Hostels Programme	1.3	1.5	0.6	05	48
Other Schemes less than £1m	8.6	10.0	4.1	3.5	48
Grand Total	87.3	84.5	53.7	45.7	62

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, £12.7m of usable receipts have been received comprising £3.1m in respect of previous year's Housing stock transfers, £7.9m (net) from Housing Right to Buy sales and £1.7m 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 £9.1m and although this represents a reduction from the projected year end overspend reported to the end of December 2014, it still represents and a major concern for the council.

20.2 Since the start of the financial year and the first public report of the financial forecast position to Mayor & Cabinet in July 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 £5.8m, the corporate team which is responsible for assessing all new cases presenting to the council continues 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 £3.3m 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 £3.3m, these pressures alone would still represent the most significant level of reported budget pressures for the council of any financial year in recent years.

20.4 As the year end is nearing, the Executive Director for Resources and Regeneration will continue to work with directorate management teams across the council to effect the necessary continued actions to manage their service pressures.

21. BACKGROUND PAPERS AND APPENDICES

None

<u>For further information on this report, please contact:</u>

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