

<b>PUBLIC ACCOUNTS SELECT COMMITTEE</b>			
<b>REPORT TITLE</b>	Financial Results for 2014/15		
<b>KEY DECISION</b>	No	<b>Item No.</b>	5
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources and Regeneration		
<b>CLASS</b>	Part 1	<b>Date</b>	14 <sup>th</sup> July 2015

## **1. EXECUTIVE SUMMARY**

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

- The directorates' net general fund revenue budget was overspent by £9.1m and after applying the corporately held sum of £3.9m for 'risks and other pressures' this reduced the overspend to £5.2m.
- The Dedicated Schools' Grant (DSG) of £269.3m was spent to budget.
- The Housing Revenue Account (HRA) was spent to budget.
- Council Tax collection for the year was 95.1%. 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 £122.6m. This represents 89% of the revised forecasted year-end expenditure budget of £137.3m.
- Business Rates collection was 99.4% against a collection target for the year of 99.0%.

## **2. PURPOSE**

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

## **3. RECOMMENDATION**

3.1 The Public Accounts Select Committee is asked to note the financial results for the year ending 31 March 2015.

## **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 overspent against the directorates' net controllable budgets was £9.1m as set out in Table 1. A sum of £3.9m was set aside in setting the 2014/15 budget and was being held corporately for managing 'risks and other budget pressures'. These were for such items which although difficult to quantify with absolutely certainty, could prove significant should they have materialised over the course of the financial year. With this being the case, it was felt necessary for this sum to be applied, the consequence of which brings the directorates' year end overspend down from £9.1m to £5.2m for 2014/15. The final overspend has been covered by once-off corporate resources.

**Table 1 – Directorates' Financial Results for 2014/15**

Directorate	Gross budgeted spend	Gross budgeted (income)	Net Budget	Final Outturn	Over / (Under) Spend	Variance
	£m	£m	£m	£m	£m	%
Children & Young People <sup>1</sup>	74.3	(20.4)	53.9	63.8	9.9	18.4%
Community Services	168.1	(58.0)	110.1	107.8	(2.3)	(2.1%)
Customer Services <sup>2</sup>	100.9	(63.1)	37.8	41.4	3.6	9.5%
Resources & Regeneration	44.5	(12.2)	32.3	30.2	(2.1)	(6.5%)
<b>Directorate Total</b>	<b>387.8</b>	<b>(153.7)</b>	<b>234.1</b>	<b>243.2</b>	<b>9.1</b>	<b>(3.9%)</b>
<b>Corporate Items</b>	<b>34.0</b>	<b>0.0</b>	<b>34.0</b>		<b>(3.9)</b>	
<b>Budget Requirement</b>	<b>421.8</b>	<b>(153.7)</b>	<b>268.1</b>		<b>5.2</b>	

(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

## 6. CHILDREN & YOUNG PEOPLE

- 6.1 The directorate overspent by £9.9m. 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 2.

**Table 2 – Children & Young People Directorate**

Service Area	Gross budgeted spend	Gross budgeted income – inc grants*	Net budget	Final Outturn	Variance
	£m	£m	£m	£m	£m
Children's Social Care Services	46.6	(2.5)	44.1	54.3	10.2
Standards & Achievements	4.2	(2.4)	1.8	1.3	(0.5)
Education Infrastructure	1.4	(0.0)	1.4	1.4	0.0
Partnerships and Targeted Services	13.2	(3.3)	9.9	10.9	1.0
Resources & Performance	8.9	(10.9)	(2.0)	(2.8)	(0.8)
Schools	0.0	(1.3)	(1.3)	(1.3)	0.0
<b>Total</b>	<b>74.3</b>	<b>(20.4)</b>	<b>53.9</b>	<b>63.8</b>	<b>9.9</b>

\* 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 fell with the *children's social care* service area and amounted to £10.2m. The overspend was mainly in respect of clients with 'no recourse to public funds', including bed & breakfast temporary accommodation and section 17 payments. These are families who seek support under section 17 of the Children's Act because they claim they 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. At the end of 2014/15, support was provided to a total of 243 clients, costing £6.3m. The client numbers reached a peak in June 2014 when there were 286 clients. Since this time the numbers have been reduced.
- 6.3 The number of *looked after children* ended the year with 489 compared with the current budget provision of 460. The social care management team review placements on a weekly basis to ensure that care packages provide value for money and still meet the desired outcome. The key placement decision is whether residential or fostering provision is the most appropriate. During the course of the year, there have been more children in residential accommodation. This has seen an increase of seven, which on average costs £3,135 per week. This has been offset by utilising more of the in-house fostering placements which on average cost £370 per week rather than agency fostering which cost £860 per week. The total pressure for this service area stood at £2.1m at the end of the year.
- 6.4 The *leaving care service* saw an increasing number of young people requiring support and national changes in housing benefit have created pressure on this budget. Furthermore, delays in finding appropriate accommodation for some of the young people results in them remaining in expensive provision. The client numbers at the start of the year were 117 which increased to a total of 145 by the year end, resulting in an overall budget pressure of some £1.5m for this area.
- 6.5 There were a number of other net budget pressures within the *children's social care service* area which totalled £0.3m. These mainly related to the cost of the 'no recourse to public funds' team, legal fees and court costs and were in part alleviated by savings in supplies and services through operation of the directorate expenditure panel.
- 6.6 For *partnerships and targeted services*, the cost of travel assistance has been the main cause of the budget pressure, due to the increased use of taxis for extra pupils being transported. This has resulted in overall costs of £1.1m for 2014/15. There are also further pressures of £0.1m relating to the SEN support Team. These budget pressures have been alleviated in part through underspends of £0.2m on attendance and welfare and the CAMHS budget.
- 6.7 All the other divisions in the directorate either spent to budget or underspent overall. For the *standards and achievements* division, these underspends mainly related to staff savings and additional income achieved through schools' service level agreements.

## **7. COMMUNITY SERVICES**

- 7.1 The directorate underspent by £2.3m. This was generally in line with the forecasts being reported throughout the course of the year and the overall position for the directorate has been set out in Table 3.

**Table 3 – Community Services Directorate**

	Gross budgeted spend	Gross budgeted income	Net budget	Final Outturn	Variance
	£m	£m	£m	£m	£m
Culture & Community Development	22.6	(7.3)	15.3	13.7	(1.6)
Adult Social Care Services	106.9	(28.0)	78.9	80.9	2.0
Public Health	15.0	(15.0)	0.0	(1.3)	(1.3)
Crime Reduction and Supporting People	22.6	(8.8)	13.8	13.2	(0.6)
Strategy, Improvements and Partnerships	2.3	(0.2)	2.1	1.7	(0.4)
Community Reserves	0.0	0.0	0.0	(0.4)	(0.4)
<b>Directorate Total</b>	<b>169.4</b>	<b>59.3</b>	<b>110.1</b>	<b>107.8</b>	<b>(2.3)</b>

\* The net budget for Community Services has seen an in-year increase of £1.3m due to the transfer of the line management responsibility for licensing, trading standards and environmental health services. There are no significant variances being reported for these budgets.

- 7.2 The final underspend being reported for the *culture and community development* division is £1.6m. The community sector grants service has underspent by £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 £0.4m relates to the libraries budget due to a combination of management action to freeze uncommitted budgets and a small staffing underspend. There were also leisure management budget net underspends of £0.7m due to a combination of factors, including a reduced spend profile on the leisure centre-lifecycle and dilapidations budget.
- 7.3 There was a £0.1m overspend on the Deptford Lounge budget due to low levels of income generated from third party room hire which continued to be lower than both the budgeted figure and income levels assumed in the original projections for the Deptford Lounge complex. Also, the Broadway Theatre budget overspent by £0.1m due to slippage against delivery of 2014/15 savings.
- 7.4 The overspend for *adult social care services* is £2m. As reported throughout the year, this is due to a number of reasons against individual adult social care services. The largest overspends were on budgets for packages and placements. This was caused by increased costs of older adults' home care (linked to pressures at the hospital) and also for inclusion of costs for the new extra care facilities. 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.
- 7.5 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. The year ended with commitments against this budget totalling £14m. This resulted in an underspend of £1.3m.
- 7.6 For *crime reduction and supporting people*, an underspend of £0.6m is being reported. The youth offending services ended the year with a small underspend,

partly attributable to a delay in purchasing an IT system and there was also an unexpected underspend on secure remands and an underspend on some grant funded activity. There was also an underspend on the drugs & alcohol service due to lower expenditure than predicted on GP and pharmacy activity where bills are submitted late in the financial year.

- 7.7 There were underspends of £0.4m in the *strategy, improvements and partnerships* division which predominately related to staffing in the directorate management team budget.

## 8. CUSTOMER SERVICES

- 8.1 The directorate overspent by £3.6m. The overall position for the directorate has been set out in Table 4.

**Table 4 – Customer Services Directorate**

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Final Outturn	Variance
	£m	£m	£m	£m	£m
Strategic Housing	12.9	(9.9)	3.0	4.8	1.8
Environment	38.7	(19.2)	19.5	20.2	0.7
Public Services*	38.6	(32.6)	6.0	6.5	0.5
Transformation (Inc. IMT/DMT)	10.7	(1.4)	9.3	9.9	0.6
<b>Directorate Total</b>	<b>100.9</b>	<b>(63.1)</b>	<b>37.8</b>	<b>41.4</b>	<b>3.6</b>

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

- 8.2 The *strategic housing service* is reporting a year end overspend of £3.1m on budgets relating to nightly paid accommodation, offset by the transfer of garage and commercial property income totalling £1.3m. The overspend within the bed and breakfast budget comes as a result of a significant increase in the number of clients in bed and breakfast accommodation. The number rose from an average of 197 in 2013/14 to an average of 505 in 2014/15. The number of 'live' rent accounts relating to bed and breakfast at the end of the year was 559 and this compared to 241 at the end of March 2014. The garage and commercial property income transferred covers debt interest and repayment of £0.6m included elsewhere in the accounts.
- 8.3 The *environment* division overspent by £0.7m. This was mainly due to income an income shortfall and other costs in bereavement services of £0.3m, increased tonnages for waste of £0.3m and an income shortfall for street management, green scene and the lumber collection service of £0.1m.
- 8.4 The *public services* division is projecting an overspend of £0.5m due shortfalls in parking income and in part relates to an increase in the parking bad debts provision. The need for an increased provision has arisen as a result of incomplete and unreliable information data relating to historic debt following migration to the new system. The provision is now set at an appropriate level to allow all old debts to be written off.

- 8.5 The *transformation* service overspent by £0.6m. This is mainly due to the delay in the implementation of a reorganisation of £0.2m and increased costs of photocopying contracts of £0.3m. The balance of £0.1m comprises a number of small overspends across the service. The reorganisation has now taken place and looking ahead, the staffing costs for 2015/16 are expected to be contained within the budget.

## 9. RESOURCES & REGENERATION

- 9.1 The directorate underspent by £2.1m. The overall position for the directorate has been set out in Table 5.

**Table 5 – Resources and Regeneration Directorate**

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Final Outturn	Variance
	£m	£m	£m	£m	£m
Corporate Resources (Inc. insurance)	5.5	(2.6)	2.9	2.6	(0.3)
Corporate Policy and Governance	3.4	(0.0)	3.4	3.1	(0.3)
Financial Services	5.5	(1.2)	4.3	3.8	(0.5)
Executive Office	0.2	0.0	0.2	0.2	0.0
Personnel & Development	3.0	(0.3)	2.7	2.5	(0.2)
Legal Services	2.8	(0.4)	2.4	2.2	(0.2)
Strategy	2.5	(0.4)	2.1	1.9	(0.2)
Planning & Economic Development	3.6	(1.6)	2.0	1.4	(0.6)
Regeneration and Asset Development	18.0	(5.7)	12.3	12.5	0.2
<b>Directorate Total</b>	<b>44.5</b>	<b>(12.2)</b>	<b>32.3</b>	<b>30.2</b>	<b>(2.1)</b>

- 9.2 Most divisions within the directorate are reporting year end underspends or balanced positions. These are as follows:
- 9.2.1 The *corporate resources* division – underspend of £0.3m. This relates to the insurance budget following a year-end review of reserves and provisions in line with actuarial recommendations.
- 9.2.2 The *corporate policy & governance* division – 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.
- 9.2.3 The *financial services* division – underspend by £0.5m, this relates to reduced staffing costs, miscellaneous supplies & services underspends and additional recharge income from schools, the HRA and the Pension Fund.

- 9.2.4 The *personnel & development* division – underspend of £0.2m mainly due to staffing and training cost underspends offset by an overspend on occupational health.
- 9.2.5 The *legal services* division – underspend of £0.2m due to increased income generally and also the reimbursement of costs in relation to Lewisham Hospital.
- 9.2.6 The *strategy* division – underspend of £0.2m which is mainly due to a staffing underspend in the communications unit and delayed recruitment of apprentices.
- 9.2.7 The *planning* division – underspend of £0.6m which is due to increased land charges and development charges income.
- 9.3 The *regeneration & asset management* division ended the year with an overspend of £0.2m. This is mainly due to staffing costs pending a re-organisation which is now underway 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. DEDICATED SCHOOLS GRANT

- 10.1 The overall spend on the Dedicated Schools' Grant (DSG) budget settlement for 2014/15 is set out in Table 6.

**Table 6 – DSG Settlement for 2014/15**

	<b>Before Academy Recoupment</b>	<b>After Academy recoupment</b>
	<b>£m</b>	<b>£m</b>
2014/15 Schools Block	201.4	182.5
2014/15 Early Years Block	17.3	17.3
2014/15 High Needs Block	43.4	42.3
2014/15 Total additions and deductions for non-block funding	7.5	7.5
<b>2014/15 total DSG allocation</b>	<b>269.6</b>	<b>249.6</b>

- 10.2 The main pressure for the year has been on the high needs block. This was in part due to the overspend from last year being inherent in the current year's spend. Additional costs though have been incurred on the SEN matrix and the special schools budget. The numbers of children with statements are growing by an average of six per month. The special schools budget has required extra resources as both the number of pupils and the complexities of the needs of children within our schools have increased. There has also been an increase in the number of pupils within the independent schools and other local authority schools causing an additional pressure. The total overspend at the year-end was £2.7m
- 10.3 The overspends can be met from the carry forward from the two year-olds underspend from 2013/14 and for 2014/15 as the take up of places continues to be

lower than DFE targets. The funding system will change in 2015/16 and funding will be on the basis of participation and no future savings will be made in this area.

- 10.4 The end of year balance of £0.5m on the DSG has been added to the DSG reserve. The reserve now stands at £2.5m. The Schools Forum meet on 4 June 2015 to consider this and is being recommended to set this funding aside to meet the cost pressure on high needs pupils in 2015/16.

## 11. HOUSING REVENUE ACCOUNT

- 11.1 The Housing Revenue Account is reporting a spend to budget position after transfers to reserves as at 31 March 2015. Table 7 sets out the budgets and year end variance by services.

**Table 7 – Housing Revenue Account**

Housing Revenue Account	Gross budgeted spend	Gross budgeted income	Net budget	Final Outturn	Final Outturn
	£m	£m	£m	£m	£m
Lewisham Homes management costs (including R&M)	36.1	0.0	36.1	33.6	(2.5)
Housing management (LBL & PFI)	12.1	(2.9)	9.2	9.2	(0.0)
Management and Support Services (LBL, including SLAs)	2.0	0.0	2.0	1.9	(0.1)
Energy costs	3.0	0.0	3.0	2.4	(0.6)
Capital Financing	75.2	0.0	75.2	74.0	(1.2)
Balances, Provisions and Contingencies	3.0	0.0	3.0	1.8	(1.2)
Rents, Services Charges and major works income	0.0	(85.4)	(85.4)	(86.0)	(0.6)
Government Grants (PFI Credit/Decent Homes funding)	0.0	(46.3)	(46.3)	(46.3)	0.0
Transfer of HRA surplus to balances	3.2	0.0	3.2	9.4	6.2
<b>Total</b>	<b>134.6</b>	<b>134.6</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 £2.25m 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 Overspends on running costs and fee income in the Council's own housing management budget was off-set by additional rent and service charge income from hostels, due to lower than budgeted void rates. The final void rate was 7.7% compared to a budget rate of 10%. This has resulted in a balanced budget for this area.
- 11.4 The underspend in management and support services relates to lower than budget costs for the CCTV service managed by community services.



- 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 2015/16 will be reviewed as part of the contract change.
- 11.6 The net variance on capital financing relates to lower interest costs due to a technical change in debt apportionment and other technical accounting adjustments. This is to recognise the decent homes costs as revenue rather than capital expenditure and reductions in depreciation costs over budgeted allowances, due to transfers and revaluations in stock and asset values.
- 11.7 The underspend related to balances provisions and contingencies mainly relates to the non-use of contingency budgets and underspends against budgeted bad debt provisions/impairments.
- 11.8 Tenant rents and service charge income exceeded budgets due to lower than budgeted void levels and decants related to regeneration schemes. Leaseholder income on day to day services and major works also exceeded income budgets due to an increase in production of decent homes final accounts. However, the additional income was partly off-set due to a technical change in accounting for the garage and commercial stock.
- 11.9 Overall, the HRA made a surplus of £9.2m for the financial year 2014/15, of which £3.0m was budgeted for. The surplus 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 2015, £101.1m of Council Tax had been collected, this represents 95.1% of the total amount due for the year of £106.3m. This compares to the 'in year' key performance target collection rate of 94.5%. The collection rate as at the end of the 2013/14 financial year was 94.8%.
- 12.2 Business rates collection for 2014/15 stood at 99.4%, compared to 99.0% at the end of 2013/14 financial year. Performance has improved from last year and is 0.4% above the target collection rate for the year of 99.0%.

## **13. CAPITAL EXPENDITURE**

- 13.1 The overall spend to 31 March 2015 is £122.6m, which is 89% of the revised budget of £137.3m. The revised budget reflects changes occurring during the year that include balances brought forward from 2013/14 that had not yet been determined at the time the original budget was set, as well as changes due to re-profiling and re-phasing of a number schemes including Milford Towers decant, the New Homes Better Places Programme and Schools AMP.

**Table 8 – Capital Programme**

<b>2014/15 Capital Programme</b>	<b>Original 2014/15 Budget (2014/15 Budget Report)</b>	<b>Revised 2014/15 Budget (2015/16 Budget Report)</b>	<b>Final Outturn</b>	<b>Spend to Date (Revenue Budget)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Community Services	0.5	1.7	1.5	88
Resources & Regeneration	7.7	13.1	10.5	80
Children & Young People	50.1	56.1	47.5	85
Customer Services	0.2	1.2	1.1	92
Housing (General Fund)	9.6	12.7	9.1	72
<b>Total General Fund</b>	<b>68.1</b>	<b>84.8</b>	<b>69.7</b>	<b>82</b>
HRA – Council	0.8	5.5	3.5	64
HRA - Lewisham Homes	57.5	47.0	49.5	105
<b>Total HRA</b>	<b>58.3</b>	<b>52.5</b>	<b>53.0</b>	<b>101</b>
<b>Grand Total</b>	<b>126.4</b>	<b>137.3</b>	<b>122.7</b>	<b>89</b>

13.2 The table below shows the current position on the major projects in the 2014/15 general fund capital programme.

**Table 9 – Summary of Major Capital Schemes**

<b>2014/15 Capital Programme</b>	<b>Original Budget (2014/15 Budget Report)</b>	<b>Revised Budget (2015/16 Budget Report)</b>	<b>Final Outturn</b>	<b>Spend to Date (On Revenue Budget)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	4.7	5.0	3.5	70
Primary Places Programme	25.1	25.5	24.2	95
BSF - Sydenham	9.9	11.9	11.7	98
BSF – Brent Knoll	5.6	6.8	5.1	75
Other Schools Capital Works	9.1	12.6	5.0	40
Acquisition & Conversion of properties	0.0	3.1	2.9	94
Disabled Facilities / Private Sector Grants	1.8	1.8	1.0	56
Asset Management Programme	2.5	2.4	2.2	91
Highways and Bridges (TfL)	0.0	2.8	2.5	89
Highways and Bridges (LBL)	3.5	3.9	3.6	92
Acquisition – Hostels Programme	1.5	1.5	0.7	47
Other Schemes less than £1m	4.4	7.5	7.3	97
<b>Grand Total</b>	<b>68.1</b>	<b>84.8</b>	<b>69.7</b>	<b>82</b>

13.3 One of the main sources of financing the programme was capital receipts from the sale of property assets. A total of £4.3m of these usable capital receipts was used to finance the programme in 2014/15, whilst £89m of grants was also allocated.

## 14. TREASURY MANAGEMENT AND PENSION FUND

### Treasury Management

- 14.1 The overall treasury management portfolio as at 31 March 2015 has been set out in Table 10.

**Table 10 - Treasury Position as at 31 March 2015**

	Outstanding at 31 March 2015	Average Coupon Rate	Average Remaining Duration	Outstanding at 31 March 2014
	£m	%	Years	£m
<b>Fixed Rate Borrowing</b>				
Public Works Loans Board	78.0	5.60	22.3	83.9
Market Debt	87.4	4.71	38.9	86.5
Sub Total – Fixed Rate Borrowing	165.4			170.4
<b>Variable Rate Borrowing</b>				
Public Works Loans Board	0.0	0.0	0.0	0.0
Market Debt	25.0	4.54	23.8	25.0
Sub Total – Variable Rate Borrowing	25.0			25.0
<b>Total Debt</b>	<b>190.4</b>			<b>195.4</b>
<b>Investments</b>				
Internally Managed	311.0	0.62	103.9 days	285.6
<b>Total Cash Managers</b>	<b>311.0</b>			<b>285.6</b>

- 14.2 The net borrowing requirement for 2014/15 was minus £10.1m, this being £4.5m lower than the net borrowing requirement of minus £5.6m for 2013/14, as set out in Table 11.

**Table 11 – Net Borrowing Requirement for 2014/15**

	2014/15	2013/14
	£m	£m
Capital Investment	71.0	70.8
Capital Grants	(50.9)	(39.5)
Capital Receipts	(4.3)	(16.1)
Revenue	(12.3)	(12.4)
<b>Net</b>	<b>3.5</b>	<b>2.8</b>
Minimum Revenue Provision	(8.5)	(8.4)
Maturing Debt	(5.1)	0.0
<b>Net Borrowing Requirement</b>	<b>(10.1)</b>	<b>(5.6)</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 2015, this internal borrowing totalled £26.8m. There has been no new borrowing in the year 2014/15.
- 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 11. The comparative position is

as set out in Table 12.

**Table 12 – Debt and CFR Movement in 2014/15**

	2014/15	2013/14
	£m	£m
Capital Financing Requirement	230.8	235.9
External Debt	190.4	195.5
<b>Difference</b>	<b>40.4</b>	<b>40.4</b>

- 14.5 The impact of the debt transactions in 2014/15 was to reduce the average interest rate of the debt by 0.24% from 5.03% to 4.79%.

#### Pension Fund

- 14.6 The net asset worth of the Lewisham Pension Fund as at 31 March 2015 was £1.046m. This represents an increase of some £141m over the course of the year, where the closing net assets of the scheme as at 31 March 2014 were valued at £905m. 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 2014/15 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 overall net general fund overspent against the directorates' net controllable budgets was £9.1m. After applying the sum of £3.9m which was set aside in setting the 2014/15 budget for 'risks and other budget pressures', this brings the final overspend down to £5.2m.
- 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 have included 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 ended the year at £6.3m overspent, the corporate team which is responsible for assessing all new cases presenting to the council has shown 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 remained a significant budget pressures in other areas across the council. In the main, these included pressures for service areas such as looked after children, adult social care and temporary bed and breakfast accommodation. All of these pressures undoubtedly represent the most significant level of reported budget pressures for the council of any financial year over the course of the last decade.
- 20.4 As the new financial year starts, with a new set of challenges in terms of the delivery of savings, the council will continue to apply sound financial controls. It is clear that the short and medium-term outlook will remain difficult. However, 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 DOCUMENTS AND FURTHER INFORMATION

Short Title of Report	Date	Location	Contact
2014/15 Budget	26 February 2014 (Council)	3 <sup>rd</sup> Floor Laurence House	Shola Ojo
Financial Outturn for 2013/14	25 June 2014 (M&C)	3 <sup>rd</sup> Floor Laurence House	Richard Lambeth
Financial Forecasts for 2014/15	16 July 2014 and 12 November 2014 & 25 February 2015 (M&C)	3 <sup>rd</sup> Floor Laurence House	Richard Lambeth
2015/16 Budget	25 February 2015 (Council)	3 <sup>rd</sup> Floor Laurence House	Shola Ojo

For further information on this report, please contact:

Selwyn Thompson, Head of Financial Services, on 020 831 **46932**