

MAYOR & CABINET			
REPORT TITLE	Financial Forecasts 2015/16		
KEY DECISION	No	Item No.	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources and Regeneration		
CLASS	Part 1	Date	15 July 2015

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the financial forecasts for 2015/16 as at 31 May 2015. The key areas to note are as follows:
- i. There is a forecast overspend of £8.6m against the directorates' net general fund revenue budget. This is set out in more detail in sections five to nine of this report. This compares to a final outturn of £5.2m for 2014/15 which resulted after applying £3.9m of funding for 'risks and other budget pressures' against the directorates' year-end overspend of £9.1m for that year.
 - ii. For the Dedicated Schools Grant (DSG) there are three schools which are expected to report and apply for a licensed deficit by the year end. This is set out in more detail in section 11 of this report.
 - iii. The Housing Revenue Account (HRA) is projected to spend to budget. This is after a budgeted surplus is transferred to reserves at the end of the year and is mainly to ensure that there are sufficient resources available to fund the current housing programme over the medium term. This is set out in more detail in section 12 of this report.
 - iv. As at 31 May 2015, council tax collection is broadly achieving this year's profile and is at a similar level to this time last year. Business rates collection is 0.5% higher than the same period last year and is 4.3% higher than the required profile collection to achieve the target of 99% for the year. This is set out in more detail in section 13 of this report
 - v. For the 2015/16 capital programme, the forecast expenditure for the year is now £154.8m, compared to the figure presented in the Budget Report 2015 of £132.6m. At 31 May 2015, some 7% of the forecast had been spent (£11.4m), which is below the profile figure expected if the programme is to be delivered in full. This is set out in more detail in section 14 of this report. The comparable figure to 31 May last year was 11% of the budget of £136.5m, with the final outturn being 89% of the revised budget of £137.3m.

2. PURPOSE

- 2.1 The purpose of this report is set out the financial forecasts for 2015/16 as at the end of May 2015, projected to the year end.

3. RECOMMENDATIONS

3.1 The Mayor is recommended to:

3.3.1 Note the current financial forecasts for the year ending 31 March 2015 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.

3.3.2 Note the updated capital programme budgets which have been set out in section 14 of this report.

4. POLICY CONTEXT

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

5. DIRECTORATE FORECAST OUTTURN

5.1 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £8.6m is being reported as at the end of May 2015. At the same time last year, an overspend of some £11.2m was forecast. Members should note that for 2015/16 there is a sum of £3.2m held corporately for managing 'risks and other budget pressures' which emerge during the year. The Executive Director for Resources and Regeneration will give due consideration as to when it might be appropriate to apply this sum to alleviate budget pressures. This consideration will happen towards the end of the financial year, after assessing the progress that has been made to manage down the current forecast overspend.

Table 1 – Overall Directorate position for 2015/16

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend May 2015	Final Outturn 2014/15
	£m	£m	£m	£m	£m
Children & Young People (1)	68.9	(17.8)	51.1	4.7	9.9
Community Services	170.7	(74.4)	96.3	2.0	(2.3)
Customer Services (2)	87.6	(48.2)	39.4	3.0	3.6
Resources & Regeneration	42.0	(13.0)	29.0	(1.1)	(2.1)
Directorate Totals	369.2	(153.4)	215.8	8.6	9.1
Corporate Items	30.4	0.0	30.4	0.0	(3.9)
Net Revenue Budget	399.6	(153.4)	246.2	8.6	5.2

(1) – gross figures exclude £276m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude approximately £240m of matching income and expenditure for housing benefits.

5.2 The financial forecasts at this stage of the year are usually higher than resulting outturn for various reasons. However, similar to the scale of the variances projected last year, the current overspending projections are significantly greater than those in recent earlier years. This suggests that the council continues to face budget pressures of a different order than normal.

- 5.3 Directorate Expenditure Panels (DEPs) have been in operation throughout 2014/15, with the Corporate Expenditure Panel (CEP) becoming operational in October 2014. Subject to a review by the Chief Executive and the Executive Director for Resources and Regeneration, the CEP is expected to remain in operation until that review has been concluded. This will ensure that a regular corporate oversight of the council's financial spending position remains. Although the council ended last year with an overall overspend of £5.2m, these measures ensured that the variance was no worse. Although some of the budget pressures reported throughout the course of the last year have been alleviated with the allocation of corporate funding, a number of pressures have continued into this financial year. Therefore, close scrutiny of the financial position will again be very important.
- 5.4 Furthermore, delivering a large package of revenue budget savings for 2015/16 is managerially complex and challenging. There is an inherent risk that some savings will be delivered later than planned, which would result in overspends within the year. As a result, officers will take a greater focus on monitoring the progress of savings being implemented.
- 5.5 The table below sets out the proportion of agreed savings delivered in the year. Any variances are included in the overall forecasts shown in the table above.

Table 2 – Forecast Savings Delivery

Directorate	Savings Agreed for 2015/16	Forecast Delivery	Variance	
	£m	£m	£m	%
Children & Young People	6.8	5.6	1.2	18
Community Services	14.6	11.0	3.6	25
Customer Services	3.7	3.1	0.6	16
Resources & Regeneration	2.2	2.1	0.1	2
Corporate	4.6	4.6	0.0	0
Corporate Budget Adjustment	(3.2)	0.0	(3.2)	0
Total	28.7	26.4	2.3	

6 CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of May 2015, the children and young people's directorate is forecasting an overspend of £4.7m. At the same time last year, the year-end forecast was an overspend of £8.1m, with the actual year-end outturn being an overspend of £9.9m.

Table 3 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Forecast Final Outturn 2015/16	Variance
	£m	£m	£m	£m	£m
Children's Social Care Services	40.0	(1.1)	38.9	41.9	3.0
No Recourse to Public Funds	3.6	0.0	3.6	4.6	1.0

Standards & Achievements	2.8	(1.9)	0.9	0.9	0.0
Education Infrastructure	0.1	0.0	0.1	0.1	0.0
Partnerships/Targeted Services	15.0	(3.1)	11.9	12.6	0.7
Resources & Performance	7.4	(10.4)	(3.0)	(3.0)	0.0
Schools	0.0	(1.3)	(1.3)	(1.3)	0.0
Total	68.9	(17.8)	51.1	55.9	4.7

* 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 and no recourse to public funds* service areas and together amount to £4m. The key issues pertaining to the pressures have been set out in the following paragraphs.
- 6.2.1 For clients with no recourse to public funds, there is cost pressure of £1m. There are currently 236 clients with no recourse to public funds against a peak of 286 in June 2014. The estimated cost to the end of year of the current clients is £4.6m.
- 6.2.2 The pilot team has been working with the Home Office to get code 1a (entitlement to mainstream benefits) granted for cases the council is supporting. In total, 102 cases have now been granted this status change. The full year impact, once all of these cases have been transitioned is £2.5m per annum. It is anticipated that it takes an average of four to five months to ensure that a comprehensive re-settlement process is completed. This will also reduce the likelihood of representations back to the council's housing needs service. Within the forecast, there is a saving of £1m which has been built into the figures. Once the full year impact of this is seen in 2016/17, it is expected that spend will be within the current budget level of £3.6m.
- 6.2.3 Over the course of the year, there will be some new clients who present themselves to the council. Some will result in costs, but it is anticipated there will be a reduction in spend as support is ceased to other non code 1a clients. Officers are undertaking further work on the likely profile of new clients and clients which the council cease to support. Therefore, the forecast will be adjusted appropriately over the coming months.
- 6.2.4 The placement budget for *looked after children* is currently forecast to overspend by £1.7m with the current number of looked after children totalling 472. Total revenue budget savings on the placement budget of £1.5m were agreed by the Mayor for 2015/16. The work to implement these savings has been delayed due to staff changes. It is expected that some savings will be generated, but only toward the end of the financial year, with the full year effect likely to come through in 2016/17. The shortfall for 2015/16 is estimated to be in the region of about £1.2m and this is included in the above overspend figure.
- i. *Children leaving care* is currently forecast to overspend by £1m. The numbers of clients now total 84, whereas the average for last year was 74.
 - ii. There is an additional pressure on the *Section 17* unrelated to no recourse to public funds of £0.3m.
- 6.3 The only other budget pressure in the rest of the directorate is on schools' transport within the *partnerships and targeted services* area. The final outturn on schools' transport at end of 2014/15 was an overspend of £1.1m. This has been subsequently reduced to £0.7m and there has been progress on the increased use

of independent travel and direct payments. Officers have commenced the work on devolving transport to schools.

- 6.4 The key unit costs and activity levels within children’s social care are summarised in the following table.

Table 4 – Fostering Client Numbers

Placement type	Average weekly unit costs		Client numbers
	May 2015 (£)	May 2014 (£)	May 2015
Local authority fostering	409	365	219
Agency fostering	908	867	187
Residential homes	3,486	3,127	43

- 6.5 The unit cost information set out in the table above demonstrates the importance of the directorate’s strategy for shifting the balance of provision towards fostering, as well as reducing costs. As an example, every client moving from agency to local authority fostering results in a saving of around £26k per annum and around £134k for every movement from a residential placement to agency fostering.

7 COMMUNITY SERVICES

- 7.1 As at the end of May 2015, the community services directorate is forecasting an overspend of £2.0m. At the same time last year, the year-end forecast was an overspend of £1.1m, with the actual year-end outturn being an underspend of £2.3m.

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	116.6	(43.5)	73.1	1.9
Cultural and Community Development	20.1	(7.1)	13.0	0.3
Public Health	12.3	(15.0)	(2.7)	0.0
Crime Reduction & Supporting People	19.8	(8.7)	11.1	0.4
Strategy & Performance	1.9	(0.1)	1.8	0.0
Community Reserves – transfers from reserves				(0.6)
Total	170.7	(74.4)	96.3	2.0

- 7.2 These forecasts assume no community services spend on budgets transferred to other directorates as part of reorganisations of business support, strategy and performance. The forecasts include the drawdown of £0.6m from earmarked reserves which had been created at the end of 2014/15 from underspends in that year.

- 7.3 The *adult services* division is forecast to overspend by £1.9m. This projection assumes achievement later in the year of revenue budget savings of £1m in addition to savings already achieved and includes use of non-recurrent funding totalling £1.3m. At the end of the last financial year, adult services overspent by £2m.
- 7.4 There are a number of over and underspends forecast against individual services within adult social care. The key issues for members to note are as follows:
- i. The largest overspends are on budgets for packages and placements where current forecasts are for an overspend of up to £3.2m.
 - ii. Although there are some demographic pressures, these overspends are largely as a result of delayed achievement of savings proposals. Savings totalling £7.5m were agreed for adult social care for 2015/16 and these are in addition to the revenue budget savings of £6.8m agreed for 2014/15. In most cases, these budget savings have been implemented, but the full impact will take some months to come through because it requires a review of individual packages.
 - iii. In two cases, the implementation is considered complex and is yet to be started.
 - A2i Learning disability supported accommodation. This is the subject of a report to Mayor & Cabinet (Contracts) on 15 July 2015
 - A3 Re-configuration of day care including transport. This is the subject of a report to Mayor & Cabinet on 15 July 2015.
 - iv. The following revenue budget savings will not be achieved until 2016/17:
 - Meals - £250k – contract expires in 2016/17
 - Support Services (sheltered housing, linkline etc.) – £250k
 - v. The impact of delayed achievement has been partially offset in 2015/16 by use of non-recurrent funding received from health of £1.25m. The underlying overspend, excluding this one-off support, is £3.1m.
 - vi. Overall, underachievement of £2.7m against the savings target is forecasted this year.
 - vii. The forecast assumes full spend of the Better Care Fund and the specific grants paid in 2015/16 for implementation of the Care Act. In the first two months, spend against each of these has been lower than expected. Any emerging budgetary pressures will be monitored and, if it becomes likely that any of these budgets will be underspent, this will be reported in subsequent financial forecast reports.
 - viii. As in 2014/15, there is a pressure on budgets for the Deprivation of Liberty Safeguards. The spend of £0.3m is projected on community services budgets in 2015/16. The Department of Health has announced a once –off grant of £145k which leaves a pressure of £0.2m.

- ix. The forecasts in this report do not include the effect of transitions from children's social care.
 - x. The forecasts assumes that the £2.2m growth allocated for the increase in London living wage, payment of travelling time etc. will be spent in full. If elements are not implemented, the community services budget will be reduced by the appropriate amount for those elements so the variance will not change.
- 7.5 The *cultural and community services division* is forecasting an overspend of £0.3m. This compares to an underspend of £1.6m at 2014/15 outturn. However, transfers from earmarked reserves will reduce this overspend down to £0.1m. The voluntary and community sector grants budget is forecasting an overspend of £0.2m. However, this variance will be fully offset by the agreed use of a £0.2m earmarked reserve set aside to cover the cost of additional once off grant allocations for 2015/16. An underspend of £0.1m is expected on the libraries budget which relates to the budget set aside to meet the prudential borrowing costs associated with the capital works at Manor House Library. There will also be a managed underspend of £0.12m on the leisure management lifecycle and dilapidations budget which will offset the overspend resulting from slippage on the implementation of the 2015/16 savings proposals on the Broadway Theatre.
- 7.6 There is a £0.1m overspend forecast on the Deptford Lounge budget due to a combination of low levels of income generated from third party room hire and the increasing cost of reactive maintenance on the building. The Broadway Theatre budget is forecasted to overspend by £0.17m due to slippage against the delivery of 2014/15 and 2015/16 savings and essential equipment and technical works. This will be reduced, however, by transfers from reserves to fund the equipment and technical works (£0.05m). The remaining financial pressure of £0.12m on the Broadway Theatre will be contained within the overall divisional budget and will be offset by a managed underspend on the leisure management lifecycle and dilapidations budget.
- 7.7 An underspend of £0.1m on the Local Assemblies Fund devolved budget was carried forward to 2015/16 through an earmarked reserve. Spend of this in 2015/16 will show as an overspend on the service budget, but this will be fully funded by a drawdown from the reserve.
- 7.8 The Adult Learning Lewisham (formerly Community Education Lewisham) service is almost entirely funded from a combination of grant from the Skills Funding Agency (SFA) and student fee income. The curriculum delivery plan for the 2015/16 academic year will be set in line with available resources and the service is currently expected to spend to budget.
- 7.9 An overspend of £0.4m is forecast for *crime reduction and supporting people*. This compares to an underspend of £1.4m in 2014/15. The agreed saving of £0.8m resulting from the review of the *crime, enforcement and regulatory services* functions will not be delivered in full for 2015/16 as the implementation date for the new service has been delayed until 3 August 2015. Officers are currently projecting an overspend of £0.2m as a result of this delayed implementation date. The full costs of the redundancies arising from the service restructure will be funded centrally following the agreement to transfer £0.2m to reserves from the service underspend in 2014/15.

- 7.10 At this stage, an overspend of £0.1m is projected on the budget for secure remand placements within the *youth offending service*. This comes as a result of a reduction in the 2015/16 grant paid by the Ministry of Justice to part fund the cost of secure remand placements in young offenders' institutes. The current overspend of £0.1m represents the loss of grant and currently assumes similar remand activity levels to 2015/16. However, this can be 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. Additionally, £0.1m will be spent in 2015/16 to fund the replacement of the current youth offending information system. This is the data management system specific to youth justice providers across England and Wales. This will also represent an overspend against the service budget, but will be funded by a transfer from an earmarked reserve created at the end of 2014/15 for this purpose.
- 7.11 In the 2015/16 budget process, savings totalling £2.7m were agreed on the budgets for *public health* and funded by public health grant. Eligible spend has been identified elsewhere in the council, so the council can retain the grant. However, budgets have not yet been moved to reflect this. Therefore, as at end of May 2015, the public health division had a net credit budget of £2.7m. Budgets will be reallocated during the first half of the financial year.
- 7.12 Similarly, savings were agreed on drugs & alcohol budgets funded by public health budgets within *crime reduction & supporting people* and these services currently have budgets with a credit value of £0.5m. These will also be reallocated within the same timescale.
- 7.13 Not all of the public health savings have yet been achieved with particular problems with renegotiation of contracts with LG Trust. So although at this stage an overspend is indicated, it is expected that these savings will be delivered in full and in part will be supported by use of a £250k carry forward of 2014/15 public health grant.
- 7.14 The *strategy, improvements and partnerships division* is projecting spend to budget.

8. CUSTOMER SERVICES

- 8.1 As at the end of May 2015, the customer services directorate is forecasting an overspend of £3m. At the same time last year, the year-end forecast was an overspend of £2.2m, with the actual year-end outturn being an overspend of £3.6m.

Table 5 – Customer Services

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£m	£m	£m	£m
Strategic Housing	13.9	(10.0)	3.9	2.4
Environment	38.0	(19.2)	18.8	0.1
Public Services *	27.2	(17.6)	9.6	0.5
Strategy & IMT	8.5	(1.4)	7.1	0
Total	87.6	(48.2)	39.4	3.0

* - excludes £240m of matching income and expenditure in respect of housing benefits

- 8.2 The *strategic housing service* is projecting an overspend of £2.4m. This relates solely to nightly paid temporary accommodation, more commonly referred to as bed and breakfast.
- 8.3 The number of bed and breakfast tenancies as at end of May 2015 was 586. This compares to 382 at the same time in 2014, and is an increase of some 27 on the figure of 559 at the end of 2014/15. Numbers have reached a relative level of stability compared to the sharp increases experienced during the last financial year, which saw numbers peak at 616 in February 2015.
- 8.4 In recent months, a review of practices and a staffing reorganisation have led to a more rigorous approach to both prevention methods and decision making in respect of accepting a homelessness duty. As this settles down, numbers are expected to reduce, assuming that numbers of applications remain at their current levels.
- 8.5 Officers are also focusing on income collection, either by ensuring those that are entitled to benefits have claimed them or by improving rent collection from those that are not entitled. If successful, this will lead to a reduction in the bad debt provision required and a subsequent reduction in the forecasted overspend.
- 8.6 In an effort to control accommodation costs, the council is participating in a pan London scheme intended to restrict the ability of providers to charge excessive rates to boroughs procuring accommodation across London. The impact this scheme is having will be reported through to members as part of the financial forecast report in due course.
- 8.7 Significant investment has also been made in procuring additional temporary accommodation units. The majority of these will not become available until early 2016, so will impact mainly on the 2016/17 position.
- 8.8 The *Environment division* is forecasting an overspend of £0.1m. This relates to the savings proposal to increase community and voluntary sector engagement in the maintenance of small parks. When approving the proposal, members requested that additional consultation with park stakeholders should take place. This has resulted in a later than planned implementation date.
- 8.9 The division is also showing a £0.1m overspend in street management. Changes in contractual arrangements with JC Decaux have resulted in an increase in the cost of providing automated public conveniences. As the contract has produced savings elsewhere within the council, a request will be submitted for this overspend to be covered by corporate resources.
- 8.10 The *public services division* is forecasting an overspend of £0.5m arising from delays in the implementation of the new business support service, agreed as a part of the 2015/16 budget savings process. The service is now expected to be established and operational from September 2015, the effect of which is that only a half of the proposed saving of £0.9m will be achieved in the current year.
- 8.11 No variations are being forecast against the budgets for the *Strategy* and *Technology and Change* divisions.

9. RESOURCES AND REGENERATION

- 9.1 As at the end of May 2015, the resources and regeneration directorate is forecasting an underspend of £1.1m. At the same time last year, the year-end forecast was an underspend of £0.2m, with the actual year-end outturn being an underspend of £2.1m.

Table 6 – Resources and Regeneration

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Corporate Resources	5.3	(2.3)	3.0	0
Corporate Policy & Governance	3.8	0	3.8	(0.5)
Financial Services	5.3	(1.2)	4.1	(0.3)
Executive Office	0.2	0	0.2	0
Human Resources	3.0	(0.3)	2.7	(0.3)
Law	2.7	(0.4)	2.3	0
Strategy	2.5	(0.4)	2.1	(0.1)
Planning	3.2	(1.6)	1.6	(0.1)
Regeneration & Asset Management	16.0	(6.8)	9.2	0.2
Total	42.0	(13.0)	29.0	(1.1)

- 9.2 The *corporate resources* division is forecasting a nil variance. This division includes the insurance budget which, as highlighted in previous years, may change once the outcome of the annual actuarial valuation is known (towards the end of the year) which recommends any necessary contributions to provisions and reserves.
- 9.3 The *corporate policy & governance* division is forecasting an underspend of £0.5m. This is mainly in respect of staffing costs where the outcome of the staffing reorganisation has resulted in a number of vacant posts plus a number of secondments to other areas of the council.
- 9.4 The *financial services* division is forecast to underspend by £0.3m. This partly relates to the contingency for the directorate that is held within this division as well as a reduction in staffing costs due to vacant posts.
- 9.5 The *human resources* division is forecast to underspend by £0.3m. This is mainly due to vacant posts across the division.
- 9.6 The *legal services* division is currently forecasting a nil variance.
- 9.7 The *strategy* division is forecasting an underspend of £0.1m. This is mainly due to delayed recruitment of apprentices and a staffing underspend due to vacant posts in the communications unit.
- 9.8 The *planning* division is forecasting an underspend of £0.1m. This is due to a vacant post plus additional income from the design panel.
- 9.9 The *regeneration & asset management* division is forecasting an overspend of £0.2m. There are a number of under and overspends in this area, but a key area of forecast overspend relates to reduced income from road closure permits and

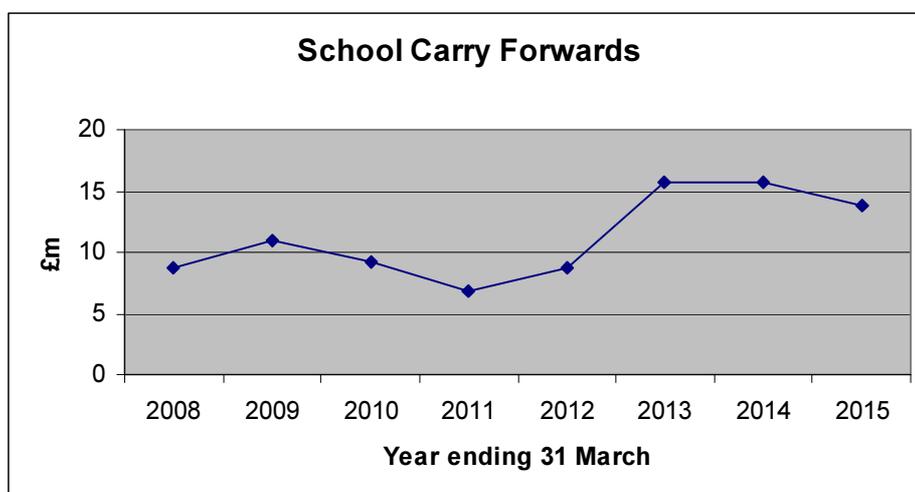
finances from over runs on those permits due to utility companies improving their practices and performance levels. This forecast is based on income levels from the last financial year where this was also the case. Further analysis of this area is underway to monitor income levels and ensure that income generation is being maximised.

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 towards 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. With investment returns still at historically low levels, albeit with indications of modest rate rises possible by the end of the calendar year, there is little opportunity to seek higher returns. However, the council continues to keep its strategy under review and assess alternative investment strategies to find the appropriate balance in the trade off between return and risk. Members should note that similar to last year, a sum of £3.2m is being held corporately to help manage 'risks and other pressures' during 2015/16.

11 DEDICATED SCHOOLS' GRANT

- 11.1 The total year end balances in schools was £13.9m. The balance at the end of the previous year, 31 March 2014, stood at £15.9m. This therefore represents a fall of some £2m. This is the first time since 2011 that there has been a fall in school balances. This theme is replicated across London, of the 16 authorities surveyed 10 have seen their school balances fall.
- 11.2 The trend in carry forwards in Lewisham is set out in the following chart.



- 11.3 The average percentage carry forward balance for primary schools is 7% and 1% for secondary schools. For schools overall, the percentage carry forward is 6%.

- 11.4 The cumulative carry forward balance in the primary sector is at the same level as last year, the fall in balances having occurred in the secondary sector. This has mostly been the result of two secondary schools having deficits emerge this year. The two schools are Deptford Green and Sedgehill. There is one primary school which is All Saints.
- 11.5 A total of 29 schools applied to exceed the capping limit before the end of the year, where last year, the number was 26 schools which applied. Although the number of schools has increased, the total cumulative excess balances in schools have fallen from £4.7m to £3.6m. All the excess balances relate to planned capital works being delayed or funding given to schools to help develop partnerships.
- 11.6 The Schools Forum agreed that they did not want to cap any school that had an excess carry forward.
- 11.7 Under the scheme of delegation schools are required under to submit their budget plans by 31 May each year. At the time of writing this report, there are 16 schools that have not yet made their submission. These schools have been sent a reminder. Dialogue with schools indicates that they are experiencing greater difficulties in balancing their budgets this year. Of the school returns received, 80% are predicting a fall in their balances in 2015/16.
- 11.8 The current level of the DSG has been set out in Table 7 below:

Table 7 – Dedicated Schools Grant

DSG Area	Before Academy Recoupment	After Academy Recoupment
	£m	£m
Schools block	214.607	188.140
Early years block	17.287	17.287
High needs block	43.681	42.723
Total additions for non-block funding	0.052	0.052
Total DSG allocation	275.627	248.202

Note: The above table excludes the Pupil Premium (£18m), Post 16 funding (£7m), and Universal Free School Meals Grant (£2m). The announcement of the 2 Year old grant is still awaited

12. HOUSING REVENUE ACCOUNT

- 12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2015/16.

Table 8 – Housing Revenue Account

	Expenditure Budget	Income Budget	2015/16 budget	Variance
	£m	£m	£m	£m
Customer Services - Housing	12.4	(3.0)	9.4	0
Lewisham Homes & R&M	35.7	0	35.7	0
Resources	2.1	0	2.1	0
Centrally Managed Budgets	56.8	(104.0)	(47.2)	0

Total	107.0	(107.0)	0	0
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- 12.2 Lewisham Homes manages certain budgets on behalf of the council in addition to those formally delegated to them. Following two years of significant underspending, the repairs and maintenance budget is expected to underspend again this year. This is 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. A review of asset management spending requirements has been undertaken and officers are currently considering the outcome. It is envisaged that any underspend in repairs and maintenance will be reinvested in revised asset management priorities arising from the review.
- 12.3 Overall, the HRA is expected to make a surplus on its activities during 2015/16. It will continue to build upon its reserves on an annual basis and this is mainly to ensure that there are sufficient resources available to fund the current 30 year business plan which seeks to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term.
- 12.4 After transfers to reserves, the HRA is expected to report a balanced budget position.

13. COLLECTION FUND

- 13.1 As at 31 May 2015, £21m of council tax had been collected, 19.3% of the total amount due for the year of £108.5m. This is marginally below the profiled collection rate of 19.4% 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 19.5%, which is 0.2% higher than this year.
- 13.2 Business rates collection is at 30.6%, an increase of 0.5% compared to the same period last year and 4.3% higher than the 26.3% profiled collection rate if the overall target rate for the year of 99% is to be achieved.

14. CAPITAL EXPENDITURE

- 14.1 The overall spend to 31 May is £11.4m, which is 7% of the revised budget of £154.8m. The Figures agreed at council when the budget was set have been updated and are proposed for agreement as the revised budget by way of this report. The proposed amendments relate only to the rolling forward of unspent budgets at the end of the last financial year and to update figures for known changes to grants and new projects.

Table 9 – Capital Programme

2015/16 Capital Programme	Original 2015/16 Budget (Per 2015/16 Budget Report)	Revised Budget	Spend to 31 May 2015	Spend to Date (on Revenue Budget)
	£m	£m	£m	%
Community Services	0.4	0.7	0.0	0
Resources & Regeneration	9.0	15.7	0.9	6

Children & Young People	23.5	32.8	7.4	23
Customer Services	0.2	0.5	0.0	4
Housing (General Fund)	29.3	31.9	0.6	2
Total General Fund	62.4	81.6	8.9	11
HRA – Council	22.3	25.3	0.0	0
HRA - Lewisham Homes	47.9	47.9	2.6	5
Total HRA	70.2	73.2	2.6	4
Total Expenditure	132.6	154.8	11.4	7

14.2 The table below shows the current position on the major projects in the 2015/16 general fund capital programme (i.e. those over £1m in 2015/16).

Table 10 – Major Capital Projects

2015/16 Capital Programme	Original 2015/16 Budget (Per 2015/16 Budget Report)	Revised Budget	Spend to 31 May 2015	Spent to Date (Revised Budget)
	£m	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	4.5	6.0	0.3	5
Primary Places Programme	15.7	17.0	5.7	34
BSF - Sydenham	4.8	4.9	0.8	16
BSF – Brent Knoll	0.0	1.7	0.7	41
Other Schools Capital Works	3.1	7.9	0.6	8
Disabled Facilities / Private Sector Grants	1.3	1.3	0.1	8
Asset Management Programme	2.5	2.7	0.0	0
Acquisition – Hostels Programme	2.8	3.6	0.1	3
Highways and Bridges (TfL)	2.0	3.0	0.0	0
Highways and Bridges (LBL)	3.5	3.8	0.4	11
Other Schemes less than £1m	22.2	29.7	0.2	1
Grand Total	62.4	81.6	8.9	11

14.3 The main sources of financing the programme are grants and contributions, and capital receipts from the sale of property assets.

15 FINANCIAL IMPLICATIONS

15.1 This report concerns the financial forecasts for the 2015/16 financial year. However, there are no direct financial implications in noting these.

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 relevant to this report.

18 EQUALITIES IMPLICATIONS

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

19 ENVIRONMENTAL IMPLICATIONS

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

20 CONCLUSION

- 20.1 The council has continued to apply sound financial controls. However, the short and medium-term outlook remains difficult and continued strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2015/16 and beyond.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Financial Outturn for 2014/15	3 rd June 2015 (M&C)	3 rd Floor Laurence House	Richard Lambeth
2015/16 Budget	25 th February 2015 (Council)	3 rd Floor Laurence House	Shola Ojo

For further information on this report, please contact Selwyn Thompson, Head of Financial Services on 020 8314 6932