

<b>Audit Panel</b>			
<b>REPORT TITLE</b>	<b>Financial Forecasts 2015/16 as at 30 September 2015</b>		
<b>KEY DECISION</b>	<b>No</b>	<b>Item No.</b>	<b>5</b>
<b>WARD</b>	<b>N/A</b>		
<b>CONTRIBUTORS</b>	<b>Executive Director for Resources and Regeneration</b>		
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>8 December 2015</b>

## **1. EXECUTIVE SUMMARY**

- 1.1 This report sets out the financial forecasts for 2015/16 as at 30 September 2015 and makes comparisons to the first report which presented financial monitoring information to the end of May 2015. The key areas to note are as follows:
- i. There is a forecast overspend of £8.1m against the directorates' net general fund revenue budget as at 30 September 2015. This is set out in more detail in sections five to nine of this report. This compares to a forecast overspend of £8.6m as at the end of May 2015. It should be noted that the Council recorded 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 projecting a £2.3m surplus. This surplus is expected to be transferred to reserves at the end of the year 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 30 September 2015, council tax collection is 0.3% lower than this year's profile and 0.2% lower than this time last year. Business rates collection is 1.8% higher than the same period last year and is 0.1% lower 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. The Capital Programme overall spend to 30 September 2015 is £44.8m, which is 39% of the revised budget of £116.2m. Further details are given in section 14 of this report. The comparable figure last year was 26% of the revised budget of £147.3m, with the final outturn being 89% of the revised budget of £137.3m.

## **2. PURPOSE**

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

### 3. RECOMMENDATIONS

3.1 The Audit Panel is asked to:

3.3.1 Note the current financial forecasts for the year ending 31 March 2016 and the 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: 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 £8.1m is being reported as at 30 September 2015. At the same time last year, an overspend of some £10.6m 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 will happen towards the end of the financial year, after assessing the progress which 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 September 2015	Forecast over/ (under) spend May 2015
	£m	£m	£m	£m	£m
Children & Young People (1)	68.9	(17.8)	51.1	6.5	4.7
Community Services	<b>171.3</b>	<b>(75.0)</b>	96.3	(0.2)	2.0
Customer Services (2)	91.8	(48.2)	43.6	3.6	3.0
Resources & Regeneration	43.6	(13.9)	29.7	(1.8)	(1.1)
<b>Directorate Totals</b>	<b>375.6</b>	<b>(154.9)</b>	<b>220.7</b>	<b>8.1</b>	<b>8.6</b>
Corporate Items	25.5	0.0	25.5	0.0	0.0
<b>Net Revenue Budget</b>	<b>401.1</b>	<b>(154.9)</b>	<b>246.2</b>	<b>8.1</b>	<b>8.6</b>

(1) – gross figures exclude £279m Dedicated Schools' Grant expenditure, pupil premium expenditure £18m, Post 16 Funding £7m, and universal free meals expenditure £2m and all the 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 the 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. The council continues to face significant budget pressures.

- 5.3 Directorate Expenditure Panels (DEPs) operated throughout 2014/15, with the Corporate Expenditure Panel (CEP) becoming operational in October 2014. Both continue to operate in 2015/16, and following a review of the operation of these panels, it has been confirmed that the CEP will continue until at least the end of the financial year. This will ensure that a regular corporate oversight of the council's financial spending position remains in place.
- 5.4 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 1. The details and reasons for variances against the forecast delivery are set out in each of the directorate summaries in section six to nine.

**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	11.6	3.0	20
Customer Services	3.9	3.2	0.7	18
Resources & Regeneration	2.8	2.7	0.1	3
Corporate	3.3	3.3	0.0	0
Corporate Budget Adjustment	(3.2)	0.0	(3.2)	0
<b>Total</b>	<b>28.2</b>	<b>26.4</b>	<b>1.8</b>	<b>6</b>

## 6 CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of September 2015, the Children and Young People's directorate is forecasting an overspend of £6.5m. At the same time last year, the year-end forecast was an overspend of £9m, 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	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Children's Social Care Services	40.0	(1.1)	38.9	4.3
No Recourse to Public Funds	3.6	0.0	3.6	1.0
Standards & Achievements	2.8	(1.9)	0.9	0.0
Education Infrastructure	0.1	0.0	0.1	0.0
Partnerships/Targeted Services	15.0	(3.1)	11.9	1.3
Resources & Performance	7.4	(10.4)	(3.0)	(0.1)
Schools	0.0	(1.3)	(1.3)	0.0
<b>Total</b>	<b>68.9</b>	<b>(17.8)</b>	<b>51.1</b>	<b>6.5</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 fall within the *children's social care and no recourse to public funds* service areas and together amount to £5.3m. The key issues pertaining to the pressures are set out in the following paragraphs.
- 6.2.1 For clients with no recourse to public funds, there is a cost pressure of £1m. 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. There are currently 214 clients with no recourse to public funds compared to a peak of 286 in June 2014. The estimated cost to the end of year of the current clients is £4.8m.
- 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, 129 cases have been granted this status change since the pilot team began operating. The full year impact, once all of these cases have been transitioned is a cost reduction of £2.8m per annum. There are 54 clients, who have been changed to code 1a status which the council continue to make payments to. It is anticipated that on average it will take four to five months to ensure a comprehensive re-settlement process which will also reduce the likelihood of representations back to our housing needs service. On average there continues to be between four to 10 cases per week that are being converted to 1a status. Within the forecast, there is a saving of £0.6m which has been built into the figures to reflect the savings that will be made on these clients. When the full year impact of this is seen in 2016/17, it is expected that the 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 466. 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 £1.2m and this is included in the above overspend figure.
- i. *Children leaving care* is currently forecast to overspend by £1.7m. The number of clients is now 98, 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 £0.2m and on salaries and wages which show a forecast overspend of £0.7m. This has mainly been created by greater use of agency of the last three months.
- 6.3 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
	September 2015 (£)	September 2014 (£)	September 2015
Local Authority fostering	402	380	206
Agency fostering	902	873	180
Residential homes	3,492	3,205	53

6.4 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 £135k for every movement from a residential placement to agency fostering.

6.5 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. The number of children transported has stayed similar to last term, but the contract costs has increased as there has been a greater number of taxis journeys. The total extra costs being £0.3m. The forecast has been subsequently reduced to £1.3m and there has been progress on the increased use of independent travel and direct payments. A major transport review is underway.

## 7 COMMUNITY SERVICES

7.1 As at the end of September 2015, the Community Services directorate is forecasting an underspend of £0.2m. At the same time last year, the year-end forecast was an overspend of £0.2m, with the actual year-end outturn being an underspend of £2.3m.

**Table 5 – Community Services**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Adult Services Division	117.7	(44.2)	73.5	0.3
Cultural and Community Development	19.9	(7.0)	12.9	0.2
Public Health	12.4	(15.1)	(2.7)	0.3
Crime Reduction & Supporting People	19.5	(8.4)	11.1	0.1
Strategy & Performance	1.8	(0.2)	1.6	(0.1)
Community Reserves – transfers from reserves				(0.9)
<b>Total</b>	<b>171.3</b>	<b>(74.9)</b>	<b>96.4</b>	<b>(0.2)</b>

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 overall position for Community Services now assumes the drawdown of £0.9m from earmarked reserves in respect of the following areas - Public Health £0.25m, adult social care – health transfer section 256 of £0.3m, local assemblies £51k, community sector grants £0.2m, youth offending service-IT £0.06m and The Broadway Theatre equipment £0.05m.

- 7.3 The *adult services* division is forecast to overspend by £0.3m (£1.9m, May 2015). This projection assumes achievement later in the year of revenue budget savings of £1.7m in addition to savings already achieved and includes use of non-recurrent funding totalling £2.4m. At the end of the last financial year, adult services overspent by £2m. The projection is a reduction on May's position reflecting reductions in projected spend on implementation of the Care Act and delayed award of home care contracts including payment for travel time.
- 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 £1.9m.
  - 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. A new framework was approved by Mayor & Cabinet (Contracts) on 15 July 2015 and implementation is now proceeding
    - A3 Re-configuration of day care including transport. Proposals were agreed by Mayor & Cabinet on 15 July 2015.
  - iv. The following revenue budget savings will not be achieved until 2016/17:
    - Meals – £0.25m – contract expires in 2016/17
    - Support Services (sheltered housing, linkline etc.) – £0.25m
  - 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 £2.4m.
  - vi. Overall, underachievement of £2.7m against the savings target is forecasted this year.
  - vii. The forecast currently assumes underspends against some elements of the Better Care Fund supporting local authority budgets but that the Fund will be reallocated to other Council budgets . Over the course of the next few weeks

officers will be doing further work on spend estimates for the Fund, as there are some early indications that underspends on the schemes overall could be up to circa £4m. For specific grants paid in 2015/16 for implementation of the Care Act, the delay in government reforms means that there is no need to do the assessments for self-funders. An underspend of some £500k has been projected.

- viii. The forecasts in this report do not include the effect of transitions from children's social care.
- ix. The forecasts assume an in year underspend of £1.4m against the growth allocated for the increase in London living wage, payment of travelling time etc. New home care contracts, expected to be in place by February 2016, will include travel time and the growth sum is expected to be fully committed in 2016/17.

7.5 The *cultural and community development division* is still forecasting an overspend of £0.2m. This compares to an underspend of £1.6m at 2014/15 outturn. However, transfers from earmarked reserves will reduce this overspend down to a balanced budget position for the division. 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 earmarked reserves set aside to cover the cost of additional once off grant allocations for 2015/16. There will also be a managed underspend of £0.1m on the leisure management lifecycle and dilapidations budget and an underspend of £0.1m Community and Neighbourhood Development budget team core staffing budget due to staff vacancies. These variances will be used to offset the potential overspend of £0.2m resulting from slippage on the implementation of the 2015/16 savings proposals on the Broadway Theatre.

7.6 The potential variance of £0.08m on the Deptford Lounge budget resulting from a combination of low levels of income generated from third party room hire and the increasing cost of reactive maintenance on the building will now be contained within the overall budget for the Libraries Service. The Broadway Theatre budget is forecasted to overspend by £0.28m due to slippage against the delivery of 2014/15 and 2015/16 savings and the need to fund 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 £0.22m on the Broadway Theatre will be contained within the overall divisional 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. This expenditure 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 £0.1m is forecast for *crime reduction and supporting people*, this is £.1m down on last month due to a reduction in the potential overspend on the *Crime, Enforcement and Regulation Service*. 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 is now expected to be largely fully delivered despite the implementation date for the new service being delayed until 3 August 2015. A combination of some staff leaving earlier than expected and recruitment drag on posts left vacant by the restructure means the budget is now projecting a small variance of just £30k. 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. The supporting people budget is projecting a small underspend of £0.05m resulting primarily from the reimbursement of contract costs incurred in the 2014/15 financial year.
- 7.10 At this stage, an overspend of £0.05m 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, £0.05m 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 June 2015, the public health division had a net credit budget of £2.7m. There has been some delay in reallocating these budgets, but officers will ensure that the reallocation is completed by the end of November 2015.
- 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 in 2016/17 and in the current financial year will be supported by use of a £250k carry forward of 2014/15 public health grant. The reported position does not include the possible in-year reduction to Public Health Grant.
- 7.14 The *strategy, improvements and partnerships division* is projecting a small underspend against the budget.



## 8. CUSTOMER SERVICES

- 8.1 As at the end of September 2015, the Customer Services directorate is forecasting an overspend of £3.6m, an increase of £0.6m from the reported position as at the end of May 2015. At the same time last year, the year-end forecast was an overspend of £1.9m, with the actual year-end outturn being an overspend of £3.6m.

**Table 6 – 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	2.7
Environment	38.0	(19.2)	18.8	0.5
Public Services*	31.4	(17.6)	13.8	0.5
Technology and Change	8.5	(1.4)	7.1	(0.1)
<b>Total</b>	<b>91.8</b>	<b>(48.2)</b>	<b>43.6</b>	<b>3.6</b>

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

- 8.2 The *strategic housing service* is projecting an overspend of £2.7m, an increase of £0.3m compared to the position as at the end of May 2015. 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 September 2015 was 583, compared to 586 reported in May. This compares to 509 at the same time in 2014, and is an increase of 24 on the figure of 559 at the end of 2014/15.
- 8.4 Prior to August, numbers had 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. Numbers increased by 64 between July and August 2014 suggesting that the increase this month is potentially a seasonal blip.
- 8.5 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.
- 8.6 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.
- 8.7 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.

- 8.8 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.
- 8.9 The projection assumes that resources will be identified to cover unachievable savings in respect of hostels income (£0.2m) and expected reduced costs in Housing Needs in respect of moving the service to Holbeach. The former did not get the required consent of the Secretary of State and the latter move did not take place after a revision of the accommodation plan.
- 8.10 The *environment division* is forecasting an overspend of £0.5m. This is an increase of £0.4m compared to the figure reported in May.
- 8.11 The overspend has arisen in the Green Scene and Strategic Waste Management departments within the division. The former 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 resulted in a later than planned implementation date which has subsequently slipped back further. This has resulted in a projected overspend of £0.2m.
- 8.12 As with the Council's previous dry recycling provider, some months into agreement, the current provider is claiming excessive levels of contamination and have invoiced the council for the additional costs of processing in disposal. The increased charges, significantly higher than those charged for the disposal of residual waste, will cost the council an estimated £0.3m in a full financial year. Officers are continuing to negotiate with the contractor, but it is likely that the council will incur additional costs this year.
- 8.13 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.
- 8.14 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 October 2015, the effect of which is that only half of the proposed saving of £0.9m will be achieved in the current year.
- 8.15 An underspend of £0.1m is being forecast in the technology and change division. This is as a result of higher than anticipated savings arising from the new photocopying contract.

## **9. RESOURCES AND REGENERATION**

- 9.1 As at the end of September 2015, the Resources and Regeneration directorate is forecasting an underspend of £1.8m. At the same time last year, the year-end forecast was an underspend of £0.5m, with the actual year-end outturn being an underspend of £2.1m.

**Table 7 – Resources and Regeneration**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Corporate Resources	5.0	(2.3)	2.7	0.0
Corporate Policy & Governance	3.8	0	3.8	(0.5)
Financial Services	5.4	(1.2)	4.2	(0.4)
Executive Office	0.2	0	0.2	0
Human Resources	3.0	(0.3)	2.7	(0.3)
Law	3.0	(0.4)	2.6	0
Strategy	2.5	(0.5)	2.0	(0.2)
Planning	3.3	(1.6)	1.7	(0.8)
Regeneration & Asset Management	17.3	(7.3)	10.0	0.4
Reserves	0.0	(0.3)	(0.3)	0.0
<b>Total</b>	<b>43.5</b>	<b>(13.9)</b>	<b>29.7</b>	<b>(1.8)</b>

- 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 £0.4m. This partly relates to the contingency for the directorate that is held within this division. There is also underspending due to vacant posts, and additional income receivable from schools and the pension fund.
- 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 £0.2m. This is mainly due to reduced recruitment of apprentices in this year's cohort, and a staffing underspend due to vacant posts in the communications unit.
- 9.8 The *planning* division is forecasting an underspend of £0.8m. This forecast is based on exceptionally high levels of planning fee income received during the first six months of the year, along with receipt of £0.1m of New Burdens Grant relating to land charges search fees restitution claims. The high levels of planning fee income currently being received is the main reason for the Directorate underspend increasing significantly from the position at the end of May.
- 9.9 The *regeneration & asset management* division is forecasting an overspend of £0.4m. There are a number of under and overspends in this area, which include increased income from commercial rents and underspending on staffing costs

being offset by reduced network management income from utility companies and the costs of managing the corporate estate.

## 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 early next 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 current level of the Dedicated Schools Grant (DSG) is as follows:

**Table 8 – Dedicated Schools Grant**

DSG Area	Before Academy Recoupment	After Academy Recoupment
	£m	£m
Schools block	214.607	188.140
Early years block	21.196	21.196
High needs block	43.588	42.624
Total additions for non-block funding	0.052	0.052
<b>Total DSG allocation</b>	<b>279.443</b>	<b>252.012</b>

**Note:** The above table excludes the Pupil Premium (£18m), Post 16 funding (£7m), and Universal Free School Meals Grant (£2m).

### Schools Budget Plans

- 11.2 The Council have now received budget returns from all schools.
- 11.3 There are two secondary schools with deficit budgets. These are Sedgemoor and Deptford Green schools. There is also one primary school, which is All Saints.
- 11.4 The school budget plans are indicating a total carry forward for all Lewisham schools at the end of 2015/16 of some £5m. Traditionally, the actual year end carry forward is somewhat different from the budget plans of schools. Usually the year end position is two to two and a half times higher than budget plans. In past years' the budget plans have shown a carry forward of around £6m.

- 11.5 As at the end of last year, the overspend position on High Needs pupils was higher than expected. This was caused by more placements being made to providers outside of Lewisham. These placements were not in the independent sector but in further education colleges, other local authorities maintained schools and academies. The full year impact of these placements results in a shortfall in the funding this year of £2m. This can be met out of the contingency for 2015/16. The High Needs sub group of the Schools Forum will consider how the budget can be balanced in the long term, they will report back with their recommendations to the full Forum on the 10 December 2015. This is the date the Forum will set next year's budget.

## 12. HOUSING REVENUE ACCOUNT

- 12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2015/16. An underspend of £2.3m is being reported, compared to the balanced position reported at the end of May 2015.

**Table 9 – Housing Revenue Account**

	Expenditure Budget	Income Budget	2015/16 Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Customer Services - Housing	12.1	(3.0)	9.1	0
Lewisham Homes & R&M	35.7	0	35.7	(1.0)
Resources	2.1	0	2.1	0
Centrally Managed Budgets	50.8	(97.7)	(46.9)	(1.3)
<b>Total</b>	<b>100.7</b>	<b>(100.7)</b>	<b>0</b>	<b>(2.3)</b>

- 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 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. An underspend of £1.0m is projected in the current year.
- 12.3 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 In addition to the underspend in repairs and maintenance budgets, the current projected surplus of £2.3m includes £1.3m arising from increased tenants' rental and leaseholder service charge income. The former has arisen due to of lower

than budgeted void rates in respect of tenanted properties. The additional leaseholder income is as a result of major works income.

- 12.5 After transfers to reserves, the HRA is expected to report a balanced budget position.

### 13. COLLECTION FUND

- 13.1 As at 30 September 2015, £56.1m of council tax had been collected, 50.9% of the total amount due for the year of £110.2m. This is the slightly below the profiled rate required of 51.2% if the overall target of 96% is to be met. The rate being achieved at this time last year was 51.1%

- 13.2 Business rates collection is at 64.6%, an increase of 1.8% compared to the same period last year but 0.1% lower than the profiled collection rate required if the overall target rate for the year of 99% is to be achieved.

### 14. CAPITAL EXPENDITURE

- 14.1 The overall spend to 30 September is £44.8m, which is 39% of the revised budget of £116.2m, and below the profile figure expected if the programme is to be delivered in full. However, the year end expenditure is forecast to be the same as the revised budget. The revised budget shows a decrease to the budget figure in May 2015 of £154.8m. This is mainly as a result of re-profiling the HRA capital budgets. The comparable expenditure figure last year was 26% of the revised budget of £147m, with the final outturn being 89% of the revised budget of £137.3m. The following table gives a breakdown of the budget and spend to date.

**Table 10 – Capital Programme**

2015/16 Capital Programme	Original 2015/16 Budget (Per 2015/16 Budget Report)	Revised Budget	Spend to 30 September 2015	Spend to Date (on Revised Budget)
	£m	£m	£m	%
Community Services	0.4	0.7	0.2	33
Resources & Regeneration	9.0	17.1	3.0	18
CYP	23.5	32.8	28.1	86
Customer Services	0.2	1.0	0.1	9
Housing (Gen Fund)	29.3	25.7	2.0	8
<b>Total General Fund</b>	<b>62.4</b>	<b>77.4</b>	<b>33.4</b>	<b>43</b>
HRA - Council	22.3	6.8	0.4	5
HRA - Lewisham Homes	47.9	32.0	11.1	35
<b>Total HRA</b>	<b>70.2</b>	<b>38.8</b>	<b>11.5</b>	<b>29</b>
<b>Total Expenditure</b>	<b>132.6</b>	<b>116.2</b>	<b>44.8</b>	<b>39</b>

- 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 11 – Major Capital Projects**

<b>2015/16 Capital Programme</b>	<b>Original 2015/16 Budget (Per 2015/16 Budget Report)</b>	<b>Revised Budget</b>	<b>Spend to 30 September 2015</b>	<b>Spend to Date (on Revised Budget)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	4.5	6.0	0.9	16
Primary Places Programme	15.7	17.0	23.2	137
BSF – Sydenham	4.8	4.9	1.6	32
BSF – Brent Knoll	0.0	1.7	1.5	90
Other Schools Capital Works	3.1	7.9	2.3	28
Disabled Facilities / Private Sector Grants	1.3	1.3	0.5	41
Asset Management Programme	2.5	2.7	0.1	5
Acquisition – Hostels Programme	2.8	6.0	0.2	3
Grove Park Streetscape Improvements		1.2	0.0	0
Brookdale Club - Freehold Property Purchase		1.2	0.3	21
Property Acquisition – LH	20.0	11.0	0.0	0
Highways and Bridges (TfL)	2.0	4.7	0.1	2
Highways and Bridges (LBL)	3.5	4.0	1.6	41
Other Schemes less than £1m	2.2	7.8	1.1	14
<b>Grand Total</b>	<b>62.4</b>	<b>77.4</b>	<b>33.4</b>	<b>43</b>

- 14.3 The main sources of financing the programme include grants and contributions, and capital receipts from the sale of property assets. £8.6m of usable receipts have been received so far this year, comprising £2.8m in respect of previous year's housing stock transfers, £3.1m (net) from housing Right-To-Buy sales and £2.7m from other sales.

## **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 report presents the half year position of the council financial position and shows that officers have 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 Forecasts 2015/16	22 July 2015 (M&C)	3 <sup>rd</sup> Floor Laurence House	Richard Lambeth
Financial Outturn for 2014/15	3 June 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 8314 6932