

<b>Mayor &amp; Cabinet</b>			
<b>REPORT TITLE</b>	Financial Forecasts 2015/16 as at 31 January 2016		
<b>KEY DECISION</b>	No	Item No.	
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources and Regeneration		
<b>CLASS</b>	Part 1	Date	23 March 2016

## **1. EXECUTIVE SUMMARY**

- 1.1 This report sets out the financial forecasts for 2015/16 as at 31 January 2016. Members should note that this report will be presented to the Public Accounts Select Committee and Mayor & Cabinet on 16<sup>th</sup> and 23<sup>rd</sup> March 2016, respectively. It compares the January 2016 position to the last publicly reported position which was the period to the end of November 2015. The key areas to note are as follows:
- i. There is a forecast overspend of £6.2m against the directorates' net general fund revenue budget as at 31 January 2016. This is set out in more detail in sections five to nine of this report. This compares to a forecast overspend of £6.9m as at the end of November 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. There are a further five schools which are expected to be overspent by the year end and will need to apply for a licensed deficit in the future. This is set out in more detail in section 11 of this report.
  - iii. The Housing Revenue Account (HRA) is still projecting a £2.3m surplus which 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 31 January 2016, council tax collection is 0.4% lower than this year's profile and 0.3% higher than this time last year. Business rates collection is 1.2% lower than the same period last year and is 5.2% lower than the required profile collection to achieve the target of 99% for the year.
  - v. The overall spend on the capital programme to 31 January 2016 is £66.8m. This is 57% of the revised budget of £118.1m. Further details are given in section 14 of this report. The comparable figure last year was 62% of the revised budget of £139.8m, 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 January 2016, projected to the year end.

## 3. RECOMMENDATION

- 3.1 The Mayor is asked to:
- 3.2 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 £6.2m is being reported as at 31 January 2016. At the same time last year, an overspend of some £9.1m 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 January 2016	Forecast over/ (under) spend November 2015
	£m	£m	£m	£m	£m
Children & Young People (1)	69.2	(17.8)	51.4	6.9	6.9
Community Services	174.4	(79.4)	95.0	(1.9)	(1.2)
Customer Services (2)	92.1	(48.2)	43.9	3.9	3.6
Resources & Regeneration	43.2	(13.6)	29.6	(2.7)	(2.4)
<b>Directorate Totals</b>	<b>378.9</b>	<b>(159.0)</b>	<b>219.9</b>	<b>6.2</b>	<b>6.9</b>
Corporate Items	26.3	0.0	26.3	0.0	0.0
<b>Net Revenue Budget</b>	<b>405.2</b>	<b>(159.0)</b>	<b>246.2</b>	<b>6.2</b>	<b>6.9</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 Even as the end of the financial year approaches, the overall forecast overspend remains high for various reasons. 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) and the Corporate Expenditure Panel (CEP) have operated throughout 2015/16. Following a further 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 the regular corporate oversight of the council's financial spending position remains.

#### Update on Lewisham Future Programme Board

- 5.4 The focus over the winter has been to conclude the work necessary to implement the savings proposals and set the budget for 2016/17. This is now largely done, with the budget for 2016/17 set at full Council on the 24 February. This work has identified that, in addition to the £17m of savings already proposed for 2017/18 (in September 2015), the council needs to bring forward proposals for a further £45m of savings by 2019/20, circa £15m per year for each of 2017/18, 2018/19 and 2019/20.
- 5.5 The Lewisham Future Programme Board (LFPB) has been meeting through February to review the progress by work strand and consider how to approach this additional £45m target. This is in the context that the Mayor, in setting the budget for 2016/17, requested a three year Medium Term Financial Strategy be prepared for the summer of 2016 and that this exemplify how the full £45m of savings could be delivered. The LFPB have set initial savings targets for each of the work strands.
- 5.6 The LFPB will work closely with the work strand leads for the larger budget areas. There are: social care - adults and children; assets; environmental services; and corporate overheads on an iterative basis for develop savings proposals. The remaining work strand leads will bring forward their proposals in the usual way. In addition, the LFPB is focusing on how best to bring forward proposals that support the four areas identified by members in the Lewisham 2020 paper – namely: community resilience; shared services; income generation; and digital transformation.
- 5.7 Officers' intention remains to bring forward savings proposals for scrutiny and decision as and when they are identified. However, it is also recognised that there is a natural annual cycle to this process. This cycle is likely to be more pronounced in 2016/17 with the need for a three year MTFs and support budget in the summer to serve as an efficiency plan and enable the council to consider whether to accept the government's offer of an indicative multi-year settlement for the level of revenue support grant to 2019/20 by the 14 October 2016. It is therefore likely that the bulk of detailed savings proposals, for 2017/18 at least, will be ready by July for publication in August, scrutiny in September, and decision in October. This will facilitate their timely implementation following any required consultation work and enable full year effects to be achieved to support the budget setting process for 2017/18.

## **6 CHILDREN AND YOUNG PEOPLE'S SERVICES**

- 6.1 As at the end of January 2016, the Children and Young People's directorate is forecasting an overspend of £6.9m. 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 2 – 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	4.2
No Recourse to Public Funds	3.6	0.0	3.6	1.5
Standards & Achievements	2.8	(1.9)	0.9	0.0
Education Infrastructure	0.1	0.0	0.1	0.0
Partnerships/Targeted Services	15.3	(3.1)	12.2	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>69.2</b>	<b>(17.8)</b>	<b>51.4</b>	<b>6.9</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 fall within the *children's social care* and *no recourse to public funds* service areas and together amount to £5.7m. 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 £1.5m. 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 185 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 £4.7m.
- 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, 167 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 £3.6m per annum. There are 62 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. In the past, the Home Office were making code changes decisions on between four to 10 cases per week on average. This has slowed considerably recently and now average two to three cases per week
- 6.2.3 The placement budget for *looked after children* is currently forecast to overspend by £2.1m with the current number of looked after children totalling 465. 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 £1.3m. 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 £0.6m. 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 3 – Fostering Client Numbers**

Placement type	Average weekly unit costs		Client numbers
	January 2016 (£)	January 2015 (£)	January 2016
Local Authority fostering	414	377	205
Agency fostering	906	887	180
Residential homes	3,659	3,166	60

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 £143k 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 taxi 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.

## 7 COMMUNITY SERVICES

7.1 As at the end of January 2016, the Community Services directorate is forecasting an underspend of £1.9m. At the same time last year, the year-end forecast was an underspend of £1.3m, with the actual year-end outturn being an underspend of £2.3m.

**Table 4 – Community Services**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Adult Services Division	115.9	(44.9)	71.1	(0.8)
Cultural and Community Development	20.3	(7.4)	12.8	(0.5)
Public Health	16.2	(17.6)	(1.4)	0.3
Crime Reduction & Supporting	20.2	(9.3)	11.0	(0.3)

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
People				
Strategy, Improvements and Partnerships	1.8	(0.2)	1.5	(0.3)
Community Reserves – transfers from reserves	0.0	0.0	0.0	(0.3)
<b>Total</b>	<b>174.4</b>	<b>(79.4)</b>	<b>95.0</b>	<b>(1.9)</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 £0.3m from earmarked reserves in respect of adult social care – health transfer section 256.
- 7.3 The *adult services* division is forecast to underspend by £0.8m (£0.2m overspend November 2015). Previous reports have referred to the underspend against growth awarded to the budget in 2015/16 to fund travel time for home care, London Living Wage for residential and nursing care etc. 2015/16 budgets have now been reduced by £1.7m to reflect these underspends. The 2016/17 budget assumes that a 2% precept will be levied to address adult social care pressures. If agreed, this will be used to fund the cost pressures associated with national living wage and the expectation that home care staff be paid for time spent travelling. The projected outturn assumes achievement later in the year of revenue budget savings of £0.3m in addition to savings already achieved and includes use of non-recurrent funding totalling £1.1m.
- 7.4 Projections this month include application of a further £1.4m of Better Care Fund to adult social care budgets. Additionally, £0.5m BCF income is projected against adult social care this month that was projected against Strategy, Improvements and & Partnerships in November.
- 7.5 Finally, there is a reduction in projected spend to reflect adjustment to projections on packages and placements
- 7.6 The *cultural and community development division* is now forecasting an overall underspend of £0.5m (up £0.2m on November monitoring position) This compares to an underspend of £1.6m at 2014/15 outturn.
- 7.7 The voluntary and community sector grants budget of £5m is still forecasting a balanced budget position for 2015/16. There is now a projected underspend of £0.5m on the leisure management budget covering the budget for the main leisure management contract and the associated dilapidations/repairs budget for leisure centres. There has been an increase of £0.2m in the reported underspend position on the Leisure Centre Dilapidations budget which totals £0.3m – this budget covers essential works under our landlord responsibly for the leisure centres and at this stage of the year we are only expecting to spend £0.1m subject to any new pressures arising during the remainder of the year.
- 7.8 There is a projected underspend of £0.1m on the Libraries budget which has resulted primarily from staff vacancies. The Community and Neighbourhood

Development budget team core staffing and operational budget will also be £0.1m underspent again primarily due to staff vacancies.

- 7.9 The underspends will be partially offset by the projected overspend of £0.25m on The Broadway Theatre budget which is marginally up on last month. This is a result of slippage against the delivery of 2014/15 and 2015/16 agreed savings and the need to fund essential equipment and technical works. This financial pressure is being contained within the overall divisional budget.
- 7.10 There is a projected underspend of £50k on the Local Assemblies devolved budget. Despite changes implemented to speed up the allocation of funding and payment process the current level of spend for 2015/16 is very low and it is now considered unlikely that the full budget will be spent in this financial year. An underspend of £50k is currently projected which will be subject to a carry forward request at year end. This will increase unless assemblies commit and spend their budgets in the next two months.
- 7.11 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 has been set in line with the available funding resources and the service is currently expected to spend to budget.
- 7.12 An underspend of £0.3m is forecast for *crime reduction and supporting people*, this is a movement of £0.3m against the November monitoring position which showed a nil variance. This compares to an underspend of £1.4m in 2014/15.
- 7.13 There is now expected to be a £0.1m underspend across the crime, enforcement and regulation, environmental Health and Youth Offending Services. This is made up of a range of small underspend on the budgets including Enforcement-legal action, Food Safety (inspection & scientific analysis). The budget for secure remand placements under the youth offending service has historically been highlighted as an area of risk, but due to relatively low levels of activity for the current year is currently projected to budget.
- 7.14 The prevention and inclusion service (incorporating drug and alcohol services and supporting people) is now expecting to underspend by £0.25m up £0.2m on last month. The prevention and inclusion staffing budget is projecting an underspend of £0.1m resulting from staff vacancies, secondments and recruitment drag. The Drug and Alcohol Service is also projecting an underspend of £0.1m which is primarily the result of the closure of the SLAM-Acute Assessment Unit. Clients have been redirected to other treatment pathways but overall costs are down resulting in the underspend. These variances, totalling £0.2m, relate 100% to services funded via Public Health grant, but there is sufficient eligible spend elsewhere for the grant to be retained in full. The supporting people programme of £6.9m (100% GF) is showing an underspend of £50k which has resulted from a combinations of minor reductions in contract costs and staff vacancies.
- 7.15 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. By January the necessary budget virements had been carried out for grant reallocations within Community Services (reducing the net Public Health credit

budget to £1.4m) but budget changes to other Council directorates had not yet been actioned.

7.16 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, there is an overspend of £0.3m in 2015/16. The Public Health grant has been reduced, in year, by £1.47m (6.2%). It is now assumed that the Better Care Fund will offset this reduction in 2015/16 and this additional income is assumed in the January projections for Public Health. This is unlikely to be possible in 2016/17 however and savings options are being developed to address the reduced grant available in that financial year.

7.17 The *strategy, improvements and partnerships division* is projecting an underspend of £0.3m.

## 8. CUSTOMER SERVICES

8.1 As at the end of January 2016, the Customer Services directorate is forecasting an overspend of £3.9m, an increase of £0.3m from the reported position as at the end of November 2015. At the same time last year, the year-end forecast was an overspend of £3.1m, 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	2.5
Environment	38.0	(19.2)	18.8	0.9
Public Services*	31.4	(17.6)	13.8	0.6
Technology and Change	8.8	(1.4)	7.4	(0.1)
<b>Total</b>	<b>92.1</b>	<b>(48.2)</b>	<b>43.9</b>	<b>3.9</b>

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

8.2 The *strategic housing service* is projecting an overspend of £2.5m, a reduction of £0.2m compared to the position as at the end of November 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 January 2016 was 528, compared to 558 reported in November. This compares to 602 at the same time in 2015, and is an increase of 24 on the figure of 559 at the end of 2014/15.

8.4 The decrease in the overspend is as a result of work undertaken with the Housing Benefits team to clear arrears of HB awards to clients in nightly paid accommodation. There has also been a slight decrease in the level of contribution to the bad debt provision needed.

8.5 Numbers appear to 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



- 8.6 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.
- 8.7 Officers are now focusing on income collection, either by ensuring those that who are entitled to benefits have claimed them, as indicated in 8.4 above, or by improving rent collection from those that are not entitled. As indicated above, this leads to a reduction in the bad debt provision required and a subsequent reduction in the forecasted overspend.
- 8.8 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.
- 8.9 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.
- 8.10 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.
- 8.11 The *environment division* is forecasting an overspend of £0.9m. This is an increase of £0.4m compared to the figure reported in November.
- 8.12 The overspend has arisen in the Green Scene and Strategic Waste Management and Bereavement 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.
- 8.13 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 £0.5m in a full financial year. Officers are in the process of tendering for a new contractor and it is likely that the council will incur further cost increases in the next financial year.
- 8.14 Bereavement Service is forecast to be £0.2m under budget by the end of the financial year. The total income received is expected to be at similar level to last year. Mild winters and a competitive market for crematoria services are considered to be the main cause.

- 8.15 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.
- 8.16 The *public services division* is forecasting an overspend of £0.6m. This mainly has arisen 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 operational, the effect of which is that only half of the proposed saving of £0.9m will be achieved in the current year.
- 8.17 An underachievement of £0.1m income is forecast in the Registrars service as a result of the non-realisation of a saving in respect of citizenship income.
- 8.18 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 January 2016, the Resources and Regeneration directorate is forecasting an underspend of £2.7m. At the same time last year, the year-end forecast was an underspend of £0.8m, 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	5.0	(2.3)	2.7	(0.3)
Corporate Policy & Governance	3.8	0	3.8	(0.5)
Financial Services	5.2	(1.2)	4.0	(0.5)
Executive Office	0.2	0	0.2	0.0
Human Resources	3.0	(0.3)	2.7	(0.4)
Legal services	3.0	(0.4)	2.6	(0.1)
Strategy	2.5	(0.5)	2.0	(0.2)
Planning	3.3	(1.6)	1.7	(0.8)
Regeneration & Asset Management	17.2	(7.0)	10.2	0.1
Reserves	0.0	(0.3)	(0.3)	0.0
<b>Total</b>	<b>43.2</b>	<b>(13.6)</b>	<b>29.6</b>	<b>(2.7)</b>

- 9.2 The *corporate resources* division is forecasting an underspend of £0.3m. This is principally due to underspending against grant funded programmes within the Anti-Fraud and Corruption Team. A request will be made to carry forward funding into 2016/17 financial year.
- 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 £0.5m. 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 £0.4m. This is mainly due to vacant posts across the division. There is also reduced training forecasts where platform set up delays by the new learning provider has resulted in a reduction in commissioned training.
- 9.6 The *legal services* division is currently forecast to underspend by £0.1m. The underspend is mainly within the Procurement section and is due to vacant posts and underspending on supplies and services.
- 9.7 The *strategy* division is forecasting an underspend of £0.2m. This is mainly due to lower than anticipated 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. The main areas of underspending are within Development Management (£0.4m), where very high levels of income are being partly offset by higher staffing and supplies and services expenditure to cope with the associated high workload; and Land Charges (£0.4m), where search fees income is forecast to exceed the budget by £150k and there have also been receipts of New Burdens grant in relation to previous restitution claims totalling £216k.
- 9.9 The *regeneration & asset management* division is forecasting an overspend of £0.1m. 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 7 – 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).

11.2 There are two secondary schools with deficit budgets. These are Sedgehill and Deptford Green schools. There is also one primary school, which is All Saints. The current budget monitoring returns indicate that a further four secondary schools and one primary school will have overspent their budget by the year end and will need to apply for a licensed deficit.

11.3 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 £2.9m. The fund set aside from previous year's carry forward was £2.5m. Some of this related to capital provision for 2 year olds with a balance of £2.2m available to cover the High Needs overspend. In order to bring the budget back into balance the devolved funding to secondary schools for attendance and welfare stopped from April 2015. This would have left a balance of £0.5m to be found. It was agreed by the Schools Forum to meet the £0.5m from the schools contingency.

## 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, no movement from position reported at the end of November 2015.

**Table 8 – Housing Revenue Account**

	Expenditure Budget	Income Budget	2015/16 Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Customer Services - Housing	11.8	(3.0)	8.8	0
Lewisham Homes & R&M	36.0	0	36.0	(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 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 31 January 2016, £91.7m of council tax had been collected, 83.4% of the total amount due for the year of £110.0m. This is the slightly below the profiled rate required of 83.8% if the overall target of 96% is to be met. The rate being achieved at this time last year was 83.1%.
- 13.2 Business rates collection is at 91.7%, a reduction of 1.2% compared to the same period last year but 5.2% 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 31 January is £66.8m, which is 57% of the revised budget of £118.1m, and below the profile figure expected if the programme is to be delivered in full. The comparable expenditure figure last year was 62% of the revised budget of £139.8m, 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 9 – Capital Programme**

2015/16 Capital Programme	2015/16 Revised Budget	2015/16 Forecast	Spend to 31 <sup>st</sup> Jan 16	Spend to Date (Revised Budget)
	£m	£m	£m	%
Community Services	0.7	0.7	0.4	57
Resources & Regeneration	13.2	13.2	5.5	42
CYP	45.9	45.9	38.1	83
Customer Services	0.8	0.8	0.4	50
Housing (Gen Fund)	18.7	18.6	8.0	43
<b>Total General Fund</b>	<b>79.3</b>	<b>79.2</b>	<b>52.4</b>	<b>66</b>
HRA - Council	6.8	6.8	0.4	6
HRA - Lewisham Homes	32.0	32.0	14.0	44
<b>Total HRA</b>	<b>38.8</b>	<b>38.8</b>	<b>14.4</b>	<b>37</b>
<b>Total Expenditure</b>	<b>118.1</b>	<b>118.0</b>	<b>66.8</b>	<b>57</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 10 – Major Capital Projects**

2015/16 Capital Programme	2015/16 Revised Budget	2015/16 Forecast	Spend to 31 <sup>st</sup> Jan 16	Spend to Date (Revised Budget)
	£m	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	3.5	3.5	1.3	37
Primary Places Programme	28.2	28.2	30.3	107
BSF – Sydenham	4.9	4.9	3.6	73
BSF – Brent Knoll	1.7	1.7	1.5	88
Other Schools Capital Works	10.5	10.6	3.3	31
Disabled Facilities / Private Sector Grants	1.3	1.3	0.9	69
Asset Management Programme	1.1	1.1	0.4	36
Acquisition – Hostels Programme	4.5	4.5	2.8	62
Brookdale Club - Freehold Property Purchase	0.3	0.3	0.2	67
Property Acquisition – LH	7.0	7.0	2.0	29
Highways and Bridges (TfL)	4.4	4.4	0.9	20
Highways and Bridges (LBL)	3.5	3.5	2.8	80
Other Schemes less than £1m	8.4	8.2	2.4	29
<b>Grand Total</b>	<b>79.3</b>	<b>79.2</b>	<b>52.4</b>	<b>66</b>

14.3 The main sources of financing the programme include grants and contributions, and capital receipts from the sale of property assets. There is £13.6m of usable receipts have been received so far this year, comprising £2.8m in respect of previous year's Housing stock transfers, £7.5m (net) from Housing Right-To-Buy sales and £3.3m 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 This report sets out the financial forecasts for 2015/16 as at 31 January 2016 and shows that officers have continued to apply sound financial controls. However, beyond the end of this financial year, the short and medium-term outlook remains difficult. Therefore, 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**

<b>Short Title of Report</b>	<b>Date</b>	<b>Location</b>	<b>Contact</b>
2016/17 Budget	10 February 2016 (M&C)	3 <sup>rd</sup> Floor Laurence House	Shola Ojo
Financial Forecasts 2015/16	11 November 2015 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
Financial Forecasts 2015/16	22 July 2015 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
Financial Outturn for 2014/15	3 June 2015 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
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