Public Accounts Select Committee		
Title	Financial Forecasts 2017/18	
Contributor	Executive Director for Resources and Regeneration	Item 6
Class	Part 1 (open)	16 November 2017

1. EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2017/18 as at 30 September 2017. The key areas to note are as follows:

i. There is a forecast overspend of £13.1m 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 £7m for 2016/17 which resulted after applying £2.8m of funding for 'risks and other budget pressures' against the directorates' year-end overspend of £9.8m for that year.

ii. The Dedicated Schools Grant (DSG) is expected to balance at the year end. It is expected that there will be 13 schools who will have a licensed deficit. This is set out in more detail in section 11 of this report.

iii. The Housing Revenue Account (HRA) is currently projecting an additional surplus of £0.79m. This is set out in more detail in section 12 of this report.

iv. As at 30 September 2017, some 51.0% of council tax due and 63.5% of business rates due had been collected. At this point last year, 50.9% of council tax due and 64.0% of business rates due had been collected. This is set out in more detail in section 13 of this report.

v. For the 2017/18 capital programme, the revised budget is now £102.4m, compared to the figure presented to Mayor & Cabinet on 19 July 2017 of £116.4m. The budget has been amended to take account of newly approved schemes and the re-profiling of spend on other schemes. The changes to the 2017/18 capital programme budget are set out in Appendix 1, and the updated profiling of major projects is set out in Appendix 2. As at 30 September 2017, some £37.4m or 37% of the revised budget had been spent, 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 30 September last year was 30% of the revised budget of £87.4m, with the final outturn being 84% of the revised budget of £84.8m.

2. PURPOSE

2.1 The purpose of this report is set out the financial forecasts for 2017/18 as at the end of September 2017, projected to the year end.

3. RECOMMENDATIONS

3.1 The Public Accounts Select Committee is recommended to:

3.1.1 Note the current financial forecasts for the year ending 31 March 2018 and action being taken by the Executive Directors to manage the forecasted year-end overspend.

3.1.2 Note the revised capital programme budget, as set out in section 14 of this report, with further detail attached at appendices 1 and 2.

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 £13.1m is being reported as at the end of September 2017. At the same time last year, an overspend of some £9.6m was forecast. Members should note that for 2017/18, there is a sum of £2.1m held corporately for managing 'risks and other budget pressures' which emerge during the year. As in previous years, 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 2017/18

Directorate	Gross budgeted spend	Gross budgeted income	Net budget 2017/18	Variance Sept 2017/18	Variance May 2017/18
	£m	**£m**	**£m**	**£m**	**£m**
Children & Young People (1)	66.7	(18.0)	48.7	7.6	7.0
Community Services	167.0	(80.0)	87.0	1.4	1.5
Customer Services (2)	102.7	(60.1)	42.6	4.5	4.6
Resources & Regeneration	76.9	(51.8)	25.1	(0.4)	(0.3)
Directorate Totals	413.3	(209.9)	**203.4**	**13.1**	**12.8**
Corporate Items	29.3	(0.0)	29.3	0	0
Net Revenue Budget	**442.6**	**(209.9)**	**232.7**	**13.1**	**12.8**

(1) – gross figures exclude £290m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude approximately £220m of matching income and expenditure for housing benefits.

5.2 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 Members should note that Directorate Expenditure Panels (DEPs) and the Corporate Expenditure Panel (CEP) have remained in operation throughout 2017/18. Towards the end of last year, the operation of the CEP in terms of its effectiveness was reviewed by the Chief Executive and the Executive Director for Resources and Regeneration. This concluded that the CEP would continue to remain in operation. 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 £7m, 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.

5.4 Furthermore, delivering a large package of revenue budget savings for 2017/18 is managerially complex and challenging. There is an inherent risk that some savings will be delivered later than planned, which would results in overspends within the year. As a result, officers continue to focus on monitoring the progress of savings being implemented.

5.5 The table below sets out the proportion of agreed revenue budget savings to be delivered during the course of the year. Any variances are included in the overall forecasts shown in the table above. It should be noted that the forecast delivery in the community services includes an estimated £3m to be achieved through application of the improved Better Care Fund (iBCF) rather than as originally planned. This is subject to formal agreement of the use of the iBCF by the Clinical Commissioning Group (CCG). The delivery against original plans is likely to be achieved in future years.

Table 2 – Forecast Savings Delivery

Directorate	Savings Agreed for 2017/18	Forecast Delivery	Variance	
	£m	£m	£m	%
Children & Young People	3.9	3.0	0.9	23%
Community Services	9.1	8.1	1.0	11%
Customer Services	4.1	2.7	1.4	34%
Resources & Regeneration	2.5	2.4	0.1	4%
Corporate	2.6	2.6	0.0	0%
Total	**22.2**	**18.8**	**3.4**	**15%**

6. CHILDREN AND YOUNG PEOPLE'S SERVICES

6.1 As at the end of September 2017, the Children and Young People's directorate is forecasting a £7.6m overspend. The actual year-end outturn for 2016/17 was an overspend of £7m.

Table 3 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Forecast over/ (under) spend Sept' 2017	Forecast over/ (under) spend May 2017
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	38.5	0.9	37.6	5.7	5.1
Education, Standards and Inclusion	2.6	1.5	1.1	(0.3)	0.0
Targeted Services and Joint Commissioning	25.6	13.6	12.0	2.2	1.9
Schools	0.0	2.0	2.0	0.0	0.0
Total	**66.7**	**18.0**	**48.7**	**7.6**	**7.0**

* 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 division which amounts to £5.7m. It is expected that this year, the *no recourse to public funds* budget will be in a balanced position by the year-end. The key issues relating to the directorate's budget pressures have been set out in the following paragraphs.

6.3 The placement budget for *looked after children* is currently forecast to overspend by £2.1m. This is based on an average of 477 looked after children for the year. The forecast assumes all of the agreed revenue budget savings will be delivered in full in this area.

6.4 There is an additional pressure on the *section 17* unrelated to no recourse to public funds of £0.8m. This budget meets the families who are intentionally homeless. In addition, the salaries and wages budget shows a forecast overspend of £1.4m. Furthermore, a total investment of £0.6m has been made in the 'new front door' service which is designed to meet safeguarding requirements and bring costs down in the future.

6.5 The unachieved savings across the directorate amount to £1.6m, of which £0.7m relates to previous years' savings. The other budget pressures in the rest of the directorate are within the Partnerships and Targeted Services area.

6.6 The final outturn on schools' transport at end of 2016/17 was an overspend of £1.2m. In 2017/18, it is expected to be in the region of £0.7m. Members should note that demand reduction measures have resulted in a 10% decrease in numbers on transport and there is currently a review of fleet and passenger transport services underway. The revenue budget savings from this review have been built into the forecast in full.

6.7 The education psychologists' budget has seen increased spending pressure due to the increased demand for Education Heath and Care Plans (EHCP), where the numbers issued has doubled this year. The overspend is expected to £0.5m. In addition, the short breaks budget is expected to overspend by £0.3m, although work is underway to bring this back within budget.

6.8 There has been no provision made in the accounts for the government's Troubled Families Programme. The second phase of the programme came into effect in 2015 and runs through to 2020. Part of the income depends on payments by results. In 2016/17, the target was to identify 964 families and make successful claims for 482 families. Some 976 families were identified and claims made for 376. While work continues with these families, it is now uncertain whether retrospective claims will be allowed for these families, the forecast also assumes that all future targets will be met. The sum involved is £0.2m.

6.9 The Department for Education removed the Education Services Grant (ESG) from local authorities in 2017/18. The grant was previously treated as part of the General Fund. The Department for Education however, moved the part of the grant that supported statutory education services to the Dedicated Schools Budget. It is now proposed that those former statutory services be funded out of the Dedicated Schools Grant saving £0.3m.

6.10 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
	Sept' 2017 (£)	Sept' 2016 (£)	Sept' 2017
Local authority fostering	407	433	169
Agency fostering	907	902	199
Residential homes	3,695	3,350	41

6.11 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.

7. COMMUNITY SERVICES

7.1 As at the end of September 2017, the Community Services directorate is forecasting an overspend on £1.4. 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 £3.8m.

Table 5 – Community Services Directorate

Service Area	Gross budgeted expenditure	Gross budgeted income	Net budget	Forecast over/ (under) spend Sept 2017/18	Forecast over/ (under) spend May 2017/18
	£m	£m	£m	£m	£m
Adult Services Division	115.5	(46.6)	68.8	1.3	1.1
Cultural and Community Development	16.8	(7.5)	9.4	0.1	0.1
Public Health	16.0	(17.6)	(1.6)	0.0	0.0
Crime Reduction & Supporting People	17.7	(8.3)	9.4	0.2	0.3
Strategy & Performance	1.3	(0.1)	1.2	(0.1)	0.0
Reserves	(0.2)	0.0	(0.2)	(0.1)	0.0
Total	**167.0**	**(79.9)**	**87.0**	**1.4**	**1.5**

7.2 The *adult services* division is forecast to overspend by £1.3m. The main variances relate to placement budgets where existing pressures are compounded by the cost of new transition cases of £0.9m, by pressures from earlier discharges from hospital and by the difficulty in achieving the £4.5m savings required for 2017/18. The projections above assume that the majority of both the improved Better Care Fund (iBCF) and the Adult Social Care Support Grant will be available to address pressures and reduce the need to impose savings. The projections also assume that £1m of the iBCF will be used to fund entirely new services. The plans for use of this funding are currently being developed and projections in future months will take full account of the financial effect of these plans. To date only £0.3m has been committed, but projections assume that the balance will be spent. To the extent that this spend is on expenditure already projected the service overspend will reduce.

7.3 The c*ultural and community services division* is forecasting an overspend of £0.1m. This pressure relates primarily to budget for community centres. There was a review of the current facilities management arrangements for the seven buildings directly managed by the Community Resources Team in order to deliver a saving of £0.07m for the 2017/18 financial year. This work includes the option to outsource management functions to a third part provider with experience in either managing community facilities or to a social housing provider. Delays in the implementation of this work coupled with a loss of income of £0.036m from the closure of several building during 2016/17 following the implementation of voluntary sector accommodation plan *(report to Mayor & Cabinet on 11 November 2015*) have created the budget pressure of £0.1m. There are a number of smaller variances across the budgets for the Libraries Service (including Deptford Lounge), the Community Sector Grants budget and the Culture and Community Development (staffing) budget which at this stage largely cancel each other out.

7.4 There is a nil variance currently projected on the *public health* budget at this stage. It is expected that the complex set of savings required to balance the budget, including very significant changes to the London-wide arrangements for sexual health, will all be delivered. This area will be kept under close review during the financial year.

7.5 There is an overspend of £0.2m projected on *crime reduction and supporting people*. There are two separate budget pressures within the Youth Offending Service which total £0.4m. These pressures are being partially offset by underspends of £0.2m across the rest of the Division.

7.5.1 There is a projected overspend of £0.2m on the budget for secure remand placements which is resulting from a combination of a reduction in government grant funding from the Ministry of Justice and a significant upturn in the level of remand placements required by the courts. Remand levels have been very high in the early part of the financial year but have now levelled off resulting in a reduction in the projected overspend position. However, secure remand placements can be a volatile area of spend which is dependent on the nature and severity of the offences being committed by young people within the borough and the operation of the court process.

7.5.2 Secondly, following the adverse service inspection by the Youth Justice Board, a 'new' staffing structure is being put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan. This is projected to create a £0.2m pressure on the core budget for the *youth offending service* in 2017/18.

7.5.3 There is a budget pressure of £0.1m on the Supporting People Programme. This is the result of the committed contract costs in relation to the core VAWG (Violence Against Women and Girls) Service. Following the loss of external funding the service has been given in principle agreement to draw on the earmarked reserve of £239k for VAWG in order to bridge the funding gap, some £119.5k per annum for 2017/18 and 2018/19 to cover the budget shortfall. This is not currently reflected in the service budget. This overspend will be matched by a variance on the Community Services Reserves budget.

7.5.4 The projected overspends are being offset by underspends on Environmental Health of £0.1m (staffing & income), Prevention & Inclusion Team £0.1m (staffing) and Crime, Enforcement and Regulation £0.1m (staffing). This leaves an overall net projected overspend of £0.2m across the Division.

7.6 The *strategy and performance* service which includes the directorate management team budget is showing a small underspend.

7.7 There is a projected variance on the Community Services Reserves. This is a resulting of the proposed drawdown of £0.1m against the earmarked reserve for VAWG (Violence Against Women and Girls). This is matched against the overspend shown on the Supporting People Programme.

8. CUSTOMER SERVICES

8.1 As at the end of September 2017, the Customer Services directorate is forecasting an overspend of £4.5m. 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 £1.4m.

Table 6 – Customer Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Sept 2017/18	Forecast over/ (under) spend May 2017/18
	£m	**£m**	**£m**	**£m**	**£m**
Strategic Housing	27.5	(21.9)	5.6	0.2	0.2
Environment	35.8	(17.3)	18.5	2.4	2.4
Public Services*	34.1	(20.5)	13.6	0.7	0.8
Technology and Change	5.3	(0.4)	4.9	1.2	1.2
Total	**102.7**	**(60.1)**	**42.6**	**4.5**	**4.6**

* (excludes £210m of matching income and expenditure in respect of housing benefits)

8.2 The *Strategic Housing service* is projecting an overspend of £0.2m. Most areas of the service are projected to spend to budget, as the one-off underspends last year totalling more than £1m are not expected to recur in 2017/18. There is a £0.2m overspend projected on the staffing budget for the *no recourse to public funds* team.

8.3 The *Environment division* is forecasting an overspend of £2.4m. As at the end of September 2017, net overspends of £1.0m on *refuse services* and £0.4m on *strategic waste management* are projected. The projection for *refuse services* takes account of additional costs arising from the delay in implementing the move to fortnightly collections and in implementing a new service for food and garden waste collections. The budget assumed that the fortnightly collection and new services would be implemented at the beginning of the financial year. The leasing of several new vehicles, following the disposal of a number of vehicles during the year, has added to the forecast overspend. New refuse vehicles are due to be received in April 2018. There is a projected shortfall in income on the *trade refuse* budget of £0.2m and *domestic refuse* debt write-offs of £0.2m. The *strategic waste management* forecast assumes that expenditure on flytipping continues at current levels, although it is hoped that with the initiatives being developed. This will reduce later in the year.

8.4 The *passenger services* budget is projecting an overspend of £0.5m for 2017/18. A saving of £1m was originally agreed to passenger services budgets by Mayor & Cabinet over a two year period. In 2016/17, a saving of £0.5m was agreed, with £0.5m in 2017/18. Given that these savings are yet to be delivered in full and are predicated on the successful outcome of the transport review, they have subsequently been partially reduced by growth funding of £0.5m in 2017/18. However, for accounting purposes, the Customer Services directorate holds no direct budget for passenger services, as all costs are budgeted to be fully recharged out to the end service users (primarily Children & Young People and Community Services directorates) who are ultimate budget holders. A significant level of cost reductions are expected to be achieved by passenger services across the two-year period, which will result in a reduction in the costs recharged to these two directorates. These reduced costs will however be reflected, if not separately identified, in the user directorates projected outturn position, rather than that of the Customer Services directorate.

8.5 The *green scene* budgets are projecting an overspend of £0.3m largely as a result of projected overspends on arboreal services of £0.2m. An escalating number of insurance claims for damage from trees, often caused by weather related issues, have resulted in greater than expected remedial tree works. An overspend on grounds maintenance costs for parks of £0.1m is also forecast.

8.6 The *bereavement services* budgets are projecting an overspend of £0.1m, arising partly from higher than budgeted costs for the mortuary service and coroners court, in addition to lower than anticipated crematorium income. Given the volatile nature of this budget, it will continue to be monitored closely throughout the year.

8.7 The *Public Services division* is forecasting an overspend of £0.7m. Some £0.3m of this is in the *revenues service*, principally in the central debtors' team and on the IMT budget for the collection of council tax. The gross costs of the *parking service* are £0.4m above budget, although this is offset by increased income from fixed penalty notices of £0.4m and £0.3m from pay and display charges. The service for *housing benefits* is expected to overspend by £0.4m due to a reduction in grant received from the Department of Work and Pensions. Finally, *service point* is projected to overspend by £0.4m due to a combination of income shortfalls in both *registrars* of £0.2m, and *Inprint* of £0.2m.

8.8 The T*echnology and Change* division is forecasting a £1.2m overspend. Last year the service delivered budget savings of £1m, primarily through introducing a new shared ICT service and reducing the cost of our infrastructure contracts. For 2017/18, the division is expected to deliver a further saving of at least £0.35m, but a reduction in the division's budget, combined with a new pressure from software licences, means that overall the division is still projecting an overspend of £1.2m. This is expected to be managed down through extending the shared service to the London Borough of Southwark and reducing the demand for certain services, such as printing, to bring the division back to a balanced budget in 2018/19.

9. RESOURCES AND REGENERATION

9.1 As at the end of September 2017, the Resources and Regeneration directorate is forecasting an underspend of £0.4m. At the same time last year, the year-end forecast was for an underspend of £0.5m, with the actual year-end outturn being an underspend of £2.4m.

Table 7 – Resources and Regeneration Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Sep 2017/18	Forecast over/ (under) spend Aug 2017/18
	£m	**£m**	**£m**	**£m**	**£m**
Corporate Resources	5.9	(3.2)	2.7	0.0	0.0
Corporate Policy & Governance	4.5	(0.3)	4.2	(0.4)	(0.3)
Financial Services	4.7	(1.5)	3.2	0.0	0.0
Executive Office	0.2	0.0	0.2	0.0	0.0
Human Resources	2.7	(0.2)	2.5	(0.1)	(0.2)
Legal Services	3.2	(0.4)	2.8	0.0	0.0
Strategy	4.9	(2.8)	2.1	(0.2)	(0.2)
Planning	2.6	(1.6)	1.1	(0.2)	0.0
Regeneration & Place	48.1	(40.5)	7.7	0.5	0.4
Reserves	0.0	(1.4)	(1.4)	0.0	0.0
Total	**76.9**	**(51.8)**	**25.1**	**(0.4)**	**(0.3)**

9.2 The *regeneration & place* division is forecasting an overspend of £0.5m. There continues to be an underachievement of income from utilities companies against the network management budget of £0.3m. This reflects improved utility company practices and IT systems. There is also a net overspend of £0.2m forecast in relation to garages that were transferred from the Housing Revenue Account in 2015/16. Officers are making continued efforts to maximise the net rental income to fully achieve budget savings.

9.3 In the *corporate policy & governance* division, there is underspending forecast on both employee costs of £0.3m and on supplies & services expenditure of £0.1m. In *human resources*, there is underspending forecast on staffing budgets of £0.1m. The *strategy* division is forecasting an underspend of £0.2m, mainly across employee cost budgets. The *planning* division is forecasting an underspend of £0.2m that is driven by high levels of income.

9.4 There are no significant variances currently being forecast within the *corporate resources*, *financial services* or *legal services* divisions.

10. CORPORATE PROVISIONS

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.

11. DEDICATED SCHOOLS' GRANT

11.1 The total DSG currently stands at £289.6m and is broken down as follows

	DSG including Academies £'000	DSG After Academies Recoupment £'000
Schools Block	215.4	188.6
Early Years Block	23.5	23.5
High Needs Block	50.7	48.1
2017-18 Total DSG	289.6	260.2

11.2 The funding of schools still causes concern. While the government has confirmed that no school will lose under the national funding formula next year and there will be sufficient funding for a 0.5% uplift in funding rates for both 2018/19 and 2019/20, schools will have extra costs as a consequence of inflation and the unexpected reduction in pupils in Lewisham. Currently, there are 13 of our schools in deficit with a further 6 at risk. The forecast suggests that Lewisham schools will face a 7% real terms reduction over the coming three years.

11.3 Schools are being encouraged to plan their budgets much earlier than has traditionally been the case and officers have recommended to schools that they set draft budgets in the Autumn Term, with the governing body finally confirming the budget in the spring. Planning the budget in the autumn allows enough time for a school to undertake consultations should it need to change or reduce the staffing. This will allow implementation in the following September.

11.4 Our experience is that deficits are often not identified until the year end, which delays the implementation of recovery plans and consequently, in the first year of the recovery plan the deficit rises thereby increasing the level of savings that the school needs to achieve. In other words, late identification of a deficit and/or delays in implementing a recovery plan will have a direct impact on the school.

11.5 Initial feedback from school bursars indicated that they did not feel equipped to undertake early planning, more from a technical budgeting point of view than conceptually. Medium term planning is different from setting an annual budget and a different approach is needed. Since it includes use of sensitivity analysis to flex plans so governors can understand the best case, worst case and most likely scenarios. This includes predictions around pupil numbers, funding and inflation. In order to help schools do this early planning, two training sessions were held for schools, with just over 80 people attending.

11.6 A training session was also held for Governors on Managing Schools' Finance and Meeting the Financial Challenge.

11.7 Over the last 18 months significant work has been undertaken to make schools aware of the financial constraints and to improve the financial management in schools.

11.8 The following support to schools have been delivered over the last year

- o 21 Finance based training sessions
- o 58 Finance visits to schools
- o 53 HR health checks completed
- o 30 reorganisation consultations underway

11.9 Officers and schools continue to work closely with teacher and support staff trade unions.

11.10 Other major developments to assist schools with their financial management include the issuing of a new Self checking budget monitoring and budget planning toolkits. Budget returns and budget monitoring returns are now being made on time and the new escalation process is proving effective.

11.11 The budget monitoring statements for schools for schools are due and 57% have been received by the due date. This compares with 38% this time last year

11.12 The central side of the DSG is expected to end the year in a balanced position.

12. HOUSING REVENUE ACCOUNT

12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2017/18. The balanced HRA budget seen in the table includes a budgeted surplus of £0.79m, which is to be transferred to reserves at year end as a part of the 30 year HRA plan.

12.2 The forecast position for September 2017 is for an additional surplus of £0.79m. Within that position, there is a net increase in expected income of £0.7m due to lower than budgeted void loss and a slowdown in stock loss, an underspend of £0.05m on housing needs and an underspend of £0.06m on external grant allowances paid.

12.3 There is the potential for further increases in the current reported surplus due to potential reductions in Insurance Premiums, Bad Debt Impairments and energy charges. These will be reported on as they become clearer.

12.4 The monitoring position does not currently take account of any financial effects relating to the council’s costs arising as a result of the response to Grenfell tragedy. These will be reported on as and when they become known.

Table 8 – Housing Revenue Account

Service Area	Expenditure Budget	Income Budget	2017/18 budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Customer Services – Housing	12.5	(3.5)	9.0	(0.05)
Lewisham Homes & R&M	36.9	0	36.9	(0.06)
Resources	2.1	0	2.1	0.00
Centrally Managed Budgets	47.8	(95.8)	(48.0)	(0.68)
Total	**99.3**	**(99.3)**	**0**	**(0.79)**

13. COLLECTION FUND

13.1 As at 30 September 2017, £65.6m of council tax had been collected. This represents 51.0% of the total amount due for the year of £128.7m. This is slightly below the profiled collection rate of 51.3% 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 50.9%.

13.2 Business rates collection is at 63.5%, an increase of 2.0% compared to the same period last year, but 1.2% lower than the 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 30 September 2017 is £37.4m. This represents 37% of the revised budget of £102.4m. At this point last year, 30% of the revised budget of £87.4m had been spent, with the final outturn being 84% of the revised budget of £84.8m.

14.2 The 2017/18 capital programme budget, and the capital programme budget for future years has been updated and is proposed for agreement by Mayor & Cabinet. The changes to the 2017/18 budget are set out in Appendix 1 and the revised four year capital programme budget is summarised in Appendix 2.

Table 9 – Capital Programme spend to date

2017/18 Capital Programme	Revised Budget M&C 19/07/17	Revised Budget M&C 15/11/17	Spend to 30 Sep 2017	Spent to Date (Revised Budget)
	£m	£m	£m	%
Community Services	0.5	0.7	0.1	14%
Resources & Regeneration	16.3	15.2	4.3	28%
CYP	23.8	21.1	8.3	39%
Customer Services	1.4	1.8	0.3	17%
Housing (General Fund)	16.1	26.0	13.1	50%
Total General Fund	**58.1**	**64.8**	**26.1**	**40%**
Housing Matters Programme	31.3	10.5	3.5	33%
Decent Homes Programme	25.0	25.0	7.7	31%
Other HRA capital	2.0	2.1	0.1	5%
Total HRA	**58.3**	**37.6**	**11.3**	**30%**
Total Expenditure	**116.4**	**102.4**	**37.4**	**37%**

14.3 The table below shows the current position on the major projects in the 2017/18 general fund capital programme (i.e. those over £1m in 2017/18).

Table 10 – Major Capital Projects

2017/18 Capital Programme	**Revised Budget M&C 19/07/17**	**Revised Budget M&C 15/11/17**	**Spend to 30 Sep 2017**	**Spent to Date (Revised Budget)**
	£m	**£m**	**£m**	**%**
Housing Regeneration Schemes (Excalibur, Heathside & Lethbridge)	8.2	8.2	1.2	15%
School Places Programme	15.2	12.5	6.2	50%
Other Schools Capital Works	7.7	7.8	1.6	21%
Disabled Facilities / Private Sector Grants	2.4	2.2	0.4	18%
Highways and Bridges (TfL)	2.8	2.4	1.4	58%
Catford town centre	2.4	3.5	0.6	17%
Asset Management Programme	4.0	3.6	0.3	8%
Highways and Bridges (LBL)	4.3	5.3	2.1	40%
Travellers Site Relocation	1.1	0.0	0.0	0%
Acquisition – Hostels Programme	1.3	1.4	0.6	43%
Grove Park Street Improvements	1.2	0.1	0.0	0%
Lewisham Homes Property Acquisition loan	0.0	10.0	10.0	100%
Total Major Projects	**50.6**	**57.0**	**24.4**	**43%**
Other Projects	7.5	7.8	1.7	22%
Total Projects – General Fund	**58.1**	**64.8**	**26.1**	**40%**

14.4 The main sources of financing the capital programme are grants and contributions and capital receipts from the sale of property assets. Some £12.4m has been received so far this year, comprising £0.3m in respect of previous year's Housing stock transfers, £4.9m (net) from Housing Right to Buy sales and Capital Receipts and £7.2m of grants and contributions.

15. FINANCIAL IMPLICATIONS

15.1 This report concerns the financial forecasts for the 2017/18 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 directly arising from this report.

18. EQUALITIES AND ENVIRONMENTAL IMPLICATIONS

18.1 There are no equalities or environmental implications directly arising from this report.

19. CONCLUSION

19.1 The council will continue to apply sound financial controls throughout the duration of the financial year. However, the short and medium term outlook remains difficult and the continued strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2017/18 and beyond.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Financial Outturn for 2016/17	7th June 2017 (M&C)	5th Floor Laurence House	Selwyn Thompson
2017/18 Budget	22nd February 2017 (Council)	5th Floor Laurence House	David Austin

For further information on this report, please contact:

Selwyn Thompson, Head of Financial Services on 020 8314 6932

APPENDIX 1

PROPOSED 17/18 CAPITAL PROGRAMME APPROVED TO LATEST BUDGET

	Total	Total
	£'000	**£'000**
APPROVED CAPITAL PROGRAMME BUDGET		
Mayor & Cabinet – 19 July 2017		**116,433**
New Schemes		
Glass Mill Soft Play	266	
Fleet Vehicles Replacement Scheme 2017/18	500	
Lewisham Homes Property Acquisition loan	10,000	
Wearside car park works and building demolition	100	10,866
Approved variations on existing schemes		
Re-Phasing Budgets		
General Fund:		
School Places Programme	(2,728)	
Other schemes	(1,370)	(4,098)
Housing Revenue Account:		
Housing Matters Programme	(20,800)	(20,800)
Revised Capital Programme Budget 2017/18		**102,401**

APPENDIX 2

Major Projects over £2m	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m
GENERAL FUND					
ICT - Tech Refresh	0.7	0.7	0.5	0.5	2.4
School Places Programme	12.5	17.7	1.0	0.8	32.0
Schools - Minor Works Programme	3.7				3.7
Schools - Other Capital Works	4.2				4.2
Highways & Bridges - TfL	2.4				2.4
Highways & Bridges - LBL	5.3	3.1	3.5	3.5	15.4
Catford town centre regeneration	3.5	4.8	3.3	0.8	12.4
Asset Management Programme	4.0	3.9	2.5	2.5	12.9
Excalibur Regeneration	2.7				2.7
Heathside & Lethbridge Regeneration	5.5	1.1			6.6
Lewisham Homes – Property Acquisition	10.0	10.0	6.0		26.0
Disabled Facilities Grant	1.2	0.7	0.7	0.7	3.3
Private Sector Grants and Loans	1.0	0.6	0.6	0.6	2.8
Fleet Replacement	0.5	2.6			3.1
Other Schemes	7.6	3.8	0.3	0.2	11.9
	64.8	**49.0**	**18.4**	**9.6**	**141.8**
HOUSING REVENUE ACCOUNT					
Aids and Adaptations	0.4	0.4	0.5	0.5	1.8
Hostels Programme	1.6	0.4	0.4	0.4	2.8
Housing Matters Programme	10.6	77.1	34.1	1.9	123.7
Decent Homes Programme	25.0	36.2	38.1	53.1	152.4
	37.6	**114.2**	**73.1**	**55.9**	**280.8**
TOTAL PROGRAMME	**102.4**	**163.2**	**91.5**	**65.5**	**422.6**