| Public Accounts Select Committee | | |
|---|---|---|
| Title | Financial forecasts 2017/18 | |
| Contributor | Executive Director for Resources and Regeneration | Item 5 |
| Class | Part 1 (open) | 21 March 2018 |

## 1. EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2017/18 as at 31st January 2018. The key areas to note are as follows:

i. There is a forecast overspend of £12.9m 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 £2.3m. This is set out in more detail in section 12 of this report.

iv. As at 31st January 2018, some 82.7% of council tax due and 91.3% of business rates due had been collected. At this point last year, 83.5% of council tax due and 90.5% 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, £64.3m has been spent as at 31 January 2018, which is 63% of the revised budget of £102.4m. The comparable figure to 31 January last year was 57% spend against the revised budget of £84.8m, with the final outturn being 84% spend against budget.

## 2. PURPOSE

2.1 The purpose of this report is set out the financial forecasts for 2017/18 as at the end of January 2018, projected to the year end.

## 3. RECOMMENDATION

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 any appropriate 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 £12.9m is being reported as at the end of January 2018. At the same time last year, an overspend of some £11.6m was forecast. Members should note that for 2017/18, there is a residual sum of £1.3m 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, which will have the effect of bringing down the current projected overspend to £11.6m. This consideration will happen at 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 Jan 2017/18 | Variance Dec 2017/18 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Children & Young People (1) | 66.7 | (18.0) | 48.7 | 8.6 | 8.4 |
| Community Services | 167.0 | (80.0) | 87.0 | 0.8 | 1.2 |
| Customer Services (2) | 102.7 | (60.1) | 42.6 | 4.6 | 4.6 |
| Resources & Regeneration | 76.9 | (51.8) | 25.1 | (1.1) | (0.9) |
| **Directorate Totals** | 413.3 | (209.9) | **203.4** | **12.9** | **13.3** |
| Corporate Items | 29.3 | (0.0) | 29.3 | 0 | 0 |
| **Net Revenue Budget** | **442.6** | **(209.9)** | **232.7** | **12.9** | **13.3** |

(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.

## 6. CHILDREN AND YOUNG PEOPLE'S SERVICES

6.1 As at the end of January 2018, the Children and Young People's directorate is forecasting a £8.6m overspend. At this point last year, the forecast overspend was £4.9m, with the actual year-end outturn for 2016/17 being an overspend of £7m.

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

| **Service Area** | **Gross budgeted spend** | **Gross budgeted income – including grants*** | **Net budget** | **Forecast over/ (under) spend Jan 2018** | **Forecast over/ (under) spend Dec 2017** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Children's Social Care – includes No Recourse to Public Funds | 38.5 | 0.9 | 37.6 | 6.0 | 5.8 |
| Education, Standards and Inclusion | 2.6 | 1.5 | 1.1 | (0.3) | (0.3) |
| Targeted Services and Joint Commissioning | 25.6 | 13.6 | 12.0 | 2.9 | 2.9 |
| Schools | 0.0 | 2.0 | 2.0 | 0.0 | 0.0 |
| **Total** | **66.7** | **18.0** | **48.7** | **8.6** | **8.4** |

* 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 £6.0m. 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 £2.5m. This is based on an average of 470 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 £0.7m. The no recourse to public funds is expected to underspend by £0.4m. This budget meets the families who are intentionally homeless. In addition, the salaries and wages budget shows a forecast overspend of £1.7m.

6.5 In addition, 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.

6.6 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.

6.7 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 £1.4m. 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.

6.8 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 be £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.

6.9 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 3 – Fostering Client Numbers**

| Placement type | Average weekly unit costs | | Client numbers |
|---|---|---|---|
| | Dec. 2017 (£) | Dec. 2016 (£) | January 2018 |
| Local authority fostering | 442 | 414 | 168 |
| Agency fostering | 901 | 902 | 188 |
| Residential homes | 3,722 | 3,672 | 42 |

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 January 2018, the Community Services directorate is forecasting an overspend on £0.8m. At the same time last year, the year-end forecast was an overspend of £3.4m, with the actual year-end outturn being an overspend of £3.8m.

**Table 4 – Community Services Directorate**

| Service Area | Gross budgeted expenditure | Gross budgeted income | Net budget | Forecast over/ (under) spend Jan 2017/18 | Forecast over/ (under) spend Dec 2017/18 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Adult Services Division | 115.5 | (46.6) | 68.8 | 1.7 | 1.7 |
| Cultural and Community Development | 17.0 | (7.7) | 9.4 | (0.2) | 0.0 |
| Public Health | 16.0 | (17.6) | (1.6) | (0.1) | (0.2) |
| Crime Reduction & Supporting People | 17.7 | (8.3) | 9.4 | (0.5) | (0.2) |
| Strategy & Performance | 1.3 | (0.1) | 1.2 | (0.1) | (0.1) |
| Reserves | -0.2 | 0.0 | (0.2) | (0.0) | (0.0) |
| **Total** | **167.3** | **(80.2)** | **87.0** | **0.8** | **1.2** |

7.2 The *adult services* division is forecast to overspend by £1.7m. 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. The Public Accounts Select Committee members should note that to date only £0.3m has been committed, but projections above assume that the balance will be spent. To the extent that this spend is on expenditure already projected the service overspend will reduce. As no additional commitments have been identified over the past month and given the short time remaining in the financial year it is increasingly likely that the balance of £0.7m will be applied to funding the costs incurred by the council in reducing the number of patients in Lewisham Hospital who are medically fit for discharge. If the s.75 Board approved this use, the ASC overspend will reduce to £1m and the community services overspend will fall to £0.1m.

7.3 The c*ultural and community services division* is now forecasting an underspend of £0.2m-a movement of £0.2m from last month's balanced position. There has been a movement of £0.15m on Leisure Management due to a change in the accounting treatment for the budgeted contribution to the Discretionary Rate Relief Pool – this cost will now fall on the collection fund rather than on the revenue budget. There is also now an expected underspend of £0.050m on Libraries-Books and Resources - an earmarked reserve request will be made at year end to carry forward this funding to cover the once off contribution to the London Libraries Consortium (LLC) for the New London wide Library Management System-each local authority within the LLC has been requested to identify and set aside funding for a one-off transition costs which due to delays will now fall in 2018/19.

7.4 Overall, there is a projected overspend on the budget for Community Centres of £150k. There was a review undertaken of the facilities management arrangements for the seven buildings directly managed by the Community Resources Team in order to deliver a saving of £70k for the 2017/18 financial year. This work included 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 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 2017/18 budget pressure. This budget pressure on community centres is being more than offset by a range of underspends across the rest of the Division - Arts Budget £80k (accounting reclassification for reserves), Libraries Service (including Deptford Lounge) £60k, the Community Sector Grants budget £20k, Broadway Theatre £10k, Leisure Management £140k and the Culture and Community Development (staffing) budget £60k.

7.5 A small underspend (£0.1m) is projected on the *public health* budget. 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.

7.6 The *crime reduction and supporting people* division is now forecasting an underspend of £0.5m, representing movement of £0.3m on last month's £0.2m underspend. The primary change from last month position is that agreement has now been reached with One Housing over the annual rental income for the use of Honor Lea Hostel for the delivery of services under the Supporting People Programme. The final agreement has now been signed and backdated to April 2016, resulting in net rental income of £0.2m not previously assumed in the monitoring position. There have also been smaller increases in underspends across the rest of the Division totalling £0.1m.

7.7 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 £0.1m pressure on the core budget for the *youth offending service* in 2017/18.

7.8 The *strategy and performance* service which includes the directorate management team budget is showing a small underspend (£0.1m).

7.9 There is a now no net projected variance on the Community Services Reserves. There is a proposed drawdown of £0.1m against the earmarked reserve for VAWG. This is matched against the overspend shown on the Supporting People Programme. Also, a sum of £0.1m has been transferred to reserves following the technical accounting adjustment on the Arts Service – matched against the underspend on the Arts Service.

## 8. CUSTOMER SERVICES

8.1 As at the end of January 2018, the Customer Services directorate is forecasting an overspend of £4.6m. At the same time last year, the year-end forecast was an overspend of £3.7m, with the actual year-end outturn being an overspend of £1.4m.

**Table 5 – Customer Services Directorate**

| **Service Area** | **Gross budgeted spend** | **Gross budgeted income** | **Net budget** | **Forecast over/ (under) spend Jan 2017/18** | **Forecast over/ (under) spend Dec 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 | 2.7 | 2.7 |
| Public Services* | 34.1 | (20.5) | 13.6 | 0.4^ | 0.5^ |
| Technology and Change | 5.3 | (0.4) | 4.9 | 1.3 | 1.2 |
| **Total** | **102.7** | **(60.1)** | **42.6** | **4.6** | **4.6** |

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

^ includes £0.2m overspend on housing benefit subsidy

8.2 The *Strategic Housing service* is forecasting a pressure of £0.2m in relation to staffing costs for *no recourse to public funds*, following an in-year reduction in the staffing budget. One-off underspends, created through a number of cost management and reduction initiatives last year, are not expected to recur in 2017/18.

8.3 The *Environment division* is forecasting an overspend of £2.7m. As at the end of January 2018, net overspends of £1.4m on *refuse services* and £0.3m for *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 May 2018, which will greatly reduce the number of hired in vehicles. 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 fly-tipping continues at current levels.

8.4 The *passenger services* budget is still currently showing a budget pressure of £0.5m for 2017/18. This is subject to a formal budget adjustment being agreed in 17-18 to present this variance against the end service users budgets rather than Passenger Services. A saving of £1m was originally agreed to Transport Budgets by Mayor & Cabinet over a two-year period for 2016/17 and 2017/18. A saving of £0.5m was applied to the Passenger Services (Customer Services) in 2016/17 with a further £0.5m applied for 2017/18. Given that these savings were unlikely to be delivered in full and were subject to the successful outcome of the transport review, they have subsequently been partially reduced by budget pressures funding of £0.5m applied to the Passenger Services (Customer Services) budget in 2017/18. However, for accounting purposes the Customer Services directorate has historically held no direct budget for Passenger Services as all service costs incurred are budgeted to be fully recharged back to the end service users (primarily in Children & Young People and Community Services directorates) who are the ultimate budget holders. A significant level of cost reductions have been achieved by Passenger Services across the two-year period which have resulted in a reduction in the costs recharged back to the user directorates. These reduced costs are however reflected in the user directorates projected outturn position rather than that of the Customer Services directorate – this currently leaves a net budget pressure of £0.5m in Passenger Services. These budgets will be fully adjusted at the year-end.

8.5 Street management is forecasting an overspend of £0.2m, relating to an overspend on staffing costs and unbudgeted grounds maintenance costs for street cleansing, and public convenience rental and maintenance charges.

8.6 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 and unbudgeted legal fees totalling £0.1m is also forecast.

8.7 The *bereavement services* budgets are projecting an overspend of £0.2m, arising partly from higher than budgeted costs for the mortuary service and coroners court, in addition to lower than anticipated crematorium income.

8.8 The *Public Services division* is forecasting an overspend of £0.4m, although £0.2m of this relates to housing benefit subsidy. An overspend of £0.4m is anticipated in the *revenues service,* primarily for the underachievement of the income target for enforcement agents. The gross costs of the *parking service* are £0.8m above budget, due to the purchase of hand-held devices, an increase in bank charges arising from the rise in cashless parking charge payments, and an increase in overtime payments. This is offset by increased income from fixed penalty notices of £0.7m and £0.3m from pay and display charges. The service for *housing benefits* is expected to overspend by £0.2m, which relates solely to the housing benefit subsidy.

8.9 The *Technology and Change* division is forecasting a £1.3m overspend, up £0.1m on the previous month, following an increase in the projection for shared service costs. 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 was 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 £1.3m. This is expected to be managed down through the extension of 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 January 2018, the Resources and Regeneration directorate is forecasting an underspend of £1.1m. At the same time last year, the year-end forecast was for an underspend of £0.7m, with the actual year-end outturn being an underspend of £2.4m.

**Table 6 – Resources and Regeneration Directorate**

| Service Area | Gross budgeted spend | Gross budgeted income | Net budget | Forecast over/ (under) spend Jan 2017/18 | Forecast over/ (under) spend Dec 2017/18 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Corporate Resources | 5.9 | (3.2) | 2.7 | 0.0 | 0.0 |
| Corporate Policy & Governance | 4.7 | (0.3) | 4.4 | (0.4) | (0.4) |
| Financial Services | 4.7 | (1.5) | 3.2 | 0.0 | 0.0 |
| Organisational Development & HR | 2.7 | (0.2) | 2.5 | (0.2) | (0.2) |
| Legal Services | 3.2 | (0.4) | 2.8 | 0.0 | 0.0 |
| Strategy | 4.9 | (2.8) | 2.1 | (0.4) | (0.3) |
| Planning | 2.6 | (1.5) | 1.1 | (0.2) | (0.2) |
| Regeneration & Place | 48.2 | (40.5) | 7.7 | 0.1 | 0.2 |
| Reserves | 0.0 | (1.4) | (1.4) | 0.0 | 0.0 |
| **Total** | **76.9** | **(51.8)** | **25.1** | **(1.1)** | **(0.9)** |

9.2 The *regeneration & place* division is forecasting an overspend of £0.1m. There continues to be an underachievement of income from utilities companies against the network management budget of £0.2m. 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. These overspends are offset by areas of underspending including: additional income from corporate rents; an underspend against the Schools Estate Management budget; and reduced Street Lighting energy costs, to arrive at the overall net overspend forecast of £0.1m.

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 the *organisational development and HR* division, there is underspending forecast on staffing budgets of £0.2m. The *strategy* division is forecasting an underspend of £0.4m, 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 On 18th January 2018, the Schools Forum agreed to move to the new national funding formula rather than the current Lewisham one for the financial year 2018/19. They also agreed to recommend to the Mayor the minimum funding guarantee should be set at 0.5%.

11.3 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.

11.4 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.

11.5 The local authority 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.

11.6 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, training sessions were held for schools, with good levels of attendance.

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

11.8 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. This includes: finance based training sessions, finance visits to schools, and completing HR health checks

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 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 £7.9m, 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 January 2018 is for an additional surplus of £2.3m. Within that position, there is a net increase in expected income of £1.1m due to lower than budgeted void loss and a slowdown in stock loss, an under-spend of £217k on housing needs and an under-spend of £60k on external grant allowances paid. In addition there has been a reduction of £0.5m in internal recharges due in the main to a reduction in insurance premiums recharge.

12.3 Bad debt impairments have been revised with a reduction of £1.3m in costs and it is expected that the contingency budget of £0.25m will not be used at there are currently no calls against it. It is possible that energy charges may reduce further due to the letting of a new supply contract. This will be reported on as the new prices have been reviewed and consumption data is analysed. Depreciation charges are over budget £1.5m due to the revaluation of assets increasing by 8.0%. The budgeted allowance was 2.5%

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

**Table 7 – 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 | (0.21) |
| Lewisham Homes & R&M | 36.9 | 0 | 36.9 | (0.06) |
| Resources | 2.1 | 0 | 2.1 | (0.60) |
| Centrally Managed Budgets | 47.8 | (95.8) | (48.0) | (1.43) |
| **Total** | **99.3** | **(99.3)** | **0** | **(2.30)** |

## 13. COLLECTION FUND

13.1 As at 31st January 2018, £107.1m of council tax had been collected. This represents 82.7% of the total amount due for the year of £129.6m. This is slightly below the profiled collection rate of 84.1% 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 83.5%.

13.2 Business rates collection is at 91.3%, an increase of 0.8% compared to the same period last year, and 5.6% 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 31 January 2018 is £64.3m. This represents 63% of the revised budget of £102.4m. At this point last year, 57% of the revised budget of £84.8m had been spent, with the final outturn being 84% spend against budget.

### Table 8 – Capital Programme spend to date

| 2017/18 Capital Programme | Budget Report (February 2017) | Revised Budget | Spend to 31 Jan 2018 | Spent to Date (Revised Budget) |
|---|---|---|---|---|
| | £m | £m | £m | % |
| Community Services | 0.0 | 0.7 | 0.2 | 29% |
| Resources & Regeneration | 11.6 | 15.2 | 9.7 | 64% |
| CYP | 20.6 | 21.1 | 14.3 | 68% |
| Customer Services | 1.7 | 1.8 | 0.4 | 22% |
| Housing (General Fund) | 11.6 | 26.0 | 17.5 | 67% |
| **Total General Fund** | **45.5** | **64.8** | **42.1** | **65%** |
| Housing Matters Programme | 40.8 | 10.5 | 6.2 | 59% |
| Decent Homes Programme | 36.4 | 25.0 | 15.8 | 63% |
| Other HRA capital | 0.8 | 2.1 | 0.2 | 10% |
| **Total HRA** | **78.0** | **37.6** | **22.2** | **59%** |
| **Total Expenditure** | **123.5** | **102.4** | **64.3** | **63%** |

14.2 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 9 – Major Capital Projects

| 2017/18 Capital Programme | Budget Report (February 2017) | Revised Budget | Spend to 31 Jan 2018 | Spent to Date (Revised Budget) |
|---|---|---|---|---|
| | £m | £m | £m | % |
| Housing Regeneration Schemes (Excalibur, Heathside & Lethbridge) | 6.1 | 8.2 | 4.2 | 51% |
| School Places Programme | 14.4 | 12.5 | 10.5 | 84% |
| Other Schools Capital Works | 6.2 | 7.8 | 3.4 | 44% |
| Disabled Facilities / Private Sector Grants | 1.3 | 2.2 | 0.6 | 27% |
| Highways and Bridges (TfL) | 0.0 | 2.4 | 2.7 | 113% |
| Catford town centre | 4.0 | 3.5 | 1.5 | 43% |
| Asset Management Programme | 3.9 | 3.6 | 1.1 | 31% |
| Highways and Bridges (LBL) | 4.0 | 5.3 | 4.4 | 83% |
| Travellers Site Relocation | 1.1 | 0.0 | 0.0 | 0% |
| Acquisition – Hostels Programme | 0.0 | 1.4 | 0.6 | 43% |
| Grove Park Street Improvements | 1.1 | 0.1 | 0.0 | 0% |
| Lewisham Homes Property Acquisition loan | 0.0 | 10.0 | 10.0 | 100% |
| **Total Major Projects** | **42.1** | **57.0** | **39.0** | **68%** |
| Other Projects | 3.4 | 7.8 | 3.1 | 40% |
| **Total Projects – General Fund** | **45.5** | **64.8** | **42.1** | **65%** |

14.4 The main sources of financing the capital programme are grants and contributions and capital receipts from the sale of property assets. Some £26.4m has been received so far this year, comprising £0.5m in respect of previous year's Housing stock transfers, £9.6m (net) from Housing Right to Buy sales and Capital Receipts and £16.3m 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.

## 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:

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