

MAYOR & CABINET			
REPORT TITLE	Financial Forecasts 2018/19		
KEY DECISION	No	Item No.	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources and Regeneration		
CLASS	Part 1	Date	21 November 2018

1. EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2018/19 as at 30 September 2018. The key areas to note are as follows:

- i. There is a forecast overspend of £16.9m against the directorates' net general fund revenue budget as at the end of September 2018. On 10 October 2018, Mayor & Cabinet agreed the application of £6m to support the Children's Social Care base budget which reduces the forecast overspend to £10.9m. This is set out in more detail in sections five to nine of this report. The position as at the end of September 2018 compares to a projected year outturn position of £17.4m as at the end of July.
- ii. The Dedicated Schools Grant (DSG) is expected to balance at the year end. It is expected that there will be 14 schools that 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 £2.9m, in addition to the £6.4m budgeted surplus that is forecast to be transferred to reserves at year-end (which creates a balanced budget for the year). This remains unchanged from the position reported to the end of May 2018. This is set out in more detail in section 12 of this report.
- iv. As at 30 September 2018, some 50.5% of council tax due and 63.0% of business rates due had been collected. At this point last year, 51.0% of council tax due and 63.5% of business rates due had been collected. This is set out in more detail in section 13 of this report.
- v. The Capital Programme spend as at 30 September 2018 is £28.0m, which is 20% of the revised budget of £137.8m. The capital expenditure up to month 6 in the last financial year was £37.4m, which was 37% of the revised budget of £102.4m, with the final outturn being 86% (£87.0m) of the revised budget of £100.7m. This has been set out in more detail in section 13 of this report.

2. PURPOSE

2.1 The purpose of this report is to set out the financial forecasts for 2018/19 as at the end of September 2018, projected to the year end. This report provides a direct comparison to the position reported to the end of July 2018.

3. RECOMMENDATION

3.1 The Mayor and Cabinet is recommended to:

3.1.1 Note the current financial forecasts for the year ending 31 March 2019 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.

4.2 The Council's strong and resilient framework for prioritising action has assisted the organisation in the face of austerity and on-going cuts to local government spending. This continues to mean, that even with the prospect of the most daunting financial challenges facing the Council and its partners, the Council continues to work alongside our communities to achieve more than it could by simply working alone.

4.3 This financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year on year, despite increasing demand to deliver services to the borough's residents.

5. DIRECTORATE FORECAST OUTTURN

5.1 Members will be aware that the Council has recently implemented a new financial system, Oracle Cloud. The new system's budget monitoring tool entitled 'planning and budgeting cloud service' (PBCS) is now fully available for use by budget holders. Alongside the systems integrator, the finance team continues to provide further support and training to budget holders on use of the PBCS system.

5.2 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £16.9m is being reported as at the end of September 2018, before the application of resources held corporately and the use of reserves. This compares to the £17.4m forecast overspend reported to the end of July 2018 and represents a decrease of £0.5m prior to any budget adjustments.

5.3 In reviewing the current position, the Executive Director for Resources and Regeneration made recommendations to Mayor & Cabinet on 10 October 2018 to commit the remaining £1.7m of 2018/19 unallocated risks & other budget pressures funding to Children's Social Care with immediate effect, and to draw £4.3m from reserves now in advance of a proposed commitment of £4.3m risks & pressures of the available £6.5m in the 2019/20 budget. The Mayor & Cabinet approved both these adjustments which results in an increase in the Children's Social Care base

budget by £6m for 2018/19 and on-going. Officers recommend using the reserves now instead of applying it at the year-end as it brings the budget closer to the real need and thereby makes it more meaningful and easier for the service responsible for the budget to monitor and make decisions to control costs.

Table 1 – Overall Directorate position for 2018/19

Directorate	Gross budgeted spend	Gross budgeted income	Net budget 2018/19	Variance Sept 2018	Variance July 2018
	£m	£m	£m	£m	£m
Children & Young People (1) (2)	71.3	(12.3)	59.0	9.5	15.5
Community Services	172.2	(81.3)	90.9	(0.2)	0.3
Customer Services (3)	99.4	(57.3)	42.1	1.7	1.7
Resources & Regeneration	76.4	(51.2)	25.2	(0.1)	(0.1)
Directorate Totals	419.3	(202.1)	217.2	10.9	17.4
Corporate Budgets	24.1	0.0	24.1	0.0	(6.0)
Net Revenue Budget	443.4	(202.1)	241.3	10.9	11.4

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

(2) – £6m will be applied to Children's Social Care in its entirety. It commits the remaining £1.7m of the 2018/19 risk and other budget pressures and draws £4.3m from reserves in advance of the proposed commitment from the 2019/20 budget for risks and other pressures.

(3) – gross figures exclude approximately £213m of matching income and expenditure for housing benefits

5.4 Officers are continually seeking to identify ways to manage down overspending budgets, but it is unlikely that this will be sufficient to balance the budget in this financial year. Furthermore, delivering a large package of revenue budget savings for 2018/19 is managerially complex and challenging. There is an inherent risk that some savings will be delivered later than planned, which would result in overspends within the year. As a result, officers will 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.

Table 2 – Progress of 2018/19 savings

Ref.	Saving	2018/19 £'000	Update at November 2018
A	Smarter & deeper integration of social care & health		
A19	Workforce productivity from better technology	300	Ongoing IT work on LAS liquid logic system. Will be met with risk of any shortfall covered by iBCF in 2018/19.
	Total	300	

B	Supporting People		
B4	Service economy rental income	70	Delivered
	Total	70	
D	Efficiently review		
D2	Corporate efficiency from Unallocated inflation	1,000	Delivered via cash limits set for 18/19
	Total	1,000	
E	Asset Optimisation		
E8	Income from Private Rented Scheme (PRS) Joint Venture	500	In progress – Besson St contract signed
	Total	500	
I	Management and Corporate Overheads		
I12	Administrative budgets	20	Delivered
I13	Finance function efficiencies through the implementation of Oracle Cloud	200	In progress – Oracle Cloud system now live for finance. HR & Payroll due April 2019
I14	Loss of seconded Police Officer to Counter Fraud team	70	Delivered
I15	Balance sheet review of accounting policies	1,000	Subject to external independent review
	Total	1,290	
J	School Effectiveness		
J18	Statutory functions of School Effectiveness	366	Delivered as part of SLA agreements with schools for 2018/19
	Total	366	
Ref.	Saving	2018/19 £'000	Update at November 2018
K	Statutory functions of School Effectiveness		
K5	Problem solving crime reduction	30	Delivered
	Total	30	
L	Culture and Community Services		
L8	Facilities management - retender of contract for Deptford Lounge	130	Delivered – Albany successful and managing this site.
	Total	130	
M	Housing strategy and non-HRA funded services		
M8	Reduced costs of providing nightly paid accommodation	250	On track to be delivered but at risk of demand pressures
	Total	250	

O	Public Services		
O5	Council Tax single person discount review	500	Delivered through data matching work
	Total	500	
P	Planning and Economic Development		
P3	Planning savings	270	In progress – subject to development demand to sustain income levels
	Total	270	
Q	Safeguarding and Early Intervention		
Q6	Developing alternative pathways for care	100	Savings delivered in housing costs for care leavers but offset by large overspend on placements budget from increased numbers in residential placements
Q7	Review of Lewisham CAMHS	50	On hold
	Total	150	
	Grand Total (excluding Q7 CAMHS)	4,806	

- 5.6 For the majority of the revenue budget savings, some £3.186m have either been delivered already or are expected to be delivered in full by the end of the financial year. There are two savings, the balance sheet review of accounting policies (£1m) and the planning saving (£270k) which are dependent on advice from the Council's treasury management advisers and the progress on planning income levels, respectively.
- 5.7 The saving which pertains to the finance function efficiencies through the implementation of Oracle Cloud (£200k) may only deliver a part year-effect in 2018/19. Furthermore, delays to developing alternative pathways to care could mean that this savings of (£100k) is not delivered in full in 2018/19. There is one further saving which relates to the review of Lewisham CAMHS of (£50k) which will not be progressing at all.

6. CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of September 2018, the Children and Young People's directorate is forecasting a £15.5m overspend prior to a budget adjustment of £6m being applied. The position is unchanged from the overspend reported at the end July 2018.

Table 3 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Forecast over/ (under) spend Sept 2018	Forecast over/ (under) spend July 2018
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds (1)	47.1	(0.8)	46.3	6.9	12.9
Education, Standards and Inclusion	1.8	(1.4)	0.4	(0.2)	(0.2)
Targeted Services and Joint Commissioning	22.4	(8.4)	14.0	2.8	2.8
Schools	0.0	(1.7)	(1.7)	0.0	0.0
Total	71.3	(12.3)	59.0	9.5	15.5

* The government grants include the Adoption Reform Grant, SEND reform grant, Troubled Families grant and Music grant

(1) – £6m will be applied to Children's Social Care in its entirety. It commits the remaining £1.7m of the 2018/19 risk and other budget pressures and draws £4.3m from reserves in advance of the proposed commitment from the 2019/20 budget for risks and other pressures.

- 6.2 The full year projection of the Children's Social Care spend has remained unchanged since the last report. The numbers of children placed in residential, local authority fostering and agency fostering has increased by 29 compared with the same time in the previous year. Since July, the projections for placements and staffing projections have continued at previously forecasted levels.
- 6.3 The most significant cost pressures for the directorate fall within the *children's social care* division, which amounts to £12.9m, prior to budget adjustments. The key issues relating to the directorate's budget pressures have been set out in the following paragraphs.
- 6.4 The Residential placement budget for *looked after children* is currently forecast to overspend by £4.7m, this is the main area of pressure in the budget. However the budget for independent fostering is also overspent by £1.2m although the unit costs and numbers in independent fostering are not out of line with other boroughs. Semi Independent placements are overspent by £2.8m, with a budget of only £480k to cover the costs of placements for 45 young people. Special Guardianship orders (SGO), which are a rising cost with an increasing number of children being placed with family members, are set to overspend by £1.1m. Local authority fostering is in addition overspent by £0.5m as placements have increased by 27 since the start of the year. The placements budget is the primary focus of the Children's Social Care Improvement Programme, which commenced with the Placements Team being transferred into the Commissioning Team in order to strengthen gatekeeping, decision-making and to introduce more pro-active management of the local market.
- 6.5 Table 4 sets out the current trend of weekly unit costs and client numbers for the key placement types in this service area. The unit cost information set out in the table above, demonstrates the importance of reducing, both through alternative high quality provision and through earlier intervention, use of residential placements as these are extremely costly, with significant shortages in the regional and national market.

Table 4 – Client Numbers and Costs

Placement Type	Weekly Unit Costs			
	Jul 2018 (£)	Aug 2018 (£)	Sep 2018 (£)	Sep 2017
Local Authority Fostering	440	440	440	407
Agency Fostering	910	910	910	907
Residential Placement	3,710	3,712	3,712	3,741

	Jul 2018	Aug 2018	Sep 2018	Sep 2017
Local Authority Fostering	194	193	202	169
Agency Fostering	194	192	186	199
Residential Placement	48	47	48	39
Total	436	432	436	407

- 6.6 Another major area of pressure within CYP is spend on staffing. Currently, the forecast is estimated at £4.0m overspend, which represents a decrease from the position reported to the end of July. Current data shows over 25% of staff in Children’s Social Care are agency staff. This is higher than the service aims for (maximum 10%) but mid-table for London.
- 6.6.1 There has been an issue around clarity of establishment and alignment between the budget and the establishment. This is the second urgent focus of the Children’s Social Care Improvement Programme which is re-baselining the establishment and working to match the budget against it. The caseloads of social workers are constantly monitored and are appropriate (recently endorsed by Ofsted).
- 6.6.2 The savings target for 2018/19 of £466k is expected to be fully met. However, slippages in historic savings are a factor in current in-year pressures.
- 6.6.3 As set out in detail in section 5, Members should note that the corporate allocation of £6m will be applied to the children’s social care budget in its entirety and has the impact of reducing the projected year-end variance down from £12.9m to £6.9m for 2018/19.
- 6.7 The Targeted Services and Joint Commissioning Division is forecast to overspend by £2.8m, which is unchanged from the previously reported position to the end of July. Last year the outturn, before the use of reserves was £4.3m for the service. The main pressure area is SEND Transport, £2.0m. Work has been done to reduce demand and the percentage of children with EHCPs on transport compares well in London however overall numbers of EHCPs has increased by 242 since the January 2018 census to 2,259 and continues to do so. In addition, the reduced use of buses by adults’ services has increased unit costs for children’s transport because of increased down time. A review is being undertaken, following an initiative in LB Hillingdon which has realised large scale savings in SEND transport.
- 6.7.1 In addition, the budget for the Youth services does not match the value of the contract, creating a £600k overspend. The early help offer for families is funded

exclusively from the Troubled Families Grant (attachment fees and payment by results). Although our TF claims are at the level expected by MHCLG, the income is £650k short of the expenditure on the early help offer.

- 6.7.2 The Education psychologists' budget is forecast to overspend by £200k compared to £700k last year. Budget growth was awarded to reflect increased spending, pressure due to the demand for Education Health and Care Plans (EHCP), to reflect the doubling in the number of EHCPs and the pressure to complete within statutory timescales. The budget continues to overspend to meet demand but is subject to a comprehensive review to further benchmark spend and caseloads.

7. COMMUNITY SERVICES

- 7.1 As at the end of September 2018, the Community Services directorate is forecasting an underspend of £0.2m. This is an improvement on the forecast overspend reported as at the end of July 2018. At the same time last year, the year-end forecast was an overspend of £1.5m with the actual year-end outturn being an underspend of £0.9m.

Table 5 – Community Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Sept 2018	Forecast over/ (under) spend July 2018
	£m	£m	£m	£m	£m
Adult Services Division	120.7	(49.5)	71.2	0.0	0.3
Cultural and Community Development	16.7	(7.5)	9.2	0.0	0.0
Public Health	15.4	(16.1)	(0.7)	(0.1)	0.0
Crime Reduction & Supporting People	18.1	(8.2)	9.9	(0.1)	0.0
Strategy & Performance	1.3	(0.0)	1.3	0.1	0.1
Reserves	0.0	0.0	0.0	(0.1)	(0.1)
Total	172.2	(81.3)	90.9	(0.2)	0.3

- 7.2 Of new savings totalling £0.9m for 2018/19, achievement is predicted to be £0.6m. The one area of slippage is on staffing budgets in adult social care where there will only be a part-year effect.
- 7.3 The *adult services* division is forecast to spend to budget. At the same time last year an overspend of £1.1m was projected. The final outturn for 2017/18 was £0.8m.
- 7.3.1 Budgets have been supplemented in 2018/19 by increases in Improved Better Care Fund (iBCF) and by a 1% precept. Most of the additional funding has been used to fund increases in home care and residential/nursing budgets to reflect, respectively, increases in London Living Wage and National Living Wage. Additionally, transitions from Children's Services are expected to increase adult social care costs by £0.7m. This cost, along with demographic pressures for other client groups, is

funded through the iBCF, as is the financial impact of earlier discharges from hospital.

- 7.3.2 Overall, staffing budgets are projected to overspend with the largest pressures being on budgets for Deprivation of Liberties Safeguards (DOLS) although compensating savings are projected on package and placement budgets. Budgets for fees and charges are expected to be fully achieved, a significant improvement on 2017/18 following an exercise to bring financial assessments and charges up to date. The projection of a balanced budget assumes an underspend against the £855k Adult Social Care Support Grant
- 7.4 The cultural and community services division is forecasting no overall variance. There have been changes to individual service projections but these have cancelled out across the Division. There is still a projected overspend on the Community Centres budget although this has come down from £130k to £118k. 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 full year saving of £70k for the 2017/18 financial year. This work included the option to outsource management functions to a third party provider with experience in either managing community facilities or to a social housing provider. Changes and delays in the implementation of this work coupled with a loss of income from the closure of several buildings during 2016/17 following the implementation of voluntary sector accommodation plan and additional running costs relating to the community hubs have all contributed to an underlying budget pressure. The full potential overspend has now been mitigated by new commercial rent agreements being put in place for the Sydenham and Leemore community hubs. In addition, work is progressing to transfer a further five community centres to Lewisham Homes early in the new year.
- 7.4.1 There is an overall pressure on the *Libraries Service* which total £95k. There is an overspend of £80k in the Libraries Service resulting from LB Lewisham's agreed contribution to London Libraries Consortium (LLC) for the implementation of the new Libraries Services platform. An earmarked reserve had originally been requested against the 2017/18 underspend on the Libraries Service budget. However, this carry forward request was not approved and this commitment will therefore need to be funded from the 18/19 revenue budget. There is a further pressure of £35k which has resulted from the need to put additional security in place at Lewisham Library during operating hours following an incident at the Library. These pressures are currently offset by underspends of £20k on staffing and other operational budgets.
- 7.4.2 There is now total projected underspend of £243k across the *Leisure Management* budget. There is an underspend of £130k which has resulted from 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. In addition, there is now an underspend of £113k on the Downham PFI unitary charge payment for 18/19 which has resulted from a retrospective adjustment to the contract payments due under the PFI agreement for 18/19.
- 7.4.3 There are a series of smaller projected variances across the rest of the Division. There is a projected underspend of £100k on the *culture and community development* staffing resulting from a combination of staff turnover and vacancies.

There is a projected overspend on the Broadway Theatre budget of £70k resulting primarily from additional costs incurred which cannot be covered from the potential income generated from the event. There are also smaller overspends on the *Community Sector Grant Programme* of £20k due to lost CCG funding, £20k on *Deptford Lounge* as a result of once of costs relating to the implementation of the new management contract and more minor projected overspends on both Local Assemblies & Events.

- 7.5 An underspend of £0.1m is projected on the *public health* budget reflecting early achievement of savings.
- 7.6 The *crime reduction and supporting people* division is now projecting a forecast underspend of £0.1m for 2018/19. The previously reported budget pressure of £0.1m across the Division following the transfer of Business Support staff from Customer Services has now been absorbed within the overall position for the Division.
- 7.6.1 The previously reported projected overspend of £100k on the budget for secure remand placements has now been eradicated as a result of confirmation of an increase in the level of government grant funding received from the Ministry of Justice for 18/19. The level of remand placements required by the courts also continues to be exceptionally low for the YTD. However Secure Remand Placements can be a volatile area of spend as they are dependent on the age/ vulnerability of the young person and the nature and severity of the offence that has been committed. The final decision on the nature and length of remand being made in the operation of the court process. With this in mind a cautious approach has been adopted to projected costs for the remainder of the year with the expectation that cost projections may fall in future monitoring cycles.
- 7.6.2 Despite budget pressures funding of £250k for 2018/19, there is still a projected pressure of £95k on the core staffing and operational budget for the *youth offending service* in 2018/19. This cost pressure follows the adverse service inspection by the Youth Justice Board, this resulted in a 'new' staffing structure is being put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan.
- 7.6.3 There are further underspends on *environmental health* of £66k due to staffing & income, the *prevention & inclusion team* of £120k relating to staffing, the *crime enforcement & regulation service* of £27k due to underspends on staffing offset by pressures on licensing income and legal costs and *supporting people* £37k due to contract savings.
- 7.6.4 There is a further budget pressure of £119.5k within 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 was given in principle agreement to draw on the earmarked reserve of £239k for VAWG in order to bridge the funding gap of £119.5k per annum for 2017/18 and 2018/19 to cover the budget shortfall. This is not, however, currently reflected in the current service budget. This overspend is matched by a variance on the Community Services Reserves budget.

7.7 The *strategy and performance* service which included the directorate management team budget is projected to spend to budget.

8. CUSTOMER SERVICES

8.1 As at the end of September 2018, the Customer Services directorate is forecasting an overspend of £1.7m. At the same time last year, the year-end forecast was an overspend of £4.5m with the actual year-end outturn being an overspend of £5m.

Table 6 – Customer Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Sept 2018	Forecast over/ (under) spend July 2018
	£m	£m	£m	£m	£m
Strategic Housing	28.8	(23.2)	5.6	-	-
Environment	36.9	(16.7)	20.2	0.7	0.7
Public Services*	28.3	(17.0)	11.3	-	-
Technology and Change	5.4	(0.4)	5.0	1.0	1.0
Total	99.4	(57.3)	42.1	1.7	1.7

* excludes £213m of matching income and expenditure in respect of housing benefits.

8.2 The Strategic Housing service is forecasting spend to budget for 2018/19.

8.3 The *Environment division* is forecasting an overspend of £0.7m. In 2018/19, additional funding of £200k was provided for budget pressures in relation to domestic refuse collection and £150k for the shortfall in income from the garden waste subscription service. In addition, further funding for pressures from the costs of waste disposal in the strategic waste management service of £250k was allocated to the service.

8.3.1 As at the end of September 2018, a net overspend of £0.6m on *refuse services* is projected. The overspends on vehicle costs for refuse services as seen in previous years are not expected to occur at the same level following the purchase of a number new vehicles. However, there are still some hired in vehicles in use, which is expected to create an overspend position for this year. The overspend anticipated in 2018/19 also relates to staffing, as the new fortnightly service implemented in October 2017 may continue to require some additional staffing resource for the first few months of 2018/19 as residents continue to adapt to the new collection service. The Management team will continue to monitor this closely over the coming months. There is also a shortfall of income projected for *trade refuse* of £200k, which is in line with the income shortfall in 2017/18. With regards to the *strategic waste management service*, the waste disposal pressure on fly-tipping is expected to continue in 2018/19.

8.3.2 The *passenger services* budget is showing a net nil position in 2018/19. Additional funding of £500k was provided to the service for the 2018/19 financial year in order to mitigate a prior year saving allocated to the service. The cost of the service is fully recharged to directorates, predominately CYP (for SEN transport) and

Community Services. A significant level of cost reductions have been achieved by Passenger Services across the two-year period which follows efforts to reduce demand for the service by both CYP-SEN and Community Services-Adults.

- 8.3.4 *Green scene* is forecasting an overspend of £0.1m in relation to grounds maintenance costs for parks and open spaces and costs of the arborists' service. Additional budget of £0.1m for the year was allocated to the arborist's service, to help alleviate budget pressures from the tree works, to prevent potential insurance and injury claims. Despite the additional funding, an overspend of £0.1m is anticipated across the green scene service area.
- 8.3.5 In the previous monitoring position, a potential pressure on the refuse service was not included in the forecast outturn position. The Council has previously charged a student accommodation provider for commercial waste collection, based on the Controlled Waste (England and Wales) Regulations 2012. DEFRA contacted local authorities in 2013 to inform them that it was not the intention of the regulations to charge for waste from student accommodation. In 2016, charges for commercial waste were applied to a new student accommodation block. The provider of this accommodation challenged the charge for commercial waste and The Local Government & Social Care Ombudsman has found that there was administrative fault in the Council's decision to introduce charging for commercial waste. A refund to one provider of private student accommodation has been made, totalling £27k and at this time, no other providers of private student accommodation have come forward to request a refund.
- 8.4 The *Public Services division* is forecasting an overall balanced position at the year-end. An overspend of £0.2m is anticipated in *council tax administration and court grant*, primarily due to bank charges. A similar position was reported in 2017/18. The *council tax admin team* is anticipated to overspend by £0.1m on legal fees and ICT costs. An overspend of £0.2m is expected in relation to agency staffing in the *central debtors team* and £0.1m in the *FMD cashiers' team*.
- 8.4.1 Across the *customer service centre* service area, an overspend of £0.1m is forecast, as a result of agency costs within *business support* and a shortfall in *registrars' income*.
- 8.4.2 The gross costs of the *parking service* are forecast at £0.8m above budget, due to the increase in bank charges arising from the rise in cashless parking charge payments, and an increase in overtime payments for enforcement. This is expected to be offset by increased income from fixed penalty notices of £1.2m and £0.3m from pay and display charges, creating a £0.7m surplus for the parking service.
- 8.5 The *Technology and Change* division is forecasting a £1m overspend. In 2016/17, the service delivered budget savings of £1m, primarily through the introduction of a new shared ICT service and reducing the cost of infrastructure contracts. For 2017/18, the division was expected to deliver a further saving of £0.35m, but a reduction in the division's budget, combined with a new pressure from software licences resulted in an outturn position for 2017/18 of £1.3m. Some of these pressures are expected to continue in 2018/19, despite the reduction in demand for services such as printing. Management continue to look at ways of alleviating these budgets with a view of bringing spend more in line with budget by the year-end.

9. RESOURCES AND REGENERATION

- 9.1 As at the end of September 2018, the Resources and Regeneration directorate is forecasting an underspend of £0.1m at the year-end. This is the same overall forecast as that reported at the end of July 2018. At the same time last year, the year-end forecast was an underspend of £0.4m with the actual year-end outturn being an underspend of £1.9m. The overall position has been set out in Table 7.

Table 7 – Resources and Regeneration Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Sept 2018	Forecast over/ (under) spend July 2018
	£m	£m	£m	£m	£m
Corporate Resources	5.7	(3.2)	2.5	(0.1)	0.0
Corporate Policy & Governance	4.8	(0.2)	4.6	(0.2)	(0.3)
Financial Services	4.5	(1.5)	3.0	0.1	0.0
Organisational Development & HR	2.8	(0.3)	2.5	(0.2)	(0.2)
Legal Services	3.3	(0.3)	3.0	0.0	0.0
Strategy	5.0	(2.8)	2.2	(0.3)	(0.3)
Planning	2.6	(1.9)	0.7	0.0	0.0
Regeneration & Place	47.7	(40.4)	7.3	0.6	0.7
Reserves	0.0	(0.6)	(0.6)	0.0	0.0
Total	76.4	(51.2)	25.2	(0.1)	(0.1)

- 9.2 The *corporate resources* division (£0.1m), the *corporate policy & governance* division (£0.2m), the *organisational development and HR* division (£0.2m) and the *strategy* division (£0.3m) are forecasting underspends that are mainly due to vacancies. The *financial services* division is forecasting an overspend of £0.1m due to pressures across salaries, supplies & services and income budgets.
- 9.3 The *regeneration & place* division is forecasting a net overspend of £0.6m. There are currently budget pressures in relation to a projected income shortfall on commercial rents (£0.3m); a continuing underachievement of budgeted income in relation to the sustainable energy levy (£0.1m) due to reduced energy consumption; utilities costs across the corporate estate (£0.2m) due to price increases; a continuing pressure in relation to Garages (£0.2m); and an overspend forecast in Building Control due to a drop in income (£0.1m). These pressures are partly offset by underspends forecast in relation to employee costs (£0.2m) due to vacancies and rental income in relation to the Old Town Hall (£0.1m).
- 9.4 There are currently balanced budget positions being forecast for the *legal services* and *planning* divisions.

10. CORPORATE PROVISIONS AND USE OF RESERVES

- 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 As a reminder to Members, the following are examples of £1m of activity in 2018/19 that will draw on working balances in the year:

- Investigating and responding to the data breach £0.2m;
- Work to upgrade the liquid logic system to better support social care £0.3m;
- Additional leadership support to the Children Social Care service and support to develop and deliver an improvement plan £0.3m; and
- Diagnostic reviews (IT, ASC, CSC, Finance) to triangulate service performance and inform future transformation needs and priorities £0.3m.

10.3 In the budget for 2018/19, the Council allocated £5m from reserves for ongoing transformation work, building on the enabling initiatives undertaken around technology upgrade, office space, Finance/HR system, and line of business system improvements since 2016/17. Of this, £2m has been committed and the programme then paused to consider the findings of the diagnostic reviews noted above. The monies committed are towards:

- IT security costs £1m in respect of the website, customer management system, SharePoint and network resilience; and
- Additional costs to support the implementation of the Oracle Cloud enterprise system for Finance, payroll and HR services, in particular more training.

10.4 The business has also identified potential ongoing pressures of £1m which, if agreed will be met from the remaining working balances in 2018/19 and then form part of the budget considerations when setting the 2019/20 budget. They include:

- Information Management Technology skills and capacity £0.3m;
- Communications capacity £0.2m;
- Commercial and Procurement support £0.2m; and
- Human Resources business partner resources to support leadership development and the delivery of organisational change £0.3m.

11. DEDICATED SCHOOLS' GRANT

11.1 The Dedicated Schools Grant (DSG) for 2018/19 has provisionally been set by the Department for Education at £292.3m, although this will change during the year to reflect updated pupil numbers at January 2018. Further grants are given to schools and routed through the local authority. These include the pupil premium (£16m), post 16 funding (£8.1m) and the universal free school meals grant (£3m) making total funds of £319m.

Schools

11.2 There were nine schools with deficits at the year-end 31 March 2018 totalling

£1.5m. It is anticipated that there will be 14 schools in deficit at the end of March 2019. These are not all the same schools as some schools expect to recover their current deficit during 2018/19, but others are projected to go into deficit.

- 11.3 All schools have submitted a budget plan this year. At the same stage last year, there were two schools who had not submitted budget plans.
- 11.4 The forecast cumulative revenue balances for the year to 2018/19 is a surplus of £13.9m which represents a reduction of £4.3m to the 2017/18 balance (£18.3m). Approximately 70% of schools are forecasting an in year deficit for 2018/19.
- 11.5 There are nine schools with loans with a total balance of £3m. Of this, seven are secondary schools and two are primary schools. All schools with deficits have a budget recovery plan and work will continue this year to ensure that this is delivered and sustainable.
- 11.6 It should be noted that the central side of the DSG is expected to end the year in balanced budget position.
- 11.7 There is on-going review of High Needs Block (HNB) budget in the DSG. The Council's finance team is working closely with service leads and HNB sub-group to finalise a position post-September 2018 when the pupil places numbers will be confirmed. Some early indications suggest that additional cost pressures of between £1m and £2m can be expected. High Needs Block pressures are a significant lobbying point for London Councils and the LGA as they are overspent across the country. If an overspend on HNB materialises this year, then this will add to the overall corporate pressures. As yet, this potential impact has not been built into the projections as officers have not yet confirmed the September places. An update on this position will be provided in the next financial forecast report. The HNB sub-group is also working on reducing pressures on this budget, for example through increases in local provision which is lower cost than out-borough.

12. HOUSING REVENUE ACCOUNT

- 12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2018/19. The balanced HRA budget seen in the table includes a budgeted surplus of £6.4m, which is to be transferred to reserves at year end as a part of the 30 year HRA business plan.
- 12.2 The forecast position for September 2018 is for an additional surplus of £2.9m. There had been no additional surplus over reported in the position to the end of May 2018. Within this September position, there is a net increase in expected income of £1.4m due to lower than budgeted void loss.
- 12.3 Bad debt impairments have been revised with a reduction of £1.3m in costs. Energy charges are currently forecasted to budget whilst billing issues relating to the new contract are resolved. However, given the underspend generated in 2017/18, it is expected that this may re-occur in 2018/19.
- 12.4 Repairs & Maintenance (R&M) is forecasting spend to budget. Lewisham Homes is currently reporting potential pressures within the R&M allocations for hostels.

However, this is to be reviewed and is expected to be contained within overall allocations.

- 12.5 The current 30 year HRA financial model has been recently refreshed, with the latest updates for the new build programme, general capital programme, GLA grant and Headroom borrowing bid incorporated into the plans. Budgets will be amended from October 2018 to reflect the latest position.

Table 8 – Housing Revenue Account

Service Area	Expenditure Budget	Income Budget	2018/19 budget	Forecast over/ (under) spend Sept 18	Forecast over/ (under) spend July 18
	£m	£m	£m	£m	£m
Customer Services – Housing	13.0	(3.5)	9.5	0	0
Lewisham Homes & R&M	37.2	0	37.2	0	0
Resources	1.5	0	1.5	0	0
Centrally Managed Budgets	48.1	(96.3)	(48.2)	(2.9)	(2.9)
Total	99.8	(99.8)	0	(2.9)	(2.9)

13. COLLECTION FUND

- 13.1 As at 30 September 2018, £68.6m of council tax had been collected. This represents 50.5% of the total amount due for the year of £135.6m. This is below the profiled collection rate of 51.6% 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 51.0%.
- 13.2 Business rates collection is at 63.0%, a decrease of 0.5% compared to the same period last year, and 1.6% 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 30 September is £28.0m. This represents 20% of the revised budget of £137.8m. At this point last year, 37% of the revised budget of £102.4m had been spent, with the final outturn being 86% of the revised budget of £100.7m.
- 14.2 Members should note that officers from the Financial Services team are currently working with project managers across the council to examine the capital programme spend profile in more detail. This is expected to result in the revision of the capital programme budget for 2018/19 to better reflect the likely final outturn in March 2019. The Mayor & Cabinet will be asked to agree any revisions to the capital programme budget as part of its consideration of the next financial monitoring report.
- 14.2 The table below shows the current position on the major projects in the 2018/19 Capital programme (i.e. those over £1m in 2018/19).

2018/19 Capital Programme	Budget Report (February 2018)	Revised Budget	Spend to 30 Sept 2018	Spent to Date (Revised Budget)
	£m	£m	£m	%
GENERAL FUND				
Schools - Pupil Places Programme	17.7	5.6	1.2	21%
Schools - Other Capital Works	1.1	6.0	1.3	22%
Highways & Bridges – LBL	3.1	3.1	1.7	55%
Highways & Bridges – TfL	0.0	2.9	0.2	7%
Highways & Bridges - Others	1.1	3.4	0.3	9%
Catford town centre	4.8	4.7	0.5	11%
Asset Management Programme	3.9	4.2	0.5	12%
Heathside & Lethbridge Regeneration	1.1	1.1	0.1	9%
Excalibur Regeneration	0.0	2.6	0.5	19%
Lewisham Homes – Property Acquisition	10.0	8.0	8.0	100%
Private Sector Grants and Loans (inc. DFG)	1.7	3.0	0.4	13%
Fleet Replacement Programme	2.6	2.9	1.9	66%
Beckenham Place Park	5.5	4.0	0.8	20%
Smart Working Programme	2.0	2.1	0.1	5%
Edward St. Development	4.9	2.5	0.0	0%
Travellers Site Relocation	1.1	1.1	0.0	0%
ICT Tech Refresh	0.7	0.9	0.0	0%
Other General Fund schemes	1.9	7.3	0.9	12%
TOTAL GENERAL FUND	63.2	65.4	18.4	28%
HOUSING REVENUE ACCOUNT				
Housing Matters Programme	28.0	28.0	1.7	6%
Decent Homes Programme	43.9	43.7	7.7	18%
Other HRA schemes	0.8	0.8	0.2	25%
TOTAL HOUSING REVENUE ACCOUNT	72.7	72.4	9.6	13%
TOTAL CAPITAL PROGRAMME	135.9	137.8	28.0	20%

14.3 The main sources of financing the programme are grants and contributions, and capital receipts from the sale of property assets. Some £8.7m has been received so far this year, comprising £7.1m (net) from Housing Right-To-Buy and other capital receipts and £1.6m of grants and contributions.

15. FINANCIAL IMPLICATIONS

15.1 This report concerns the financial forecasts for the 2018/19 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 2018/19 and beyond.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Financial Outturn for 2017/18	7 th July 2018 (M&C)	5 th Floor Laurence House	Selwyn Thompson
2018/19 Budget	21 st February 2018 (Council)	5 th Floor Laurence House	David Austin
Financial Forecast for 2018/19 – Month 2	11 th July 2018 (M&C)	5 th Floor Laurence House	Selwyn Thompson
Financial Forecast for 2018/19 – Month 4	10 th October 2018 (M&C)	5 th Floor Laurence House	Selwyn Thompson

For further information on this report, please contact:
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