MAYOR & CABINET			
REPORT TITLE	Financial Results 2018/19		
KEY DECISION	No	**Item No.**	
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources and Regeneration		
CLASS	Part 1	**Date**	26 June 2019

1. EXECUTIVE SUMMARY

1.1 This report sets out the draft financial results for 2018/19. The key areas to note are as follows:

i. There is an overall overspend of £9.4m against the directorates' net general fund revenue budget for the financial year 2018/19. As highlighted in previous reports to Mayor and Cabinet and the Public Accounts Select Committee, this is after the application of £6m to support the children's social care base budget. This is set out in more detail in sections five to nine of this report. The final overspend position as at the end of March 2019 of £9.4m compares to a projected year outturn position of £9.9m as at the end of January 2019.

ii. The Dedicated Schools Grant (DSG) is expected to balance at the year-end. As reported previously, once all the final adjustments have been concluded, it is expected that there will be a total of 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) final position is an overall surplus of £6.5m, which is £2.5m more than originally budgeted. Further details on this are set out in section 12 of this report.

iv. As at 31st March 2019, some 94.5% of council tax due and 97.9% of business rates due had been collected. At this point last year, 94.5% of council tax due and 97.6% of business rates due had been collected. This is set out in more detail in section 13 of this report.

v. The Capital Programme final spend for 2018/19 is £71.1m, which is 82% of the revised budget of £87.3m. The total capital expenditure in the last financial year was £87.0m, which was 86% of the revised budget of £100.7m.

vi. The year-end position on the Treasury Management portfolio and the Pension Fund has been set out in section 15 of this report.

2. PURPOSE

2.1 The purpose of this report is set out the financial results for 2018/19. This report provides a direct comparison to the position reported to the end of January 2019, which was the last publicly reported monitoring position.

3. RECOMMENDATION

3.1 The Mayor & Cabinet is recommended to:

3.1.1 Note the financial results for the year ending 31 March 2019.

4. POLICY CONTEXT

4.1 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 the increasing demand to deliver services to the borough's residents.

4.2 The information set out in the body of this report is consistent with the delivery of the Council's corporate priorities (contained within the new Corporate Strategy 2018-22), and is particularly relevant to 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.

5. DIRECTORATE FORECAST OUTTURN

5.1 The Oracle system's budget monitoring tool entitled 'planning and budgeting cloud service' (PBCS) is now fully available for use by budget holders. The finance team continues to provide further support and training to budget holders on use system.

5.2 The final variances against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, there is an overall overspend of £9.4m for the 2018/19 financial year, after the application of resources held corporately and the use of reserves. This compares to the £9.9m forecast overspend reported to the end of January 2019 and represents an improvement of the position of the monitoring positon by £0.5m.

Table 1 – Overall Directorate position for 2018/19

Directorate	Gross budgeted spend	Gross budgeted income	Net budget 2018/19	Outturn March 2019	Variance Jan 2019
	£m	£m	£m	£m	£m
Children & Young People (1)	71.3	(16.6)	54.7	9.6	9.6
Community Services	172.2	(81.3)	90.9	(2.8)	(1.9)
Customer Services (2)	99.7	(57.3)	42.4	3.5	2.5
Resources & Regeneration	76.7	(51.2)	25.5	(0.9)	(0.3)
Directorate Totals	**419.9**	**(206.4)**	**213.4**	**9.4**	**9.9**
Corporate Budgets	27.9	0.0	27.9	0.0	0.0
Net Revenue Budget	**447.8**	**(206.4)**	**241.3**	**9.4**	**9.9**

(1) – gross figures exclude £290m Dedicated Schools' Grant expenditure and matching grant income
(2) – 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 this has not been sufficient to balance the budget in this financial year.

6. CHILDREN AND YOUNG PEOPLE'S SERVICES

6.1 The Children and Young People's directorate final outturn for 2018/19 financial year is an overspend of £9.6m. The position remains unchanged from the variance reported to the end of January 2019 and the two reporting periods previous to that reflecting a stabilisation of the children's social care budget. Members will recall that there was an injection of £6m to the children's social care base budget approved by Mayor & Cabinet on 10th October 2018.

Table 2 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Outturn March 2019	Forecast over/ (under) spend Jan 2019
	£m	£m	£m	£m	£m
Children's Social Care	48.5	(5.1)	43.4	8.0	8.0
No Recourse to Public Funds	4.0	0.0	4.0	(1.1)	(1.1)
Education, Standards and Inclusion	1.8	(1.4)	0.4	(0.1)	(0.1)
Joint Commissioning/Early Help	21.0	(8.4)	12.6	2.8	2.8
Schools	0.0	(1.7)	(1.7)	0	0
CYP Reserve	(4.0)		(4.0)	0	0
Total	**71.3**	**(16.6)**	**54.7**	**9.6**	**9.6**

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

6.2 The most significant cost pressures for the directorate fall within the *children's social* care division which amounts to a net pressure of £6.9m. This is inclusive of the net underspend in the *no recourse to public funds* budget of £1.1m. Members will recall that this service received an injection of corporate base budget funding a few years ago to help manage the significant and growing client numbers. The management process put in place has now led to a much more stabilised position with reducing client numbers, hence the underspending position being reported. It should be noted that this underspend is being used to help alleviate budget pressures elsewhere within the children's services division.

6.3 The key issues relating to the directorate's budget pressures have been set out in the following paragraphs.

6.4 The placement budget for *looked after children's* ended the year overspent by £2.5m. The outturn is based on an average of 480 looked after children for the year. The injection of the £6m agreed by Mayor & Cabinet during the year was

used to support this service area which is an area of huge pressure for all councils across the England with some 91% of councils overspent.

6.5 There is an additional pressure on the *section 17* budget unrelated to no recourse to public funds of £0.3m, but in the main, relates to the costs of employing social workers. This budget meets the costs of families who are intentionally homeless. In addition, the salaries and wages budget shows a provisional outturn overspend of £4.0m, all of which have been projected during the course of the financial year.

6.6 Together, the Education and Joint Commissioning Targeted Services & Joint Commissioning division overspend is £2.8m. The main driver of this cost pressure is as the number of children with EHCPs have increased this has led to the SEND transport budget pressure of £2m. Officers continue to work to reduce demand, but the cost of transport remains at the same level.

6.7 In addition, the budget for the Youth Services does not match the value of the contract, creating a £0.7m overspend. The early help offer for families is funded exclusively from the Troubled Families (TF) Grant (attachment fees and payment by results). Although the Council's TF claims are at the level expected by MHCLG, an unachievable savings target of £1m was put in place for 2015/16. The provisional outturn is a £1m overspend.

6.8 There were underspends in the following areas totalling a £1m, children's centres and children's domiciliary care.

7. COMMUNITY SERVICES

7.1 The Community Services directorate final outturn for the 2018/19 financial year is an underspend of £2.8m. This is an overall increase of £0.9m from the position at the end of January. The actual year-end outturn for 2017/18 was underspend of £0.9m.

Table 3 – Community Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Outturn March 2019	Forecast over/ (under) spend Jan 2019
	£m	£m	£m	£m	£m
Adult Services Division	120.7	(49.5)	71.2	(1.2)	(0.9)
Cultural and Community Development	16.7	(7.5)	9.2	(0.1)	0.0
Public Health	15.4	(16.1)	(0.7)	(0.2)	(0.4)
Crime Reduction & Supporting People	18.3	(8.2)	10.1	(0.9)	(0.5)
Strategy & Performance	1.3	(0.0)	1.3	(0.2)	(0.1)
Reserves	0.0	(0.2)	(0.2)	(0.3)	(0.0)
Total	**172.2**	**(81.3)**	**90.9**	**(2.8)**	**(1.9)**

7.2 Savings totalling £0.9m were agreed for 2018/19, but the savings achieved were £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 underspent by £1.2m, an increase of £0.3m on the January projection.

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, the transition of children with disabilities to adulthood have increased 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. Additionally, the Council has been allocated £1.4m of the £240m national Winter Pressures funding. Plans for the use of this are being developed. Part will be used to develop and fund new initiatives to support hospital discharges, but part will be available to fund existing pressures. The outturn position reported here reflect £0.9m being used to fund existing spend.

7.3.2 Overall, staffing budgets overspent by £1.3m, with the largest pressures (£0.6m) being on budgets for Deprivation of Liberties Safeguards (DOLS) although compensating savings are projected on package and placement budgets.

7.3.3 Budgets for fees and charges were fully achieved, a significant improvement on 2017/18 following an exercise to bring financial assessments and charges up to date.

7.3.4 In January, the projection assumed further spend on systems improvements of £200k from the £855k Adult Social Care Support Grant. This cost was not incurred in 2018/19, increasing the underspend. This grant will not be received in 2019/20 so funding of this cost in the new year will require use of the improved Better Care Fund.

7.4 The cultural and community services division had a final underspend of £0.1m, compared to nil variance forecast at the end of January. This represented a net movement of (£0.1m) which was made up of a range of small variances across services rather than a significant movement in any one particular service area.

7.4.1 There was net overspend on the Community Centres budget of £150k. A review was 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 building 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. In addition, there have been delays in finalising a number of outstanding commercial rent agreements with existing occupants of both the Sydenham and Leemore community hubs which has further impacted on the 2018/19 income position. Additional budget pressures funding of £80k agreed as part of the budget process for the 2019/20 together with

the finalisation of the outstanding commercial rent agreements should resolve the budget pressure for the new year.

7.4.2 There was a net overspend of £64k on the *Libraries Service.* There was an overspend of £50k in the Libraries Operational Development which resulted primarily from Lewisham's agreed contribution to London Libraries Consortium (LLC) for the implementation of the new Libraries Services platform. There was a further pressure of £33k which has resulted from the need to put additional security in place at Lewisham Library during operating hours following and incident at the Library. These two pressures were offset by underspends on staffing and other operational budgets of £20k. In addition, there was an overspend of £29k on the *Deptford Lounge* budget which falls under the management of the Libraries Service this resulted of once of costs relating to the implementation of the new management contract which came into effect in June 2018.

7.4.3 There is a total projected underspend of £292k across the *Leisure Management* & Sports Development budget. There was a net underspend of £130k which resulted from a change in the accounting treatment for the budgeted contribution to the Discretionary Rate Relief Pool. This cost now falls on the Collection Fund rather than on the revenue budget. In addition, there was an underspend of £113k on the Downham PFI unitary charge payment for 2018/19 which has resulted from a retrospective adjustment to the contract payments due under the PFI agreement for the 2017/18 financial year. There were further variances on Leisure Client budgets which totalled £49k which resulting reduced spend on condition surveys and consultancy costs. An earmarked reserve request has been made to carry forward £157k of the overall underspend in order to fund essential dilapidations work on Leisure Centre building in 2019/20.

7.4.4 The Broadway Theatre budget had a net overspend of £108k. This is a complex budget with a delicate balance between income and costs relating to individual productions and hires. This overspend was a combination of additional costs incurred on the Pantomime season which were not be covered by the agreed Lewisham share of the income generated from the event leading to a variance of £60k. In addition, there were additional security and staffing costs which could not be covered from the share of box office and hire income generated across the financial year.

7.4.5 There was a final underspend of £120k on the *culture and community development* staffing budget resulting from a combination of staff turnover and vacancies. The cost of the Adult Learning Lewisham (ALL) Service was primarily externally funded from a combination of grant from the Education & Skills Funding Agency and student fee income. There were minor underspends on Grants, Events, Arts and Local Assemblies which made up the balance of the Divisional position.

7.5 An underspend of £0.2m is projected on the *public health* budget reflecting early achievement of savings. This is a lower underspend than that projected in January, following a review of commitments on sexual health services.

7.6 The *crime reduction and supporting people* division had a final underspend position of £0.9m for 2018/19. This was up on the January forecast which reported a projected underspend position of £0.5m. There has been a movement of £140k in the position on Drug & Alcohol Service budget which resulted primarily from significantly reduced spend on the activity based contracts for Drug Rehabilitation

(Tier 4 & Short Term) and Detox Services. The underspend position on the Crime, Enforcement & Regulation Service has improved by £100k as a result of increased Licensing income £39k, an increase in the underspend on the core staffing budget of £26k resulting from staff turnover and reduced spend on IT maintenance of £25k. The overall position on Supporting People improved by £50k primarily as a result of additional rental income from One Support for the use of land and buildings at Honor Lea £37k with some minor changes and variations to contract spend. Other more minor increases in the underspend position for the Youth Offending Secure Remand budget and the Environmental Health budget (Food Safety and Environmental Protection) made up the balance of the changes to the final outrun position.

7.6.1 There was a full year underspend of £234k on the budget for secure remand placements. This variance resulted from a combination of an increase in the level of government grant funding received from the Ministry of Justice for 2018/19 and the level of remand placements required by the courts being exceptionally low. Historically, 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 with the final decision on the nature and length of remand being made in the operation of the court process. However, for the 2018/19 financial year, remand activity remained at a low level throughout the year with no significant 'spikes' in placements.

7.6.2 Despite budget pressures funding of £250k for the 2018/19 financial year, there was a final overspend of £82k on the core staffing and operational budget for the *youth offending service.* This cost pressure followed the adverse service inspection by the Youth Justice Board which resulted in a revised staffing structure being put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan. Further pressures funding of £150k agreed for 2019/20 should eradicate any further potential budget pressure on the core service.

7.6.3 There were also underspends on *environmental health* of £120k (primarily Food Safety-staffing £100k & Environmental Protection-equipment £20k income). The *prevention & inclusion team* underspent by £158k (staffing). This budget has been reduced for 2019/20 as part of the Public Health Grant reduction. The *supporting people* budget underspent by £106k (comprising £69k contract savings & £37k of once off rental income for Honor Lea). The *drug & alcohol* budget (which is 100% funded from Public Health Grant) underspent by £201k. This was primarily Drug Rehabilitation & Detox of £146k, campaign marketing & publicity £20k and Service User budgets £24k) – *drug & alcohol* budgets have been reduced for 2019/20 as part of the Public Health Grant reduction so this level of underspend is unlikely to reoccur. The *crime enforcement & regulation service* had an underspend of £195k resulting primarily from an underspends on staffing budgets of £182k caused by vacancies and staff turnover which in part reflected the early achievement of 2019/20 savings, underspend on IT and other operational budgets £57k were offset by pressures on licensing income and legal costs to make up the balance of the variance. The crime, enforcement & regulation budget has agreed savings of £255k for 19/20 so this level of underspend will not reoccur. These service underspends were partially offset by a budget pressure of £45k on the CCTV service which resulted from increased spend on essential replacement equipment for the network.

7.7 The *strategy and performance* service which included the directorate management team budget underspent by £0.16m, a small increase on the figure projected as at the end of January 2019

8. CUSTOMER SERVICES

8.1 The Customer Services directorate final outturn for the 2018/19 financial year is an overspend of £3.5m. At the same time last year, the year-end forecast was an overspend of £4.6m with the actual year-end outturn being an overspend of £5m.

Table 4 – Customer Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Outturn March 2019	Forecast over/(under) spend Jan' 2019
	£m	£m	£m	£m	£m
Strategic Housing	28.8	(23.2)	5.6	0.0	0.0
Environment	37.0	(16.8)	20.2	1.9	0.9
Public Services*	28.9	(17.3)	11.6	0.7	0.3
Technology and Change	5.0	(0.0)	5.0	0.9	1.3
Total	**99.7**	**(57.3)**	**42.4**	**3.5**	**2.5**

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

8.2 The *Strategic Housing* service spent to budget for 2018/19 after use of grants and balances. The Tidemill site security costs, which were projected at £1.5m in January 2019, ended the year with a cost of £1.29m. It had been anticipated that these costs could be capitalised, but it's been confirmed that the nature of these costs are not permissible for capitalisation purposes and are therefore now covered through the use of revenue reserves held corporately.

8.2.1 The housing partnership and development area of the service overspent by £0.1m, due to staffing costs for projects in the *housing strategy* team. The team is implementing a number of initiatives to increase the supply of affordable housing, manage the demand for homelessness provision through prevention work and increase the use of alternative provision to expensive nightly paid accommodation (expecting a cost reduction of £0.4m in the year) and create income generating schemes.

8.2.2 The housing needs & refugee service underspent by £0.2m. Bed and breakfast accommodation costs came in on budget, due to a larger than expected impairment charge for bad debts off-set by additional grant funding. Other areas of the service underspent due to lower than anticipated IT costs, which are likely to be deferred to 2019/20.

8.2.3 The private sector housing agency service overspent by £0.1m. This is mainly due to the incentives paid to landlords is a means of reducing the cost of nightly paid accommodation either by preventing families becoming homeless or retaining PSL landlords. Spend of £0.5m was incurred in incentive payments, which has in the past prevented the service from needing to spend around £1.5m in nightly paid

accommodation costs. In addition, repairs costs for PSL units as well as rental loss due to voids add to the pressure on the service.

8.2.4 The *no recourse to public funds* service spent to budget. The budget funds the staffing costs of the team only. Other service costs are funded by Children and Young People's Directorate and have been reported in that section of the report.

8.3 The *Environment division* ended the year with an overspend of £1.9m. The compares to the figure of £0.9m reported through to the end of January 2019. The last quarter saw a significantly higher overspend figure being reported compared to figures reported in the previous quarters. This is due to a number of reasons explained throughout this section of the report.

8.3.1 Members will note that additional funding of £0.2m was provided for budget pressures in relation to domestic refuse collection at the start of 2018/19 and £0.15m 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 £0.2m was allocated to the service

8.3.2 As at the end of March 2019, there was a net overspend of £1.6m on *refuse services*. 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 ten hired in vehicles in use, which has created an overall overspend position for this year of £0.7m. There is also a shortfall of income projected for *trade refuse* of £0.3m within this overspend, which represents an increase of £0.1m from the position reported to the end of January. In addition, recycling staff costs are anticipated to exceed the budget by £0.3m, as reported previously.

8.3.3 Although there had been some anticipation that the street management budget pressures could have been contained by the year-end, thereby never reported as a pressure in earlier months, it has been concluded that this service ended the year with a £0.3m overspend. This overspend is being reported through for the first time. This is due in part, to the impact of converting a number of agency workers through to permanent staff which has seen an increase in staff costs. These costs have been further compounded when the need has arisen to employ additional staff to cover the sickness periods of permanent staff members.

8.3.4 The *passenger services* budget showed no variance for 2018/19. Additional budget 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 passenger service for 2018/19 was £3.9m and this was fully recharged to directorates, predominately CYP (for SEN transport) and Community Services. The overall cost of the service was broadly in line with the 2017/18 costs of £3.8m.

8.3.5 *Fleet Services* showed an overall income shortfall of £0.1m. This is in line with the January projections. Fleet hire rates are set at the beginning of the year to recover the costs of routine maintenance on the core fleet vehicles. This covers the cost of Fleet staffing, external maintenance services, parts etc. The costs of non-routine maintenance, fuel and hired in vehicles are all charged out to users at cost. The increasing age of the fleet has meant that the costs of routine maintenance have not been fully recovered through the hire charges resulting in the £0.1m variance.

8.3.6 *Green scene* is forecasting an underspend 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.

8.3.7 *Bereavement services* is forecasting an overspend of £0.1m in relation to staffing, grounds maintenance works and charges for the *coroners court service* with London Borough of Southwark.

8.4 The *Public Services division* is forecasting an overspend position of £0.8m at the year-end. For the *revenue services* area, an overspend of £0.4m is anticipated, with £0.2m in the *council tax administration and court grant* area*,* primarily due to bank charges. A similar position was reported in 2017/18. The *council tax administration team* is anticipated to underspend by £0.1m on staffing costs. An overspend of £0.2m is expected in relation to agency staffing in the *central debtors team* and £0.1m in the *cashiers team*. Underspends for *council tax management* of £0.1m in relation to ICT hardware and other supplies and services. A shortfall income of £0.1m is also anticipated for the *bailiff service*.

8.4.1 In the *housing benefits* service area, there is a shortfall of £0.5m between the amount of housing benefit to be paid and the housing benefit subsidy (grant) due from Department for Work and Pensions (DWP) for the year. In 2016/17 and 2017/18, overpayments identified within the benefits system were particularly high, but following initiatives from DWP to detected error and fraud and reduce it, such as Real Time Information (RTI), overpayments of housing benefit were more easily detected and recovery action for these overpayments taken. A reduction in the number of overpayments created is being seen this year, due to changes in claimants' income being available more quickly and therefore a reduction the overpayments to be recouped from claimants has been seen. The impact of the reduction in potential income has been lessened by the forecast reduction in the bad debt provision associated with the reduction in overpayments made. However, a shortfall of £0.5m is nevertheless forecast for the year.

8.4.2 Across the ServicePoint area, an overspend of £0.3m is forecast, as a result of underachievement of income for business support services of £0.1m, an unfavourable variance for *customer service centre* of £0.1m in relation to agency costs combined with unbudgeted security costs and a shortfall in income for *registrars service,* £0.1m.

8.4.3 The gross costs of the *parking service* are forecast at £1.1m 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 a favourable variance of £1.8m from fixed penalty notices and pay and display charges, creating a £0.7m surplus for the parking service.

8.4.4 This projection includes £0.6m cost of addressing data breach previously expected to be met corporately.

8.4.5 There is also an underspend forecast on *customer services reserves* and *management team* of £0.2m, relating to a transfer to reserves that is not anticipated to take place in 2018/19, due to the current overspend position.

8.5 The *Technology and Change* division is forecasting a £0.9m overspend. Following the notification of additional costs not previously forecast for the shared service, in relation to a service improvement programme, creating need for additional staffing costs and infrastructure related items and for prior year spend which has only recently been advised. In addition, potential telephony credits are not likely to be realised, where contracts with other telephony service providers at a higher rate were not migrated to the current provider, despite a contractual obligation to do so, in order to secure a contract. A forecast overspend of £0.8m is anticipated for the shared service.

8.6 Historically, the shared services budget has provided funding for the core element of the shared service, but the shared service arrangements include variable elements such as printing and the purchase of IT consumables, which are unbudgeted. In 2016/17, the service delivered budget savings of £1m, primarily through introducing the 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 savings have been made in 2018/19, following the extension of the shared service arrangements to the London Borough of Southwark in late 2017/18, in which the 2018/19 is seeing the full-year effect. However, these savings were lower than estimated, following the introduction of London Borough of Southwark as a partner in the service, rather than a customer of the service

9. RESOURCES AND REGENERATION

9.1 The Resources and Regeneration directorate final outturn for 2018/19 financial year is an underspend of £0.9m. This is an improvement of £0.6m compared to the position reported as at the end of January 2019. The final outturn last year was an underspend of £1.9m. The overall position has been set out in Table 7.

Table 5 – Resources and Regeneration Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Outturn March 2019	Forecast over/ (under) spend Jan 2019
	£m	£m	£m	£m	£m
Corporate Resources	5.7	(3.2)	2.5	(0.1)	(0.1)
Corporate Policy & Governance	4.8	(0.2)	4.6	(0.2)	(0.2)
Financial Services	4.5	(1.5)	3.0	0.0	0.1
Organisational Development & HR	2.8	(0.3)	2.5	(0.2)	(0.1)
Legal Services	3.3	(0.3)	3.0	(0.1)	0.0
Strategy	5.0	(2.8)	2.2	(0.1)	(0.2)
Planning	2.6	(1.9)	0.7	(0.2)	(0.2)
Regeneration & Place	48.0	(40.4)	7.6	0.0	0.4
Reserves	0.0	(0.6)	(0.6)	0.0	0.0
Total	**76.7**	**(51.2)**	**25.5**	**(0.9)**	**(0.3)**

9.2 The *corporate resources* division (£0.1m), the *corporate policy & governance* division (£0.2m), the legal services division (£0.1m) and the *strategy* division (£0.1m) all achieved underspends that were mainly due to vacancies. The *organisational development and HR* division has achieved an underspend of £0.2m against salaries, income and supplies & services budgets.

9.3 The *financial services* division has achieved a balanced budget at year-end; this is after application of the Directorate contingency budget to manage pressures across salaries, supplies & services and income budgets. The *planning* division has achieved an underspend of £0.2m that is mainly due to high levels of income.

9.4 The *regeneration & place* division has achieved a balanced budget position at the year end, having successfully managed down a number of budget pressures which had been reported throughout the year. These pressures included an income shortfall on commercial rents (£0.1m), which is a reduction of some £0.2m on the shortfall reported previously; 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 (£0.3m) due to price increases; and a continuing pressure in relation to Garages (£0.2m). These pressures were offset by underspends in relation to employee costs (£0.2m) due to vacancies; an underspend on Schools Estates management budgets (£0.1m); once-off income received in relation to costs incurred on Deptford Wharves CPO (£0.1m); an underspend on the One Public Estate programme (£0.1m); an underspend on the corporate building rental budgets (£0.1m); and rental income in relation to the Old Town Hall (£0.1m).

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.

11. DEDICATED SCHOOLS' GRANT

11.1 The Dedicated Schools Grant (DSG) for 2018/19 had a final net balance final of £260m. Further grants are given to schools and routed through the local authority. These include the pupil premium £14m, Primary PE and Sports Grant £1.3m, Post 16 funding £5.6m, and the universal free school meals grant £3.8m, teachers' pay grant £1m making total spend of £285.7m

<u>Schools</u>

11.2 There are 14 schools with deficits at the year-end 31 March 2019 totalling £3.7m. This is as projected during the course of the year. Schools budgets have an overall net surplus of £18m, but officers are working with schools to better reflect committed spend. Officers are also working with schools to finalise 2019/20 budget plans and are aware that many schools are using the surplus over the next few

years to ensure a balanced budget position. As it stands the lack of clarity on future funding allocations has resulted in schools being cautious on spend, this has contributed to an increase in the surplus position.

11.3 It should be noted that the central side of the DSG is expected to end the year in balanced budget position. Overall the DSG excluding Early Years is in a balanced position. The early years block is subject to clawback which the DFE will confirm later in 2019/20 post closure of accounts. Currently, the provisional data shows a surplus of £2.3m on the Early Years Block. The surplus is subject to clawback as the funding is directly linked to take up.

11.4 There is on-going review of High Needs Block (HNB) budget in the DSG. Lewisham is unusual in managing to balance the HNB with other boroughs carrying significant overspends. It will be challenging for Lewisham to retain this position.

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 £4.0m, which is to be transferred to reserves at year end as a part of the 30 year HRA business plan.

12.2 The outturn position for the HRA is an additional surplus of £2.5m. Within this, there is a net increase in rental and service charge income of £1.6m due to lower than budgeted void loss.

12.3 Bad debt impairments were reduced by £2.5m in costs compared to the budgeted position. Energy charges are underspent by £0.5m.

12.4 Repairs & Maintenance (R&M) overspent by £3.1m, which is 20% over the allocated budget. Lewisham Homes have been asked to provide an explanation for the overspend.

12.5 Major works income under recovered by £2.7m compared to budget and by £1.8m compared to the revised position advised by Lewisham Homes in February 2019. The February position reported by Lewisham Homes was that the net income of transactions awaiting invoicing would be in the region of £2.4m, and should be invoiced by the end of March 2019. When added to bills raised between April 2018 and January 2019. This would have totalled £3m for the year. The final value of the bills raised between January and March 2019 was £0.6m.

12.6 Leasehold service charge income exceeded budgets by £0.6m due to the effects of adjustments to prior year charges following on from the leaseholder audit. Debt Interest charged to the HRA was £0.9k lower than budgeted due to a reduction in the overall interest rate calculation for the authority.

12.7 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 have been amended from October 2018 to reflect the latest position.

Table 6 – Housing Revenue Account

Service Area	Expenditure Budget	Income Budget	2018/19 budget	Outturn March 2019	Forecast over/ (under) spend Jan 19
	£m	£m	£m	£m	£m
Customer Services – Housing	15.0	(3.5)	11.5	(1.3)	(0.1)
Lewisham Homes & R&M	37.5	0	37.5	3.1	0
Resources	1.5	0	1.5	(0.0)	0
Centrally Managed Budgets	43.6	(94.1)	(50.5)	(4.3)	(2.8)
Total	**97.6**	**(97.6)**	**0**	**(2.5)**	**(2.8)**

13. COLLECTION FUND

13.1 As at 31 March 2019, £128.1m of council tax had been collected. This represents 94.5% of the total amount due for the year of £135.6m. This is slightly below the 'in year' profiled collection rate 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 94.5%.

13.2 Business rates collection is at 97.9%, an increase of 0.3% compared to the same period last year, and 1.1% 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 final spend for 2018/19 financial year is £71.1m, which is 82% of the revised budget of £87.3m. The final capital expenditure in the last financial year was £87.0m, which was 86% of the revised budget of £100.7m.

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).

Table 7 – Capital Programme

2018/19 Capital Programme	Budget Report (February 2018)	Revised Budget (February 2019)	Outturn March 2019	Spend to Revised Budget %
	£m	£m	£m	%
GENERAL FUND				
Schools - Places Programme	17.7	3.6	2.8	78%
Schools - Other Capital Works	1.1	4.8	3.7	77%
Highways & Bridges – LBL	3.1	3.1	3.1	100%
Highways & Bridges – TfL	0.0	3.8	2.9	77%
Highways & Bridges - Others	1.1	3.4	1.3	39%
Catford town centre	4.8	1.0	1.4	140%
Asset Management Programme	3.9	2.4	1.7	71%
Heathside & Lethbridge Regeneration	1.1	1.1	0.2	19%
Excalibur Regeneration	0.0	2.6	0.9	35%

Lewisham Homes – Property Acquisition	10.0	8.0	11.0	138%
Private Sector Grants and Loans (inc. DFG)	1.7	3.0	1.2	40%
Fleet Replacement Programme	2.6	2.9	2.9	100%
Beckenham Place Park	5.5	3.2	3.3	104%
Smart Working Programme	2.0	1.9	1.8	95%
Edward St. Development	4.9	0.1	0.0	0%
Travellers Site Relocation	1.1	0.0	0.0	0%
ICT Tech Refresh	0.7	1.6	1.6	100%
Other General Fund schemes	1.9	5.6	3.7	66%
TOTAL GENERAL FUND	**63.2**	**52.1**	**43.5**	**84%**
HOUSING REVENUE ACCOUNT				
Housing Matters Programme	28.0	5.1	4.3	85%
Decent Homes Programme	43.9	29.0	22.9	79%
Other HRA schemes	0.8	1.1	0.4	37%
TOTAL HOUSING REVENUE ACCOUNT	**72.7**	**35.2**	**27.6**	**79%**
TOTAL CAPITAL PROGRAMME	**135.9**	**87.3**	**71.1**	**82%**

14.3 The main sources of financing the programme are grants and contributions, and capital receipts from the sale of property assets. Some £51.7m has been received in 2018/19, comprising £19.8m (net) from Housing Right-To-Buy and other capital receipts and £31.9m of grants and contributions.

14.4 The paragraphs below set out further detail regarding the delivery of the Council's major capital schemes:

Highways

14.5 During 2018/19, investment from Transport for London (TfL) has been used to deliver major improvements to local streets, as part of the Local Implementation Plan (LIP) programme. This includes the completion of the Deptford High Street scheme, as part of TfL's major schemes programme, and builds on the continued regeneration of the town centre area. It also includes major works in Dartmouth Road (Forest Hill), Baring Road (Grove Park) and Sangley Road (Catford South) to provide improved pedestrian environments, support local businesses, and reduce traffic speeds.

14.6 Following the release of a new Mayor's Transport Strategy for London, a thorough review of the Council's LIP transport strategy is now underway, that will consider the Council's investment priorities for highways and transport over the next 5 years. As part of this review, the new strategy will need to consider the implications of cuts to the annual formula grants received from TfL, expected to be over £300,000 a year, as well as a two-year pause on maintenance funding from TfL, at a similar level of reduction. In September 2018, the new strategy was approved in draft by Mayor & Cabinet, and will focus on creating "Healthy Neighbourhoods" that reduce traffic flows, improve air quality, and create better environments for walking and cycling, as well as delivering speed reduction measures that support the Council's Borough-wide 20mph limit.

14.7 To offset the annual funding cuts from TfL, the Highways & Transport service continues to have success in bidding for additional funding, including being one of only seven London Boroughs to be awarded Liveable Neighbourhoods funding to

deliver “Healthy Streets”, as well as the proposed Cycle Superhighway which will run the full length of A200 Evelyn Street.

14.8 In addition, the Council continues to invest resources in maintaining its highway assets, most notably through its £3.5million programme of carriageway and footway resurfacing works. The budget for carriageways allows for 60 to 70 roads to be resurfaced each year and, until 2017, the majority of these roads were those in the worst condition and categorised as “Red” - lengths of road in poor overall condition and in need of immediate further engineering assessment with a planned maintenance soon. In 2018 we carried out resurfacing to 67 roads from the Council’s programme.

14.9 As a result of the resurfacing programme, it is now anticipated that the Council will have repaired all those roads with a Condition Index of “Red” category by early 2019. The focus will now move to works to roads classified with Condition Index of “Amber” (lengths of road where some deterioration is apparent, which should be investigated within one year to determine the optimum time for planned maintenance treatment). Without a planned early intervention within a year or two, could result into further severe defects and move the Condition Index to “Red”. Early intervention using appropriate design, based on carriageway coring information and other factors like bus routes, high volume of traffic, usage and environment will result in better value for money. There are still some 386 roads classified as Amber that require essential works and the Council’s long-term investment strategy is taking effect as since 2013, the number of annual insurance claims against the Council for carriageway defects has reduced by approximately 50%.

14.10 As progress continues on the condition of carriageways, the balance of focus will also move towards the footways programme where there are still approximately 70 roads categorised as Red and the proposal is to carry out essential repairs to at least 10 roads each year.

Schools

Schools - Pupil Places Programme

14.11 Since December 2015, the Regeneration and Place Division has been working with colleagues in the Children and Young Peoples Directorate to develop a longer term strategy for the delivery of school places to meet identified needs across the borough and to do so in a sustainable and efficient manner. As part of this, a new cross directorate governance structure has been implemented and a new procurement strategy agreed; utilising two-stage design and build contracts which transfer risk away from the Council to the contractors. As primary place demand has levelled off recently across London, the priority for the programme is Special Educational Need and Disability provision. Four schemes are currently in development stages, two due for completion in 2019 and two by 2020.

Schools – Minor Works Capital Programme

14.12 The School Minor Works Programme (SMWP) is an ongoing programme of minor capital works to existing community school buildings, primarily relating to mechanical/ electrical infrastructure and building fabric needs. The programme is grant funded by central government and has been consistently delivered on budget.

Early Years Programme

14.13 Works have taken place at three nurseries within the borough since 2017, providing additional facilities to enable the delivery of 30 hours free childcare per week, in line with government policy.

Housing Regeneration

14.14 In the past year excellent progress has been maintained on the Council's two main housing regeneration projects, at Heathside & Lethbridge and at Excalibur, which in combination will deliver 1,500 high quality new homes, of which half will be affordable homes of varying types. At Heathside & Lethbridge phase 4 completed this year delivering 121 new social homes, and all of the remaining residents on the old estate have now been successfully re-housed. At Excalibur the first new homes have completed, enabling the first residents to move out of their pre-fab homes into high quality modern homes at protected social rents.

14.15 Across the housing delivery programme there have been a number of achievements. As of December 2018, 429 of last administration's 500 social home programme are either complete, on-site or have received planning permission. All homes that make up this programme will have started on site in 2019. As well as the 500 new social homes, the Council has committed to delivering 1,000 additional new social homes over the next four years. A programme of sites, to fulfil this commitment, is expected to be prepared by spring 2019. More than 100 homes have now been purchased by Lewisham Homes to provide better and more financially viable accommodation for homeless households.

14.16 On Edward Street in Deptford, a new housing scheme that will provide 34 new homes for use as high-quality temporary accommodation for homeless families, using the next iteration of the precision manufacturing technology used to build PLACE/Ladywell received planning permission in November 2018. The development will also provide a community run nursery and commercial space on the ground floor. The build will generate rental income for the Council, as well as delivering significant savings by not having to house 34 families in expensive private temporary accommodation.

14.17 In relation to existing homes, in this past year Lewisham Homes has commenced Decent Homes works on the final homes required to achieve 100% decent homes, which is a significant landmark. Alongside this, the Council has helped 72 households with disabled facilities grant funding to make homes safer and more suitable. The priority in the coming year will be to continue to respond quickly to the Grenfell tragedy. Aluminium Cladding Materials (ACM) on three Lewisham Homes blocks has already been removed and will be replaced in the next financial year. The Council and Lewisham Homes will continue to work closely in partnership on any other investment requirements as they arise.

Other Schemes

<u>Catford Town Centre</u>

14.18 A masterplanner, Studio Egret West, has been appointed to develop a spatial plan or masterplan for Catford. The masterplan work which started in July this year will run for approximately 1 year. At the end the process, Council is expected to have a comprehensive masterplan that delivers on the Council's strategic objectives for a viable Town centre and as well as on local aspirations of its residents. TfL continues to be a key partner in progressing the road realignment which forms part of the masterplan process. Work has also continued on the engagement, meanwhile use

and place making initiatives started in 2016. These activities continue to reach out to thousands of people and have led to growing interest in the overall regeneration of the Town Centre. The challenge for 2019 is to complete the masterplan process and begin the process of developing a strategy for delivery the strategic outcomes it contains.

Beckenham Place Park

14.19 The restoration of the west side of Beckenham Place Park has secured planning and listed building consent. Preparatory works commenced in winter 2017 and the main restoration of the landscape and a number of listed building commenced in April 2018. Work to the west side of the park will be complete by summer 2019. Works to the east side of the park led by the Environment Agency to create a flood storage scheme for the River Ravensbourne have been put on indefinite hold following a significant increase in the cost of delivering their proposals. Council officers are investigating alternative ways of bringing investment to the east side of the park.

Smart Working Programme

14.20 The Smarter Working programme seeks to consolidate offices and release sites for future redevelopment in Catford town centre, whilst refurbishing the council's main office site, Laurence House, to ensure it is fit for purpose until new council offices can be built. The ground floor has been refurbished to provide a modern, welcoming and better functioning reception for the Council. It opened to staff and the public in October 2018. Work has commenced on refurbishing floors 1 to 5, improving and extending toilet provision, delivering new meeting rooms and kitchens, improving the heating and ventilation system, new energy efficient LED lighting, decoration and a layout and furniture which supports and encourages agile working. The programme of work will continue until the autumn of 2019, one floor at a time.

Asset Management Programme

14.21 Over the past few years, the Asset Management Programme (AMP) has provided resources to fund much needed capital works across the operational corporate estate. These have been reactive works to building fabric such as roof replacement and mechanical works including boiler replacements and lift repairs across the estate of approximately 80 sites.

14.22 More recently, the programme has funded essential works to the Civic Suite, Laurence House reception as well as impending emergency repair works to the Broadway Theatre and other key sites and buildings.

14.23 Officers are in the process of commissioning a condition survey of the entire operational corporate estate of approximately 105 buildings across the circa 80 sites. The survey will help inform a future corporate capital works programme for the estate.

15. TREASURY MANAGEMENT AND PENSION FUND

Treasury Management

15.1 The treasury management portfolio as at 31 March 2019 has been set out in Table 9.

Table 8 - Treasury Position as at 31 March 2019

	Outstanding as at 31 March 2019	Average Coupon Rate	Average Remaining Duration	Outstanding as at 31 March 2018
	£m	%	Years	£m
Fixed Rate Borrowing				
Public Works Loans Board	96.7	5.18	21.3	88.7
Market Debt	82.5	4.25	35.0	92.5
Sub Total – Fixed Rate Borrowing				181.2
Variable Rate Borrowing				
Public Works Loans Board	0.0	0.0	0.0	0.0
Market Debt	38.0	2.19	39.3	38.2
Sub Total – Variable Rate Borrowing				38.2
Total Debt	**217.2**			**219.4**
Investments - Internally Managed	422.4	0.99	133 days	410.9
Total Cash Managed	**422.4**			**410.9**

15.2 It has been the Council's strategy to borrow up to the level of the Government's assessment of the Council's underlying need to borrow which is termed the Capital Financing Requirement (CFR). The net increase in CFR in 2018/19 was £6.6m, this being £1.8m less than the increase for 2017/18.

Table 9 – Capital Financing Requirement for 2018/19

	2018/19	2017/18
		£m
Opening CFR	252.0	242.6
Prudential Borrowing	12.4	14.9
MRP/Voluntary Repayment	(5.8)	(5.5)
Closing CFR	258.6	252.0
Increase/(Decrease)	**6.6**	**9.4**
Maturing Debt	(2.2)	0.0
Net Borrowing Requirement	**4.4**	**9.4**

15.3 In previous years, the difference between CFR and external debt has been met from the borrowing of internally held funds. As at 31 March 2019, this internal borrowing was estimated to be £41.4m. During the year the council borrowed £8m from the Public Works Loan Board as part of the financing arrangement with Lewisham Homes, and repaid £10.2m in maturing market loans. Table 11 sets out the comparative position of CFR and debt.

Table 10 – Debt and CFR Movement in 2018/19

	2018/19	2017/18
	£m	£m
Capital Financing Requirement	258.6	252.0
External Debt	217.2	219.4
Difference	**41.4**	**32.6**

Pension Fund

15.4 The net asset worth of the Lewisham Pension Fund as at 31 March 2019 was £1.385bn. This represents an increase of some £81m over the course of the year, where the

closing net assets of the scheme as at 31 March 2018 were valued at £1.304bn. The return is higher than last year despite a relatively poor performance for equities which recovered in the last quarter of the year, and overall the Fund's value increased by 6.3% in 2018/19 compared to 2.3% in 2017/18, which remains in line with benchmarks.

16. FINANCIAL IMPLICATIONS

16.1 This report concerns the financial results for the 2018/19 financial year. However, there are no direct financial implications in noting these.

17. LEGAL IMPLICATIONS

17.1 The Council must act prudently in relation to the stewardship of Council taxpayers' funds. The Council must set and maintain a balanced budget.

18. CRIME AND DISORDER ACT IMPLICATIONS

18.1 There are no crime and disorder implications directly arising from this report.

19. EQUALITIES AND ENVIRONMENTAL IMPLICATIONS

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

20. CONCLUSION

20.1 The overall net general fund overspend against the directorates' net general fund budgets was £9.4m.

20.2 As the new financial year begins, with a new set of challenges in terms of the delivery of revenue budget savings, the council will continue in its resolve to apply sound financial controls. It is clear that the short and medium-term outlook will remain difficult and challenging. However, the Acting Chief Finance Officer, as the council's section 151 officer, will continue to work with directorate management teams across the council to effect the necessary continued actions to manage their services and intervene early where necessary to avoid a budgetary situation becoming unmanageable.

21 BACKGROUND PAPERS

Short Title of Report	Date	Location	Contact
Financial Outturn for 2017/18	7th July 2018 (M&C)	1st Floor Laurence House	Selwyn Thompson

2018/19 Budget	21st February 2018 (Council)	1st Floor Laurence House	David Austin
Financial Forecast for 2018/19 – Months 2, 4, 6 and 10	11th July, 10th October and 21st November 2018 (M&C) 20th March 2019 (PAC)	1st Floor Laurence House	Selwyn Thompson
2019/20 Budget	6th February 2019 (M&C)	1st Floor Laurence House	David Austin

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