

Public Accounts Select Committee Supplementary Agenda

Tuesday, 25 September 2018
7.30 pm, Committee Room 1 - Civic Suite
Civic Suite
Lewisham Town Hall
London SE6 4RU

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This meeting is an open meeting and all items on the agenda may be audio recorded and/or filmed.

Part 1

Item		Pages
1.	Minutes of the meeting held on 9 July 2018	3 - 12
4.	Cost pressures in children's social care	13 - 34
5.	Financial forecasts 2018-19	35 - 54

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MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Monday, 9 July 2018 at 7.30 pm

PRESENT: Councillors Jim Mallory (Chair), Louise Krupski (Vice-Chair), Abdeslam Amrani, Bill Brown, Alan Hall, Mark Ingleby, Paul Maslin and Joan Millbank

ALSO PRESENT: Councillor John Muldoon, Councillor Patrick Codd, Councillor Chris Barnham (Cabinet Member for School Performance), Councillor Paul Bell (Cabinet Member for Housing), Councillor Amanda De Ryk (Cabinet Member for Finance, Skills and Jobs (job share)), Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Lynne Farrow (Group Finance Manager, Customer Services), John Johnstone (Group Finance Manager, Resources and Regeneration), Robert Mellors (Group Finance Manager, Community Services), Janet Senior (Executive Director for Resources & Regeneration), Yusuf Shaibu (Group Finance Manager, Children and Young People), Kevin Sheehan (Executive Director for Customer Services), Ian Thomas (Chief Executive), Selwyn Thompson (Head of Financial Services), Natasha Valladares (Executive Advisor, Chief Executive's Office) and Sara Williams (Executive Director, Children and Young People)

1. Election of the Chair and Vice-Chair

- 1.1 Timothy Andrew (Scrutiny Manager) invited the Committee to confirm Councillor Jim Mallory as Chair of the Committee and Councillor Louise Krupski as Vice-Chair of the Committee.
- 1.2 **Resolved:** that Councillor Mallory be confirmed as Chair and Councillor Krupski be confirmed as Vice-Chair of the Public Accounts Select Committee.

2. Minutes of the meeting held on 21 March 2018

- 2.1 **Resolved:** that the minutes of the meeting held on 21 March 2018 be agreed as an accurate record.

3. Declarations of interest

- 3.1 Councillor Ingleby declared a non-prejudicial interest as a member of the Board of Lewisham Homes.

4. Responses from Mayor and Cabinet

- 4.1 There were none.

5. Select Committee work programme

This item was moved to the end of the agenda.

- 5.1 The Committee discussed the work programme for the coming year – Members highlighted the importance of focusing Committee time on areas of overspending and possible sources of income generation.

5.2 **Resolved:** that items on communicating the Council's budget position and the annual complaints report be removed from the agenda – and – that the items on social care and income generation be added to the agenda for the September meeting. It was also agreed that income generation would be considered at every meeting, instead of an in-depth review. The work programme was agreed with the acknowledgement that it would need to change during the course of the year.

6. Final outturn 2017-18

6.1 Selwyn Thompson (Head of Financial Services) introduced the report, the following key points were noted:

- The report provided the financial results for 2017-18 and highlighted the key areas of the Council's activity – including the general fund, the dedicated schools grant, the housing revenue account, council tax collection business rates collection and the capital programme.
- The financial year finished with an overspend of £16.5m, which was reduced to £15.2m after applying an amount held in the budget for contingencies and risks.
- The overspend represented a 7.1% variance on the general fund, which was significantly higher than in previous years and indicated that the pressures on Council budgets were of an order that had not been previously seen.
- The Children and Young People (CYP) directorate had overspent by £15.6m, which was higher than had previously been seen.
- Additional resources and management attention had been allocated to reviewing finances in the CYP directorate in the final quarter of 2017-18.
- Children's social care had overspent by £12.6m. There were also pressures in placements budgets, including fostering and residential care for looked after children. This was a result of the weekly costs being higher than had been budgeted for and higher than expected volumes of cases.
- The main causes of the £2.2m overspend in the Partnerships and Targeted Services budgets were as a result of the costs of assisted transport as well as pressures in the budget for the Youth First contract. Further work was taking place to explore the reasons for the pressure in the Youth First budgets.
- In the Community Services budget, the majority of divisions had spent to budget or had underspent. An exception was in the adult social care budget, which had overspent by nearly £1m. The main costs related to pressures in the deprivation of liberty safeguards (DOLS) and placements budgets, which were compounded by increasing costs as a result of cases transitioning from children's social care.
- The Customer Services budget was overspent by £5m. Strategic housing was overspent by £0.2m and public services was overspent by £0.3m. These overspends related to staffing costs and underachievement of budgeted income.
- The main pressures in Customer Services were in Environmental Services as a result of the late introduction new waste collection services and increased vehicle hire costs.
- The technology and change division was overspent by £1.3m – the service delivered £1m in savings in 2016-17 in 2017-18 the reduction in the budget, combined with the costs of new software licenses and unachieved savings resulted in the overspend.
- The Resources and Regeneration budgets were underspent by just under £2m.
- There were pressures on schools budgets. Nine schools ended the year with licensed deficits. Three schools were granted loans in excess of £0.5m.

- The Housing Revenue Account reported expenditure to budget - after transferring surpluses to reserves in preparation for the funding of the new homes programme.
- The Council tax collection fund was slightly lower than target.
- Business rate collection was also lower than expected.
- The Capital Programme spent £87m, representing 86% of its revised budget (which was revised over the year according to expenditure).
- There were also sections in the report on pensions fund balances and treasury management.
- The Council's accounts would be presented to the Audit Panel later in the week. The Council's full accounts would be presented to full Council on 18 July 2018.

6.2 Selwyn Thompson, Yusuf Shaib (Group Finance Manager, Children and Young People) Janet Senior (Executive Director for Resources and Regeneration) and David Austin (Head of Corporate Resources) responded to questions from the Committee, the following key points were noted:

- The anticipated overspend at the end of the third quarter of 2017-18 was £12m. At the beginning of 2017-18 the overspend was £7.8m.
- There were a number of things that changed in the course of the year that added to the overspend in children and young people's services including: the underachievement of £1.3m of savings in social care; £2m of commitments to anticipated contingencies that actually materialised and loss of expected income from volume purchasing.
- There had been a significant increase in the use of agency staff, this was as a result of: difficulty in recruiting and retaining staff; national shortages of qualified social workers and increases in demand.
- Plans were in place to control costs in foster caring (by bringing it 'in house') there was also a business case being reviewed to develop Lewisham's own residential children's home for six children.
- Senior officers regularly challenged directorates about their budget assumptions. Over the summer of 2017, there were indications that the children's services budget overspend would exceed £12m. As a result, work was carried out to reassess the assumptions in the budget and to assure the accounting process.
- Further spending during the course of 2017, combined with some atypical accounting of expenditure in the directorate that became apparent towards the end of the financial year, had resulted in the reporting of the overspend position at the end of March 2018.
- The overspend position in children's services could not be managed within the course of a single year. It might require the use of one off resources and a further review of budgets to contain expenditure over a number of years.
- The new Chief Executive was carrying out a diagnostic review of support services, accounting, human resources and management practices to ensure that appropriate resources and support were in place for directorates to manage their budgets.
- It was recognised that controls in the organisation needed to be reviewed and strengthened. This included the controls that were in place to oversee staff joining and exiting the organisation – as well as the link between human resources and financial services.
- A review of transport had taken place over two years. It was designed to lower the level of taxi use and manage the costs of Lewisham run bus services.

- Usage of taxis had increased because recognised requirements for transport had to be met. In some cases, the use of taxis was cheaper than the use of Lewisham's own bus service.
- There had been a significant increase in the reported overspend for children's services between quarter three and quarter four of 2017-8, it was acknowledged that this was because some expenditure had not been accurately reported during the year.
- There was no deliberate policy of underspending in the Community Services budgets in order to cross subsidise adult social care.
- Further information could be provided about variances the Community Services budgets, especially where there were significant variations in small budgets.
- The value of the improved better care fund was known at the beginning of the year – most of it had been allocated – but an amount of £900k had remained unallocated during the year and was used to offset overspends in the budget at the end of the year.

6.3 In the Committee's discussion, the following key points were also noted:

- Members of the Committee expressed different opinions about the importance of the Cabinet Member for Finance, Jobs and Skills being in attendance. The Chair confirmed that he had invited her to answer questions about the Council's budget but requested that clarification be provided from officers about the recommendations made in a parliamentary report on practice in local authority overview and scrutiny.
- Members were concerned about the quality and robustness of the assumptions being made in financial reports.
- The Committee was concerned about the statement in the outturn that the budget pressures were '...of an order never seen previously in Lewisham.' There was particular concern about the clarity of the phrase at 6.1 in the financial forecasts report that '...the last quarter (of 2017-18) has been witness to the most significant month-on-month increases since the year began.' Given that officers had acknowledged that reporting of over expenditure throughout 2017-18 to the Committee had not been wholly accurate.

6.4 Resolved:

- That the report be noted.
- That additional information be provided about the loss of income from volume purchasing in children and young people's services.
- That advice be provided by officers about the attendance of Cabinet Members at scrutiny meetings and that the Chair of the Audit Panel should continue with his enquiries in this regard.
- That further information be provided to Members about the interim management structure in children and young people's services.
- That the Committee receive additional information about the underreporting of over expenditure in the first three quarters of 2017-18.

7. Financial forecasts 2018-19

7.1 Selwyn Thompson introduced the report, the following key points were noted:

- The report presented the Council's financial position at the end of May 2018 - projected to the year end. It set the tone for subsequent reports to members during the year.
- The current reported overspend in the Council's budget was £14.8m.
- Forecasts early in the year tended to be worse than the final outturn.

- Work would take place during the year to control areas of overspend.
- The Council was currently transitioning to the new Oracle Cloud finance system, which would be used by budget holders to examine expenditure.
- Officers intended to use the new Oracle Cloud reporting tool to re-examine expenditure and produce a new financial forecast report for the Committee (and Mayor and Cabinet) after the summer.

7.2 Selwyn Thompson responded to a question from the Committee about the Oracle Cloud financial system:

- The new Oracle Cloud system would amalgamate financial and human resources information and provide more robust and accurate information about expenditure. The system was already being used but the reporting functions had not yet been rolled out across the organisation.
- It was anticipated that the reporting tool would successfully be rolled out by the end of July.

7.3 Ian Thomas (Chief Executive) was invited to address the Committee with his thoughts about the Council's financial position and to provide a summary of actions he had begun to implement since joining the organisation, the following key points were noted:

- The Council had saved a great deal of money over the past eight years of austerity but more would be required.
- It was understandable that, in order to protect frontline services, decisions had been made to reduce support services in the back office.
- Reductions in human resources and finance (in particular) had diminished the support offer that was available for frontline service departments.
- Specifically, the strategic corporate support from human resources, finance and organisational development needed to identify cost drivers in directorates and help deliver savings initiatives had not been available.
- A major programme of transformation would commence. It was recognised that the most straightforward to achieve savings had been made. Further minor changes within the organisation would not deliver the £30m of reductions in the budget that would be required in the next two years.
- Significant changes in the Council's operating model would be necessary and would need to include: changes in the relationship between the Council and citizens; substantial 'channel shift' to promote digital services; further work on demand management; and a review of the relationship between spending and investment.
- Work would also take place to deliver strong commissioning strategies for the medium to long term.
- Nationally, many councils were struggling with the same issues.
- Councils were lobbying through the Local Government Association (LGA) to ensure that local government would achieve a better deal from the comprehensive spending review in 2019.
- The National Audit Office had reported that spending cuts in local government were in danger of damaging services to the most vulnerable in society.
- The LGA predicted that by 2025 the gap in local government would increase to £7.8b.
- He recognised the Committee's concerns about children's services. Gaps that had been created by managers leaving the organisation had been filled with interim management arrangements and interim support, whilst permanent appointments were being made.
- Children's services nationally were under pressure from increases in demand. Supply and demand factors in foster caring and residential care had led to

significant increases in costs. National analysis suggested that by 2020 there would be a £2b gap in funding for children's social care.

- The Department for Education's national analysis (Newton) found that 50% of spending in social care was outside of the control of local authorities and was linked to issues such as deprivation and the impact of welfare reforms.
- Notwithstanding the national picture, the Council needed to ensure that it had effective processes in place to capture costs, particularly in children's and adult social care.
- A significant proportion of the Council's expenditure was spent on social care, which provided services that were largely unseen by the majority of the public.
- Some 'spend to save' investment might be required to delay social care interventions for children and adults.
- Conversations were taking place with the Executive to meet the challenge of the Council's finances.
- The Council was taking a proactive approach to dealing with the challenge and was ahead of other councils in terms of its efforts.
- Work was taking place to determine what could be communicated about the budget challenge, and how, to the public.
- He welcomed challenge and oversight from Councillors about the management of the Council's finances.

7.4 Ian Thomas responded to questions from the Committee, the following key points were noted:

- Work on spend to save initiatives would take place in coordination with other areas of work to ensure that the assumptions being made were sound. It was important that both spending and saving assumptions were detailed, targeted and correct.
- Information about this work would be reported before the end of the calendar year.
- He had put a moratorium on non-essential spending, it was important that everyone across the organisation recognised the sense of urgency needed to manage the Council's budget.
- The issue of comparing overspends in the delivery of services between authorities was somewhat 'academic' and depended on the initial setting of budget levels. A comparison of spend per capita might prove more accurate.
- Across local authority children's social care budgets there was: a lack of information about delivery of services; variation in financial coding; discrepancies in income levels; differences in contributions from the dedicated schools grant and clinical commissioning groups between authorities – all of which could account for different levels of funding and expenditure.
- Based on existing analysis, the Council was not in a position where it would be required to issue a section 114 notice (to prohibit non-essential spending and set an emergency budget). However, should the Council do nothing (which would not be the case) it would be -like most other councils- in a precarious position over the next three to five years.
- Lewisham's section 151 officer (ED for Resources and Regeneration) produced a section 25 notice each year to assure the Council about its finances.
- Before he took up the role of Chief Executive he commissioned an analysis on the work that was carried out in Northamptonshire following its recent financial problems. Lewisham was not in a comparable position. Northamptonshire County Council had relied on the use of reserves to maintain spending and had made some reckless decisions about the financing of adult social care and the use of its estate.

- Difficult decisions had been made in Lewisham in the past – but the Council was in a relatively strong position to meet the budget challenge.
- The National Audit Office had issued a warning about Council finances nationally, with particular focus on England's shire counties.
- Significant and serious changes and modernisation would be required at the Council to balance future budgets.
- Members would be required to make some difficult decisions in the coming years.
- Savings could be made through streamlining processes. There would also be an income generation programme, which might carry forward projects such as a local government energy company or shared/traded services.
- He would provide a written update for Councillors about the Council's finances.
- He was assured that the Mayor and Cabinet were taking the Council's financial position seriously and that there was a recognition that difficult decisions needed to be made whilst protecting the most vulnerable citizens.
- Lobbying needed to continue for both adult and children's social care. The Council could not rely on the better care fund to continue to support the delivery of adult services.
- Most of the changes that would be made at the Council would require consultation so they could not wait.

7.5 Ian Thomas, Janet Senior and Kevin Sheehan (Executive Director for Customer Services) responded to a question about the shared IT service with the London Borough of Brent, the following key points were noted:

- Five years ago Lewisham's IT service had a budget of £10m. It was now roughly £5m.
- £1m had been saved by the move to the shared IT service with LB Brent.
- A thorough review of IT services was taking place with a view to ensure that stronger performance and management processes were in place.

7.6 Councillor Amanda de Ryk was invited to address the Committee, the following key points were noted:

- She shared the Committee's concerns about the pressures on the Council's budget.
- Her discussions with lead members at other authorities highlighted that Lewisham was not in a unique position in terms of the pressures on its budget and the challenges associated with making cuts.
- A steady and important piece of work had to take place to: keep oversight of budgets; improve performance management and; develop stringent business cases for any new spending.
- The next few years would be difficult.
- Work would take place to review the corporate approach to the annual review of fees and charges, which was not as robust as it could be. Initial discussions had taken place with officers about how this work might be carried out.
- Officers had been tasked with carrying out further work on the Council's sources of income.
- Consideration was also being given to reviewing the potential social value of Lewisham's contracts.
- She would be happy to attend future Committee meetings, when invited and believed that it was an important 'sense check' for her to hear Members' views about the budget reports.
- As a previous Member of the Overview and Scrutiny Committee she'd considered it discourteous when Executive Members did not attend Scrutiny meetings.

7.7 In the Committee discussions, the following key points were also noted:

- The Committee would welcome information and support over the coming years to help meet the challenge of scrutinising the Council's finances.
- Lewisham had invested heavily in public services to provide high (but sometimes costly) levels of support for the most vulnerable, this wasn't the case at all authorities.
- The move to digital services had increased Councillor casework from people who were unable to access services online.

7.8 Resolved:

- That the report be noted.
- That further information would be provided (before the budget round in November) about the lobbying (mostly being carried out by the LGA) on funding for care services.
- That additional written information would be provided about research on local government finance.
- To note that Children and Young People Select Committee was due to hold a briefing on children's social care finance and that the Chair would seek to have Public Accounts Committee members attend that as part of a joint briefing.
- That the Overview and Scrutiny Committee be asked to consider the Council's financial position post 2020.

8. Medium term financial strategy

8.1 David Austin (Head of Corporate Resources) introduced the report, the following key points were noted:

- The strategy was the starting point for setting the 2019-20 budget.
- It set out the basis for the Council to set a balanced budget as well as the assumptions that were being made, including: funding streams from government (revenue support grant, better care fund, public health, new homes); future projections for Council tax (in consultation with colleagues in Planning) as well as collection, discount and inflationary increases;
- Further updates would be provided as assumptions reduced and information about the budget became clearer.
- The strategy also considered the role of pay and non-pay inflation and the business rate pooling pilot.
- Work had also been carried out to assess demand and review budget pressures to ensure that the budget setting process was sound.
- The revised prudential code required officers to provide additional information about the risks that were being taken with commercial activity. Further updates would be provided to the Committee later in the year.
- There were a number of changes on the horizon, including: a health and social care green paper in the autumn, likely consultations on the fair funding review and the comprehensive spending review in 2019.
- It was likely that the Council would need £54m of savings over the next four years, however, given the uncertainty (outlined above) it was only the £30m of cuts that would be needed over the next two years that could be predicted with any certainty.

8.2 David Austin responded to questions from the Committee, the following key points were noted:

- All of the assumptions about changes in the financial climate had been integrated into the report.

- Optimistic and pessimistic views of the Council’s finances had been set out.
- The medium term financial strategy was reviewed each year with new information and new assumptions.
- The removal of the departmental and corporate expenditure panels for all services would allow officers to focus their attention on areas of overspending.

8.3 In the Committee discussion the following key points were also noted:

- The Committee challenged the narrative that government debt was too high and that this necessitated increasing austerity.
- The level of cuts required in the next four years would present a significant challenge for the Council’s leadership.
- Members were concerned about the period of the Council’s finances after 2020.

8.4 Resolved:

- That the report be noted.
- That the recommendation to Mayor and Cabinet about the removal of the corporate and departmental expenditure panels be noted.

9. Referrals to Mayor and Cabinet

9.1 There were none.

The meeting ended at 9.35 pm

Chair: _____

Date: _____

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PUBLIC ACCOUNTS SELECT COMMITTEE		
Report Title	Update on Children’s Social Care Budget	
Key decision	No	Item No. 4
Ward	All	
Contributors	Executive Director of Children and Young People Executive Director for Resources and Regeneration	
Class	Part 1	25 th September 2018

Reasons for Lateness and Urgency

This report was not available for the original despatch because of the need to have thorough and detailed review of the Children Social Care budget in conjunction with latest financial forecasts, elsewhere on this agenda. The report is urgent and cannot wait until the next meeting of the Public Accounts Select Committee given the need for Members to be sighted on the current financial position now.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. Summary of the Report

1.1 The purpose of this report is to provide briefing and information in depth on the financial position of Children’s Social Care. It describes how the budget is made up and explains the demands and cost drivers. It then goes on to describe the action which is in train to address the current overspend.

2. Recommendations

2.1 The Public Accounts Select Committee is recommended to note and comment on the report.

3. Policy Context

3.1 Children Social Care continues to contribute to five of the key priority outcomes of Lewisham’s Sustainable Community Strategy 2008-2020:

- **Ambitious and achieving** – where people are inspired and supported to fulfil their potential.
- **Safer** – where people feel safe and live free from crime, antisocial behaviour and abuse.

- **Empowered and responsible** – where people are actively involved in their local area and contribute to supportive communities.
- **Healthy, active and enjoyable** – where people can actively participate in maintaining and improving their health and well-being.
- **Dynamic and prosperous** – where people are part of vibrant communities and town centres, well connected to London and beyond.

3.2 Children Social Care contributes to the Children and Young People's Plan 2016-2018 and its five priorities: Be healthy, Stay Safe, Enjoy and Achieve, Make a positive contribution and Achieve economic wellbeing.

3.3 Reporting financial results in a clear and meaningful format contributes directly to the council's tenth corporate priority: inspiring efficiency, effectiveness and equity.

4 Local Context

4.1 The financial forecasts for 2018/19 as at 31 July 2018 show a forecast overspend of £17.4m against the whole Council's net general fund revenue budget. This compares to a final outturn of £16.5m for 2017/18 which resulted after applying £1.3m of funding for 'risks and other budget pressures' against the Council's year-end overspend of £17.8m.

4.2 Over the last eight years, the Council has undertaken a major budget reduction programme to manage the difficult financial challenge it has been faced with. In the period 2010/11 to 2017/18, the Council has implemented savings of £160m, with work is underway to identify and deliver a further £32m by 2019/20. The Children and Young People's (CYP) Directorate represents approximately 22% of the total General Fund budget across the Council. For its part, Children Social Care (CSC) makes up 78% of the CYP budget and 17% of the total General Fund spend across the Council.

4.3 The year-end outturn for the CYP Directorate 2017/18 was an overspend of £15.6m, with £12.6m (after Reserves draw down of £0.721m) of this attributable to CSC. The CSC is presently forecasting an overspend of £12.9m, with the CYP Directorate as a whole forecasting an overspend of £15.5m. While the overall overspend is broadly at similar level to last year, it is against an increased budget with CSC adverse variance slightly higher than prior year. The key drivers remain placements for looked after children and staffing spend, hence the focus on these areas in this report. Last year, the remainder of the overspend (beyond CSC) was made up of SEND Transport (£2.4m), Youth Services Contract (£1.1m) and Education Psychologists (£0.5m). Members should note that a summary of the 2017/18 outturn position and summary reasons for variances are attached at Appendix 1 to this report.

4.4 In 2010/11, the CYP budget was £76.4m and through the period of the government's austerity programme, it has been reduced to £53.5m, a reduction of £22.9m or 30%. The net budget in CSC was increased from £48.7m last

year and is now £53.5m. An increase of £4.8m (10%). The savings attributable to CSC since 2010 are shown below:

	£m
2010/11	0.2
2011/12	3.6
2012/13	0.3
2013/14	0.5
2014/15	0.3
2015/16	4.2
2016/17	1.4
2017/18	3.3
2018/19	0.7
	14.5

5. **Headline analysis of CSC Overspend**

The CSC overspend falls into two parts:

5.1 Overspend on placements

The placement budget for *looked after children* is currently forecast to overspend by £10.1m (up £2m from prior year). This is based on an average of 488 looked after children for the year. The forecast assumes all of the agreed revenue budget savings will be delivered in full. This budget funds foster and residential placements for Lewisham's looked after children.

5.2 Overspend on CSC staff

The CSC staffing budget, which funds social workers, their managers and business support is forecast to overspend by £4.1m (£4.6m last year. This however masks the real underlying pressure as budget was increased by £1.2m). So in reality a £700k adverse movement.

6 **National and London context**

6.1 National underfunding of Children Social Care

The Local Government Chronicle reported in August 2017 that across England, spending on children's social care is outstripping budgets by close to £1 billion, estimated to rise to £2 billion by 2020. This research found that over that last three years, around 4 out of 5 councils had overspent and that while budgets had increased by an average of 2.5%, spending had gone up by 5%. This situation has not received the popular attention which spending on adult social care has but it has been the subject of representations to central government from the LGA and the Association of Directors of Children's Services. Nationally the number of looked after children has increased. Expectations of children's services have never been higher, yet

many of the non-statutory preventative services have been eroded since the beginning of the austerity programme. DfE figures show that in the 10 years from 2006 to 2016, the number of child protection enquiries nationally increased from 72,000 to 172,000.

6.2 London Councils' data on Children Social Care spending

6.2.1 An informal benchmarking survey was initiated by Lewisham Finance to compare outturn positions in CSC with other councils within London area. There were 32 responses and all, but three boroughs overspent. The underspending Boroughs were underspent by marginal amounts of £0.5m or less and it was unclear if this was after applying one off reserves or not. Similarly many of the overspending boroughs reported positions after use of reserves and so a fair comparison was not possible. Lewisham similarly has reported an outturn position of £12.6m after use of £0.721m reserves. What is clear is that there is a high number of London Boroughs facing challenging financial pressures and although at face value Lewisham is on the highest percentile, it is difficult to be conclusive as figures are not being reported on a consistent basis across councils.

6.2.2 An analysis of Section 251 benchmarking returns also provides some interesting context of how Lewisham compares with 10 neighbouring boroughs. Below is a summary table based on 2016/17 spend;

Spend Category	Lewisham	Rank
	£	#
3.1.1 Residential care (D)	110	3
3.1.2 Fostering services (D)	185	4
3.1.3 Adoption services (D)	22	5
3.1.4 Special guardianship support (D)	7	11
3.1.5 Other children looked after services (D)	17	8
3.1.6 Short breaks (respite) for looked after disabled children (D)	10	3
3.1.7 Children placed with family and friends (D)	0	10
3.1.8 Education of looked after children (D)	0	9
3.1.9 Leaving care support services (D)	17	7
3.1.10 Asylum seeker services children (D)	3	6
3.1.11 Total Children Looked After (D)	371	6

Note: D - Spend Per Total population aged between 0-17.

The table shows clearly that Lewisham is in the top half of spend on Residential, Fostering, Short breaks and Adoption services. The spend from 2016/17 to 2017/18 had significantly increased as indicated by reported outturn position, the likelihood therefore is that we will even be further up the table on high spending in aforementioned areas. The 2017/18 benchmarking report is being concluded and will be shared in due course.

6.2.3 In 2016/17, London Councils released an initial report on their analysis of spend in children's social care. Patterns of overall children's social care spend varied significantly between boroughs over the past four years: spend

increased in 13 boroughs and decreased in 8 boroughs. Lewisham was one of the boroughs where spend decreased. However, current spend (2017-18) and increases in Children Looked After suggest that the trend has reversed. Investigation will need to be done by operational teams to understand the underlying reasons for this change

6.2.4 The main findings from the London Councils research were below

- Overspends are widespread in children’s social care: in 2016/17, 25 out of 28 boroughs overspent on children’s social care budgets – equating to £3.4m per borough or 9.6 per cent of aggregate budgets
- Overspends as a proportion of budgets are slightly higher in outer London (10.0% compared to 8.9% in inner London). Lewisham is 14.5% so an above average overspend.
- Amongst the 22 boroughs providing full data over the past four years, the number of boroughs experiencing overspends increased from 15 to 21 between 2013/14 and 2016/17
- Many (but not all) boroughs experienced a large increase in overspends in 2016/17, driving an increase in the average overspend from £2.3m in 2015/16 to £3.5 million in 2016/17
- The two main areas of spend are core staffing budgets and placement budgets. At an aggregate level, overspends are equivalent to 12 % of core staffing budgets (compared with 11% in Lewisham) and 18 % of placement budgets (compared with 12% in Lewisham)
- 19 out of 28 boroughs overspent on both core staffing and placement budgets in 2016/17
- Across 29 boroughs providing data, the number of LAC (start of year) fell from 9,017 in 2013/14 to 8,878 in 2016/17. This masks significant variation between boroughs – 14 boroughs experienced an increase in LAC numbers, 13 boroughs experienced a decrease and 2 boroughs experienced no change.
- Prior to 2017/18 Lewisham had experienced a small decrease. This trend has however changed in the last year with numbers rising from 470 to 479 during the year and are now moving towards 490

6.2.5 A recent report in the local Government Chronical (30th August 2018) table is from the LGC of 30th August 2018 was interesting and relevant for the PASC report.

BUDGET OVERSPENDS IN CHILDREN’S SERVICES OVER 2017/18		
Council	% overspend	Latest Ofsted rating
Ealing LBC	54	Good
Wandsworth BC	54	Requires improvement
Gloucestershire CC	51	Inadequate

Richmond upon Thames LBC	38	Good
Hammersmith & Fulham LBC	35	Good

When measured against this table, Lewisham were at 33% by our figures. This goes to illustrate that there is a national problem being felt particularly in London.

7 The functions and activities of Children Social Care

7.1 Statutory basis

7.1.1 Children's Social Care operates under a set of legislation and statutory guidance, the main pillars of which are:

- The Children Act 1989 which imposes a statutory duty on local authorities to safeguard children in their area
- The London Child Protection Procedures 2016 which have been adopted by all London councils and Local Safeguarding Children Boards (LSCBs) lined to the delivery of statutory guidance.
- Working Together to Safeguard Children 2015 which has recently been reissued with some revisions. This provides a national framework and core requirements which agencies and professionals must satisfy in order to safeguard and promote the welfare of children.

7.2 Key functions of CSC

7.2.1 Early help

Early help means taking action to support a child, young person or their family early in the life of a problem, as soon as it emerges. It can be required at any stage in a child's life from pre-birth to adulthood and applies to any problem or need that the family cannot deal with or meet on their own. It is to meet this wide definition that the council commissions family support and children's centres in particular but a wide range of other services provided by the council and its partners also count as early help although (as in councils across the country) the range and quantum of this has been eroded during the austerity period. CSC has to ensure that children and families who do not meet the threshold for social care intervention are offered and indeed take up and benefit from early help. CSC is also expected to 'step down' cases which no longer need a social worker but where some vulnerabilities remain to early help services. Early Help is part of the Ofsted's focus in its current inspection arrangements for CSC.

7.2.2 Child protection

7.2.2.1 A local authority's powers and duties to safeguard children are defined in the Children Acts of 1989 and 2004. Two core elements of the 1989 Act are Section 17 and 47. Section 17 imposes a general duty on every local authority

to safeguard and promote the welfare of children in need of local authority services within their area.

- 7.2.2.2 Section 47 defines the authority's duty, in partnership with other agencies, to initiate enquiries if they become aware that a child in their locality is suffering or is likely to suffer significant harm. If, following or during the course of assessment, concerns about a child's safety are identified, local authority social workers should convene a strategy discussion/meeting with the police and others to decide whether to undertake an enquiry under Section 47 and any associated action to protect the child.
- 7.2.2.3 Within the 2004 Act, Section 11 requires local authorities and partner organisations with responsibility for the care and well-being of children to co-operate. This includes health, police, probation and youth offending teams. Schools and the voluntary sector are encouraged to work in partnership with local authorities to plan and deliver services tailored to the needs of the child.
- 7.2.2.4 In addition, the 2004 Act requires all children's services' authorities to establish a Local Safeguarding Children Board (LSCB) and appoint a Director for Children's Services (DCS) and a Lead Member for Children's Services (LMCS). Legislation this year changes the requirement to have an LSCB but the government guidance on the new expectations has not yet been received. It is unlikely to reduce the burden on councils in terms of finance and administration.

7.3 Looked after children

- 7.3.1 There are several ways that a child or young person can become looked after by the local authority
- A parent can request that their child is looked after or "accommodated" by the local authority under Section 20 of the Children Act 1989
 - The police can take a child under Police Protection for 72 hours
 - The local authority can be so concerned about a child that they decide to apply for an Emergency Protection Order which also lasts for 72 hours
 - The local authority can decide to implement care proceedings if the threshold for this has been met.
 - The court may decide to award an Interim Care Order whilst further investigations are continued which may lead to the granting of a Care order.
 - The Courts can remand a child into the care of the local authority in criminal matters
 - In exceptional cases, the local authority can apply for a Secure order under Section 25 of the Children Act 1989
- 7.3.2 When a care order is made, the local authority acquires parental responsibility and becomes a legal parent with associated duties alongside the parent/

guardian. Looked after children are placed at the expense of the local authority in foster placements or in exceptional circumstances, residential placements. Other types of care include adoption, kinship care with extended family and special guardianship arrangements. Looked after children become Care Leavers at age 18 and following recent legislation, the council has responsibility for them up to age 25.

- 7.3.3 Foster placements are either with in-house foster parents who are recruited by the Council or by placing a child with an external agency who employs foster parents and then sells out the placements to local authorities. These are known as Independent Fostering Agencies (IFAs).

7.4 Adoption/Special Guardianship Order

- 7.4.1 A Special Guardianship Order (SGO) is an order appointing one or more individuals to be a child's 'special guardian'. It is intended for those children who cannot live with their birth parents and who would benefit from a legally secure placement. Usually SGOs place children with grandparents, other close family or family friends. They are increasingly used by the courts, sometimes even if the local authority considers that the child should be placed for adoption. The local authority is expected to provide financial support for the placement under a local policy which meets legislative requirements.

7.5 Section 17

- 7.5.1 A 'Child in Need' is defined under the Children Act 1989 as a child who is unlikely to achieve or maintain a satisfactory level of health or development, or their health and development will be significantly impaired, without the provision of services; or a child who is disabled.
- 7.5.2 For children who are disabled, assessments are carried out by the Children with Complex Needs Team and packages of care may be given, where appropriate linking up as part of a holistic package of support with education and health.
- 7.5.3 For children whose parents present as destitute and/or intentionally homeless it may also be necessary for a social work assessment and may require support to be given in kind, by providing accommodation or cash.

7.6 Ofsted inspection regime

- 7.6.1 Ofsted inspects and regulates services that care for children and young people, and services providing education and skills for learners of all ages.
- 7.6.2 Ofsted inspects Local Authority Children Services and the Local Safeguarding Children Board under its powers in accordance with section 152 of the Education and Inspections Act 2006 and carried out under the Local Safeguarding Children Boards (Review) Regulations 2013.

7.6.3 Lewisham was last subject to a full inspection of our CSC Department in November 2015, with the report published in February 2016. Based on current arrangements Lewisham would expect to receive a further inspection under the new ILACS regime fairly early in 2019. The borough could also receive a thematic inspection through the Joint Targeted Area Review (JTAI) inspection arrangements from any time from now onwards. On 5th and 6th September, the council received a 'Focussed visit' from Ofsted. This is a form of 'mini inspection' reported via a letter rather than a graded report. It focused on our front door and MASH arrangements, given that this was the main area for action following our 2015 inspection.

7.6.4 All aspects of Children's Social Care fall under the Ofsted regulatory regime and in effect this regime sets standards which the council is required to adhere to. The local authority is not free (as with some council services) simply to 'cut its coat according to its cloth' but rather is expected to provide a service that meets requirements, not just keeping children safe but ensuring good outcomes. If an Ofsted inspection finds (as in a number of London boroughs) that standards are not met and the services are graded 'Inadequate', the Council is required to rectify this, with a high degree of scrutiny from the DfE, or risks CSC being removed from Council control.

8. Understanding demand:

8.1 What are the demand trends?

An underlying driver of demand is the increase in population in Lewisham of children and young people aged under 18. The increases since 2011 are as follows

Year	Population	%Growth
2011	64,234	
2012	65,153	1.43%
2013	66,276	3.18%
2014	67,366	4.88%
2015	68,137	6.08%
2016	68,845	7.18%
2017	69,330	7.93%
2018	69,867	8.77%

Source:

<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/strategies/Documents/LewishamAnnualPublicHealthReport2015.pdf>

8.2 What are the key headline statistics for CSC in Lewisham?

	As at August 2017	Statistical Neighbours	National
Number of children 0 to 18	68,272		
No of contacts and referrals per 10,000 population	476	478	548
S47 child protection enquiries per 10,000 population	175.0	139.0	142.0
Number of children on Child Protection Plans	331	263	296
Number of Looked after Children per 10,000 population (1)	71.8	63.8	62.0

8.3 What drives demand for CSC?

8.3.1 There are a number of drivers for demand which have resulted in increased spend across London. They can be seen as associated with economic disadvantage, increased child poverty and with intergenerational problems of mental health and deprivation, including:

- Increase in incidence of poor parental mental health linked with substance abuse, leading to neglect of children and poor attachment
- Increase in problems of adolescent mental health (e.g. increasing incidence of self-harm, eating disorders, suicidal ideation)
- Increase nationally in serious youth violence and involvement in drug dealing, leading to exploitation of vulnerable young people, including sexual exploitation and peer on peer abuse
- Increase in homelessness, mobility and transience
- Increase in numbers of Unaccompanied Asylum Seeking Children

9. **Analysing the budget overspend**

The Children Social Care Budget is made up as follows:

Area of spend	£ m	Forecast overspend 18/19
Staffing	10.5	4.1
Children's placements	22.6	8.7
Specialist Support	1.3	0.1
Other Support	3.0	0.4
Other Costs	4.0	(0.4)
Total	£41.6	12.9

9.1 Staffing

9.1.1 Staffing costs are driven by:

- Service demand, since to enable social workers to operate safely and effectively, their caseloads must be limited; this is kept constantly under review;
- Recent increases across London in the cost of agency staff, driven by the competitive market for staff and many social workers' choice to opt for agency work.
- Implementation of improvement plans following our RI inspection outcome in 2016 and more recent diagnostic work which has identified improvement priorities – staffing is required to drive and deliver change as there is insufficient capacity in the management tier to carry this forward as well as managing operational day to day pressures
- Some staff and teams have been, for whatever reason, historically unfunded and there has been a mismatch between budget and spend over a number of years.
- High levels of maternity leave during 2017/18, with 13 posts needing to be covered, generating an overspend of £0.4m.
- Challenges in recruiting and retaining senior staff in the service, leading to agency spend.

9.1.2 Staffing costs make up a quarter of the budget (£10.5m)

- There are 353 FTE staff in Children Social Care as at August 2018
- 31.7% of these staff are agency workers of Lewisham's CSC staff are agency staff as at June 2018. This is considerably higher than the national average of (18%) but mid-range for inner and outer London.
- The additional cost of an agency worker (compared with an employee) ranges between 5% and 16% depending on the role.
- Moving to the best in London (11% excluding K&C) would reduce the cost by just over £500k
- Lewisham's rates of pay for SWs are within the lowest quartile in London.

9.1.3 Caseloads by team are shown below

Team	Average number of cases per social worker	
	Target	Actual
Referral & Assessment	17	15
Family Social Work Service	17	-
Fostering	-	-
Social workers within LAC/Leaving Care	15	15
Personal Advisors within LAC/Leaving Care	27	-

10 Placements budget

- 10.1 The placements budget of £22.6m is expected to overspend by £8.7m in 2018/19.

At the end of August there were 494 Looked after Children, the pattern over the past four years are as follows:

August 2018	494
August 2017	467
August 2016	440
August 2015	489
August 2014	516
August 2013	506

- 10.2 The rate of looked after children per head of population in Lewisham has risen above statistical neighbours. Nationally and in London, local authorities are experiencing upward pressure on LAC numbers. If our rate of LAC was at the same rate as the average for our statistical neighbours and the average cost was similar to current costs, the spend would be approximately £3.4m less, which is less than half the overspend.

10.3 Placement unit costs

Looked after children are placed with the full cost falling to CSC (with a small number of exceptions for children with complex needs where there maybe tripartite funding across education and health). LAC are placed in either:

- In house foster placements – placements with foster carers who have been recruited by and are paid and supported directly by Lewisham
- Independent Fostering Agency placements – placements with foster carers who have been recruited by and are paid by the IFA, with an agency fee as an overhead. These are used particularly for 'higher end' or more complex cases.
- Residential placements – these are a last resort for young people who have not/cannot thrive in a foster placement. A small minority of those children in residential placements even require secure placements which require additional approval from court and are both expensive and hard to source because of a national shortage.
- Semi-independent placements – for young people whereby they do not wish/require foster care placement and are being prepared with the requisite skills for independent living post age 18.

- 10.4 The table below shows that:

- Unit costs in Lewisham compare reasonably well with statistical neighbours, although the average cost of residential placements is higher than national and statistical neighbours, being skewed by a significant number of very high cost secure/specialised placements.
- Placements in Lewisham are skewed towards the higher cost placements. For those in foster care, the distribution of children between in house and IFA is about 50/50 but the IFA placements cost **twice as much** on aggregate. Putting it simply, if the balance can be changed to increase in house fostering and reduce reliance on IFAs and escalation to residential, the placement budget could be reduced substantially.
- Use of residential placements is high and has increased. The unit costs of these are so high that even a small decrease in these numbers (with increased use of suitably supported IFA and in-house placements) would make a large impact on the overspend.
- Our position in part reflects a national context, with the ADCS and others describing the market for children's social care placements as 'broken', with escalating costs and competition for placements between local authorities. Our analysis shows however that we are not sufficiently active in developing and supporting the local market for placements and securing best value from the placements we buy.
- Lying behind this is a 'burning platform' position where demand for placements exceeds supply, our own population of in-house foster carers is ageing and over the last few years, the rate of in-house foster carers leaving has exceeded recruitment. This has been partly reversed with increased recruitment over the last year but is still at an early stage.

	% Lewisham	% Statistical Neighbours	% National Average	Number as at Sept 17	Aggregate annual cost as at Sept 17
LAC in In-House foster placements	35.8%			168	
LAC in Independent Foster placements (IFAs)	42.2%			198	
LAC in Residential placements (1)	16.4%	12.4%	12%	77	
UNIT COSTS					
Residential placements	£3,741	£3,438	£3,446	35	£6.8m
Agency fostering	£911	£946	£911	198	£9.4m
In-house fostering	£426	£462	£480	168	£3.7m

Notes:- (1) Includes Semi-independent placements

11. Other areas of budgetary pressure

11.1 Section 17/Intentional homelessness

This budget area is forecast to overspend by about £0.8m. This appears to reflect increasing numbers presenting as intentionally homeless and then requiring support under the Children Act 1989. This is being addressed in joint work with Housing to reduce this spend.

11.2 Special Guardianship Orders

The cost of funding families who are looking after children under SGOs is forecast to overspend by £1m in 2018/19. Under the current policy when an SGO is agreed, the support payments remain until child until the child ceases to be looked after or leaves fulltime education. Given that the profile of children on SGOs are mostly in the younger age groups, the number of 'joiners' is greater than the number of 'leavers' and hence the cost continues to grow each year.

12. Strategy for reducing cost and bringing the service within budget

12.1 The Ofsted report in 2016 identified that there needed to be a major improvement programme for children social care focusing on greater rigour, improved recording and performance management and much better systems and processes. The work achieved so far has necessitated investment in bringing the service's IT up to date, ensuring that the social workers have phones and tablet devices to enable mobile and secure working. Also, officer carried out a huge data cleansing exercise and development of a new performance framework. A further stage of this work is underway to renew and reconfigure the CSC system, Liquid Logic. Following a number of pieces of diagnostic work, a new CSC Improvement Plan is being implemented. This is being overseen by a CSC Improvement Board which is chaired by the Lead Cabinet Member. The improvement activities can be summarised as follows:

- Improving children's social care practice through work to implement the Signs of Safety practice framework
- Improving performance management and quality assurance, including case auditing
- Improving systems and processes, especially in the Front Door and MASH, with a full reconfiguration and upgrading of the Liquid Logic IT System.
- Recruiting additional foster carers to reduce reliance on high cost independent fostering agencies
- Working to reduce relatively high numbers in residential placements through improved management systems, stronger gatekeeping, monitoring and developing the local market
- Reducing reliance on agency staff through a strong workforce strategy, encouraging agency staff to become council employees and rigorous establishment control

- Multi agency work to reduce the number of older adolescents coming into care through finding more effective pathways, including a focus on contextual safeguarding
- Better procurement to get best possible VFM from suppliers (placements, agency staff, contracts)
- Effective joint working with Housing Needs to reduce costs of intentional homelessness and improve housing options for care leavers

Further details of the Children Social Care Improvement Programme are attached as Appendix 2 to this report.

13. Conclusion

- 13.1 This report highlights that controlling and reducing the overspend in CSC is vital for the council finances. All the initiatives which are being undertaken and are described in this report involve a degree of systems change. The problems faced by Lewisham are common across London and beyond. London Councils are working with the LGA on lobbying strategies to highlight the scale of the problem.

14. Financial implications

- 14.1 There are no specific financial implications to this report although it concerns the council's finances.

15. Legal implications

- 15.1 The legal basis for the provision of children's social care services is set out in the report.

16. Crime and disorder implications

- 16.1 The children's social care service works closely with youth offending service as they work with many of the same young people and their families. The police are key partners as is the MASH and LSCB and Children and Young People Directorate is a key part of the Safer Lewisham Partnership.

17. Equalities implications

- 17.1 The children's social care service is designed to promote equality of opportunity by giving children a better start in life than they would otherwise have without the service's intervention. The service inevitably deals predominantly with those who are disadvantaged economically, in terms of disability, health and other protected characteristics.

If there are any queries on this report please contact:

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Overspending	September 2017	January 2018	March 2018
Oracle – General Ledger	CYP £12.0m CSC £10.0m CSC Change	CYP £13.0m CSC £11.0m CSC Change Quarter £1.0m, 10%	CYP £15.5m CSC £12.6m CSC Change Quarter £1.6m, 15%
Monitoring Report	CYP £7.2m CSC £4.8m	CYP £8.6m CSC £5.9m	CYP £15.5m CSC £12.6m
Explanation			
Difference between General Ledger and Monitoring	Difference £5.2m, due to: <ul style="list-style-type: none"> £2.0m over commitments on system £3.0m under reporting of savings, placement and staffing pressures (not capturing pace of service growth) 	Position worse due to continued growth in placements & staffing costs – see service below. Realism of being able to reduce overspend by £3.0m by assumed action to bring in line with forecast.	Position worse due to continued growth in placements & staffing costs – see service below. Finance £1.3m at year end: <ul style="list-style-type: none"> (£0.7m) CYP reserves £1.0m CVD write off £1.0m actuals from year end commitments and recharges
Monitoring Report	Overspend of £4.8m from: <ul style="list-style-type: none"> undelivered savings, placements and staffing 	Overspend of £5.9m from: <ul style="list-style-type: none"> undelivered savings, placements and staffing 	Overspend of £12.6m from: <ul style="list-style-type: none"> undelivered savings, placements, staffing Full impact of undelivered savings, placements and staffing costs for the year, plus Finance – see above.

18/19 overspend

Overspending	March 2018	July 2018	September 2018	
Oracle – General Ledger	CYP £15.5m CSC £12.6m CSC Change Quarter £1.6m, 15%	CYP £13.6m CSC £10.0m CSC Change Quarter (£2.6m), -26%	CYP £15.5m CSC £13.0m CSC Change Quarter £3.0m, 30%	
Monitoring	CYP £15.5m CSC £12.6m	CYP £13.6m CSC £10.0m	CYP £15.5m CSC £12.9m	
Explanation				
The Gap		Diff. of (£2.6m) from closing: <ul style="list-style-type: none"> Once off pressures added back - £0.3m £0.7m CYP reserves (£1.0m) CVD write off Base budget pressure adjustments - £2.5m £1.5m placement costs £0.6m MASH team £0.4m FSW team 		
Service (monitoring report)		Overspend of £10.0m from: <ul style="list-style-type: none"> undelivered savings, placements and staffing <p>Under reporting of savings, placement and staffing pressures not capturing pace of service growth?</p>	Overspend of £12.9m from: <ul style="list-style-type: none"> undelivered savings, placements and staffing <p>Assumes actions by new leadership will aggressively and quickly start to reduce placement and staffing costs by £3.0m by year end.</p>	

APPENDIX 2

BRIEFING PAPER

CHILDREN AND YOUNG PEOPLE'S SERVICE IMPROVEMENT PROGRAMME

1. PURPOSE OF THE REPORT

The purpose of this briefing paper is to update stakeholders on the Children and Young People's Services Improvement Programme

2. CONTEXT

In response to diagnostic work on the path for the service to move from 'requires improvement' to 'good' and the challenges facing the service, in particular budget overspends and rising demand, a CSC Improvement Board was established and a project team put in place with additional capacity with experience of delivering social care improvement in other councils.

Five priorities have been identified for immediate action, with this improvement work getting underway immediately, while a more detailed plan is finalised to drive forward a wider programme of improvement over the next year. Through rigorous programme management, the programme will be built up over the next two months to incorporate wider partners and additional priorities.

The initial proposed priorities are:

- a) **Children's Social Care practice improvement** – improving social work practice and performance management, with a stronger focus on outcomes for children. This also necessitates the reconfiguration and updating of the LCS IT System which is the main IT system for children's social care since practice is currently hampered by IT shortcomings. The IT improvements will enable the remodelling of the front door/MASH to be more efficient.
- b) **Resource Management** – improving establishment control, increasing the % of permanent staff, improving budget data for the service and remodelling the budget so that it matches planned spend so that there is clearer accountability. This strand of work also includes the updating of the financial module of LCS (Controcc) as well as business processes, especially as they relate to payment of foster carers. It also involves the formulation of a medium term financial plan specifically for CSC.
- c) **Commissioning of placements** – improving processes for making placements, improving quality assurance and increasing proactive management of providers and the wider market. This involves reworking the Sufficiency Strategy.
- d) **Early Help Review** – this will review thresholds, following the Ofsted focused visit and will review all commissioned provision in the lead up to the end of existing contracts in 2020 with a view to getting the right support to families at the right time, particularly to reduce the numbers of older adolescents coming into care.
- e) **Transitions** – improving transition for young people with disabilities, promoting independence and with a focus on outcomes and preparing for adulthood. The work will focus on developing clearer pathways, improved commissioning and a new performance dashboard.

3. PROGRESS

a) Children's Social Care Practice

The interim Director of Children's Social Care took up post in July 2018. She has implemented the following:

- Weekly performance meetings commenced in August 2018 attended by all operational team and service managers and will serve to ensure compliance with key activities such as ensuring assessments are completed within timescales ensuring children are visited according to agreed standards, ensuring that all children open in the service for longer than 45 days will have an up to date plan of intervention in place and that there is compliance around basic requirements relating to children looked after and care leavers. The meetings are also being used to address issues that are undermining good practice such as problems around transfer, throughput and step up, step down of cases. IT system issues have hampered this work, so the fully impact of this depends on the IT improvement programme.
- The strategic capacity of the current service manager group was enhanced (new interim group manager posts) from within the service. This is providing more capacity, enabling closer scrutiny of quality of practice issues.
- The focus of the existing LAC Scrutiny panel that acted as a retrospective gatekeeper for LAC placements has been changed to become a 'Best Care' Panel that will more systemically review all residential placements to ensure there is no drift for individual children and young people, to ensure their needs are being met and to ensure best value alongside improved outcomes.
- A detailed week long review of the functioning of the MASH was carried out in August 2018, followed in September by an Ofsted Focused Visit. This has identified the refinements in business processes and pathways required to ensure resource is being used to best effect. Implementation of this depends on the IT improvements referred to above.
- Lewisham has been accepted as part of the phase 2 pilot of the National Assessment and Accreditation System (NAAS). This is an assessment and accreditation system for child and families social workers, for them to demonstrate their knowledge and skills against the [knowledge and skills statements](#) (KSS), which are now the post-qualifying standards for child and family social work as set out under [Section 42 of the Children and Social Work Act 2017](#). Accreditation will begin in Spring 2019 and the intervening period will be used to ensure our social workers are prepared for the national regime.
- Lewisham has been awarded £144,200 to be part of the above pilot and intends to use this money to fund the Signs of Safety practice framework across children's social care as a proven fast track to improve and promote consistently good practice across all the services.
- Plans are underway to provide a half day introduction to 'Signs of Safety' for managers across the authority both the statutory and non-statutory services. This has been scheduled for October. A neighbouring LA whose SoS practice is well established to good effect is also coming to deliver a workshop to managers in September.
- The audit programme needs urgent improvement. A review of the audit tool and the audit programme has been carried out and a new programme will be launched in September with a clear expectation of full compliance from all managers. The learning from the audits will be fed into an updated QA Framework to support continuous learning.

b) Resource Management

To improve budget management, demand management and financial planning, the following actions/activities have taken place:

- A Resource Management Group was established in July, meeting fortnightly, with representation from all key corporate core functions and services, working collaboratively to improve the use of resources and the development of effective infrastructure. Terms of reference and project plan are in place.
- This Group worked on savings proposals submitted for 2019/20 and 2020/21 to ensure they were realistic and tied into service improvement, with further potential to develop robust 'invest to save' proposals as part of a 3-5 medium term financial strategy for CSC to improve demand management. These are targeting at reducing the budget overspend.

- In the short term the focus has been on the immediate priorities of Establishment Control, clarifying the staffing establishment and recruitment requirement and managing reduction in agency spend as well as potential for in-year efficiencies and cost reductions to mitigate pressures.
- An intensive exercise has been completed which worked through every single post in the staffing establishment to get the establishment right in terms of numbers of staff needed to deliver the service, costed and budgeted properly. This builds on work previously undertaken by HR and Finance and sets a clear baseline with an expectation thereafter of full compliance with protocols and full transparency in control of the establishment.
- An analysis of all agency and interim resource currently deployed by the Directorate has been undertaken from HR and systematic challenge will be brought to the ongoing need for resource
- An analysis of Section 17 expenditure has been undertaken with a view to shifting spend from housing to family support.

c) Commissioning of Placements

The current commissioning approach for placements for looked after children and care leavers has been reviewed. In the short term the focus has been on ensuring that the placement function is effectively managed, ensure roles and responsibilities are better defined and that the interface with social workers, finance and performance is clear and effective, such that efficiencies and a new QA framework with providers can be delivered. In the longer term, a new Sufficiency Strategy will be put in place, underpinned by a sound integrated commissioning response for LAC/ SEND/ Public Health. The key priorities identified to date are:

- A Commissioning and Placements Group has been established began meeting in August to drive the improvement programme for this high priority area. Terms of Reference and a Project Plan are in place. The group will meet on a fortnightly basis.
- A number of meetings with Commissioning Managers and Service Managers within Joint Commissioning and Targeted Support have been held to triangulate the current position and the required improvement.
- LAC Commissioning Contract Officer now attends the 'Best Care' Panel to support operational decision making and work collaboratively with the service.
- The placement function and placement budgets have been shifted to sit within the commissioning function as of 20th August, to ensure that there is a more strategic approach and a focus on efficiencies in the management and the quality assurance of providers. This will enable a more proactive approach to shaping the local market offer.

d) Early Help Review

A detailed review of early help processes is being scoped to develop a refreshed Early Help Strategy, clarify pathways, inform commissioning intentions for adequate step-up and step-down targeted provision, articulate the early help offer within Lewisham and improve multi-agency Early Help partnership work. This builds on a good current offer but also will enable review of thresholds.

As part of the Sector Led Improvement offer for Children's Services in London, a peer review of Early help is planned for October/November to be led by the DCS in Greenwich.

e) Transitions

A Transition Operational Group has met and Terms of Reference and Project Plan have been agreed. The priorities of the Transition Operational Group are to:

- review of the current pathways to inform a seamless life journey approach linked to mutual outcomes for young people into adulthood.

- undertake a collaborative review of services currently commissioned jointly to support children and young people to transition and prepare for adulthood to baseline the quality and evidenced outcomes of the current market offer and inform the development of the market based on a person-centred approach.
- develop a whole systems performance dashboard linked to outcomes.
- review of current resources across the whole system to inform a proposed transition delivery model.

A Transition Strategy has been drafted with supporting 'whole system' Vision and Principles, Information Sharing Protocol across partners and proposed governance arrangements.

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PUBLIC ACCOUNTS SELECT COMMITTEE			
REPORT TITLE	Financial Forecasts 2018/19		
KEY DECISION	No	Item No.	5
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources and Regeneration		
CLASS	Part 1	Date	25 th September 2018

Reasons for Lateness and Urgency

This report was not available for the original despatch because of the need to have thorough and detailed review of the monitoring position by the Executive Management Team. The report is urgent and cannot wait until the next meeting of the Public Accounts Select Committee given the need for Members to be sighted on the current financial position now.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2018/19 as at 31 July 2018. The key areas to note are as follows:

- i. There is a forecast overspend of £17.4m against the directorates' net general fund revenue budget as at the end of July 2018. This is before the recommended application of £6m to support the Children's Social Care base budget. If agreed, this would provide a revised forecast overspend of £11.4m. This is set out in more detail in sections five to nine of this report. The position as at the end of July 2018 compares to a projected year outturn position of £14.8m as at the end of May.
- 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 31 July 2018, some 35.1% of council tax due and 47.4% of business rates due had been collected. At this point last year, 35.1% of council tax due and 46.1%

of business rates due had been collected. This is set out in more detail in section 13 of this report.

- v. For the 2018/19 capital programme, the revised budget is now £137.8m, compared to the figure presented to the Public Accounts Select Committee on 6 February 2018 of £135.9m. The budget has been amended to take account of newly approved schemes and the re-profiling of spend on other schemes. The changes to the 2018/19 capital programme budget are set out in Appendix 1, and the updated profiling of major projects is set out in Appendix 2. As at 31 July 2018, some £20.7m or 15% of the revised budget had been spent, which is below the profile figure expected if the programme is to be delivered in full. This is set out in more detail in section 14 of this report. The comparable figure to 31 July last year was 10% of the revised budget of £116.6m, with the final outturn being 86% of the revised budget of £100.7m.

2. PURPOSE

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

3. RECOMMENDATIONS

- 3.1 The members of the Public Accounts Select Committee are 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;
 - 3.1.2 Note the request to apply the remaining £1.7m of the 2018/19 unallocated risks and other budget pressures to Children's Social Care services;
 - 3.1.3 Note the request to immediately apply £4.3m from reserves to Children's Social Care services in advance of a proposed commitment of £4.3m risks and pressures of the available £6.5m in the 2019/20 budget.
 - 3.1.4 Note the request to agree to the use of provisions and reserves in 2018/19, as set out in section 10 of this report, and that a further review of the annual use of provisions and reserves be undertaken as part of preparing the 2019/20 budget.
 - 3.1.5 Note the revised capital programme budget, as set out in section 13 of this report, with further details attached at appendices 1 and 2.

4. POLICY CONTEXT

- 4.1 Reporting financial results in a clear and meaningful format contributes directly to the council's tenth corporate priority: inspiring efficiency, effectiveness and equity.
- 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 the 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), was initially due to be launched at the beginning of June and would have been used to support budget holders in monitoring the current position. PBCS is expected to be fully available for budget holders in October, for the production of the September position. Alongside the systems integrator, the finance team is providing further support and training to budget holders during September for the preparation of the August monitoring position.
- 5.2 The May forecast report was constructed in the absence of forecasting information from the new Oracle Cloud solution and was based on a combination of information from other systems, last year's outturn and budget changes. This report sets out the position as at the end July and has been prepared by the finance team using PBCS with input from budget holders.
- 5.3 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £17.4m is being reported as at the end of July 2018, before the application of resources held corporately and the use of reserves. This compares to the £14.8m forecast overspend reported to the end of May 2018 and represents an increase of £2.6m prior to any budget adjustments.
- 5.4 In reviewing the current position, the Executive Director for Resources and Regeneration will make a recommendation to Mayor & Cabinet on 10th October 2018 to commit the remaining £1.7m of 2018/19 unallocated risk & other budget pressures to Children's Social Care with immediate effect. In addition to this, there is to be a further recommendation to draw £4.3m from reserves now in advance of a proposed commitment of £4.3m risk & pressures of the available £6.5m in the 2019/20 budget. Subject to agreement, the impact of these adjustments will increase 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 July 2018	Variance May 2018
	£m	£m	£m	£m	£m

Children & Young People (1)	65.1	(11.5)	53.6	15.5	13.5
Community Services	172.2	(82.2)	90.0	0.3	0.3
Customer Services (2)	98.4	(57.3)	41.1	1.7	1.6
Resources & Regeneration	76.3	(51.1)	25.2	(0.1)	(0.6)
Directorate Totals	412.0	(202.1)	209.9	17.4	14.8
Recommended use of corporate items (3)	29.3	(0.0)	29.3	6.0	0.0
Net Revenue Budget	441.3	(202.1)	239.2	11.4	14.8

(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

(3) – Subject to agreement this 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.

5.5 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 overspend within the year. As a result, officers will continue to focus on monitoring the progress of savings being implemented.

5.6 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 September 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

Ref.	Saving	2018/19 £'000	Update at September 2018
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 and advice in Sept / Oct.
	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	
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	

Ref.	Saving	2018/19 £'000	Update at September 2018
	Grand Total (excluding Q7 CAMHS)	4,806	

- 5.7 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.
- 5.8 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. A further update on this will be provided in the next monitoring report. 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 July 2018, the Children and Young People's directorate is forecasting a £15.5m overspend. This represents £2m increase to the position reported to the end May 2018.

Table 3 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Forecast over/ (under) spend July 2018	Forecast over/ (under) spend May 2018
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	42.6	1.1	41.6	12.9	10.1
Education, Standards and Inclusion	2.3	1.7	0.6	(0.2)	(0.2)
Targeted Services and Joint Commissioning	20.1	7.1	13	2.8	3.6
Schools	0.0	1.7	(1.7)	0.0	0.0
Total	65.0	11.6	53.5	15.5	13.5

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

- 6.2 The full year projection of the Children's Social Care spend has changed since May due to improved data from the prior month. Numbers of children placed in residential, local authority fostering and agency fostering has increased by 38 compared with the same time in the previous year. Since the last report, the projections have been revised upwards by £1.3m. Similarly, staffing projections have been revised upwards £700k to reflect current staffing levels.

- 6.3 The most significant cost pressures for the directorate fall within the *children's social care* division, which amounts to £12.9m. 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 but the budget for independent fostering is also overspent by £2m although the unit costs and numbers in independent fostering are not out of line with other boroughs. Semi Independent placements are overspent by £2.7m, with a budget of only £480k to cover the costs of placements for 45 young people. The fully year projection is an increase of £0.7m from May's position. 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 £1m, with the year-end projection increased by £0.1m from May's position. The placements budget is the primary focus of the Children's Social Care Improvement Programme, which has commenced with the Placements Team having been shifted 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			
	May 2018 (£)	June 2018 (£)	July 2018 (£)	July 2017
Local Authority Fostering	436	440	440	432
Agency Fostering	910	909	910	924
Residential Placement	3,731	3,705	3,710	3,715

	May 2018	June 2018	July 2018	July 2017
Local Authority Fostering	176	179	194	173
Agency Fostering	187	190	194	181
Residential Placement	50	50	48	44
Total	413	419	436	398

- 6.6 Another major area of pressure within CYP is spend on staffing. Currently, the forecast is estimated at £4.3m overspend, which represents an increase from the position reported to the end of May. Current data shows that 27.4% 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 significantly overspend by £2.8m, which is reduction of £0.8m from the position reported to the end of May. Last year the outturn, before the use of reserves was £4.3m for the service. The main pressure area is SEND Transport £2m. 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 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 July 2018, the Community Services directorate is forecasting an overspend of £0.3m. The position remains unchanged from the forecast reported as at the end of May 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 July 2018	Forecast over/ (under) spend May 2018
	£m	£m	£m	£m	£m
Adult Services Division	120.7	(49.4)	71.3	0.3	0.3
Cultural and Community Development	16.7	(7.5)	9.2	0.0	0.0
Public Health	15.4	(17.0)	(1.6)	0.0	0.0
Crime Reduction & Supporting People	18.1	(8.2)	9.9	0.0	0.0

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend July 2018	Forecast over/ (under) spend May 2018
Strategy & Performance	1.3	(0.1)	1.2	0.1	0.0
Reserves	0.0	0.0	0.0	(0.1)	0.0
Total	172.2	(82.2)	90.0	0.3	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 overspend by £0.3m. 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. The net increase in funding reduces does have the impact of reducing the overspend.
- 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.
- 7.4 The *cultural and community services division* is forecasting no overall variance. There is one main area of projected overspend on the budget for Community Centres of £130k. There was a review undertaken of the facilities management arrangements for the seven buildings directly managed by the Community Resources Team in order to deliver a saving of £70k for the 2017/18 financial year. This work included the option to outsource management functions to a third 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 the 2018/19 budget pressure. This potential overspend may be mitigated if additional commercial rent agreements can be agreed in respect of the Sydenham and Leemore community hubs. In addition, work is progressing to transfer five community centres to Lewisham Homes.
- 7.4.1 There is a potential budget pressure of £80k in the Libraries Service with regard to the Lewisham 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 it is currently

anticipated that this commitment will therefore need to be funded from current year budgets. No variance is therefore highlighted in the current projections.

- 7.4.2 There is currently a projected underspend of £130k on Leisure Management budget which is primarily due to a change in the accounting treatment for the budgeted contribution to the Discretionary Rate Relief Pool. This cost will now fall on the Collection Fund rather than on the revenue budget.
- 7.4.3 There are smaller projected variances across the rest of the Division which largely balance each other out. There is a projected underspend of £90k on the culture and community development staffing budget due to staff turnover and vacancies. There is a further potential pressure on the Broadway Theatre budget of up to £50k resulting primarily from increased costs resulting from the decision to stage a pantomime season this year. This will be kept under review and it is planned to minimise costs in order to ensure they can be covered from the income generated from the event.
- 7.5 There is a nil variance currently projected on the *public health* budget at this stage. It is expected that the savings required to match the reduction in Public Health Grant will be achieved.
- 7.6 The *crime reduction and supporting people* division is forecasting a balanced budget for 2018/19. The 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 There is a projected overspend of £100k on the budget for secure remand placements. This variance has resulted from a combination of a reduction in government grant funding from the Ministry of Justice and a small overall upturn in the level of remand placements required by the courts. Secure Remand Placements can still 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 is made in the operation of the court process. Secondly, following the adverse service inspection by the Youth Justice Board, a 'new' staffing structure is being put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan. Despite budget pressures funding of £250k for 2018/19, there is a further projected pressure of £80k on the core budget for the *youth offending service* in 2018/19.
- 7.6.2 These projected budget pressures are currently being offset by underspends on environmental health of £67k due to staffing & income, the prevention & inclusion team of £110k relating to staffing, the crime enforcement & regulation service of £40k due to staffing offset by pressures on licensing income and supporting people £40k due to contracts and income.
- 7.6.3 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 overspend by £0.1m. This relates to costs of staff supporting the integration programme.

8. CUSTOMER SERVICES

8.1 As at the end of July 2018, the Customer Services directorate is forecasting an overspend of £1.7m. This is an increase of £0.1m in the overspend from the position reported to the end of May 2018. 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 6 – Customer Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend July 2018	Forecast over/ (under) spend May 2018
	£m	£m	£m	£m	£m
Strategic Housing	28.6	(23.2)	5.4	-	-
Environment	36.3	(16.5)	19.8	0.7	0.6
Public Services*	28.2	(17.2)	11.0	-	-
Technology and Change	5.3	(0.4)	4.9	1.0	1.0
Total	98.4	(57.3)	41.1	1.7	1.6

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

8.2 The *Strategic Housing service* is expected to spend to budget in 2018/19.

8.3 The *Environment division* is forecasting an overspend of £0.7m. The increase in £0.1m on the position reported to the end of May relates to vehicle hire costs for refuse services. 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 July 2018, net overspends of £0.4m on *refuse services* and £0.1m for *strategic waste management* are 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. 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 in 2018/19, to mitigate a saving allocated to the service, despite the service being 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, following efforts to reduce demand for the service in Adult & Community Services.

- 8.3.3 *Street management* is forecasting an overspend of £0.1m relating to staffing costs and waste removal and disposal costs for street cleansing, and public convenience rental and maintenance charges. This is reduction of £0.1m in the overspend from the position reported to the end of May 2018.
- 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 It should be noted that there is a potential pressure on the refuse service that is currently 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 the provider of private student accommodation must be made. The amount to be refunded is currently being investigated and once confirmed the outcome will be reported to members.
- 8.4 The *Public Services division* is forecasting an overall balanced position at the year-end. An overspend of £0.3m is anticipated in the *council tax administration and court grant*, primarily due to bank charges. A similar position was reported in 2017/18. 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. This is expected to be offset by increased income from fixed penalty notices of £0.8m and £0.3m from pay and display charges, creating a £0.3m 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 introducing 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. The management continue to look at ways of alleviating these budgets with a view of bringing spend more into line with budget by the year-end.

9. RESOURCES AND REGENERATION

- 9.1 As at the end of July 2018, the Resources and Regeneration directorate is forecasting an underspend of £0.1m at the year-end. This represents an adverse shift of some £0.5m from the forecast underspend of £0.6m reported to the end of

May 2018. At the same time last year, the year-end forecast was an underspend of £0.2m 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 July 2018	Forecast over/ (under) spend May 2018
	£m	£m	£m	£m	£m
Corporate Resources	5.6	(3.1)	2.5	0.0	0.0
Corporate Policy & Governance	4.8	(0.3)	4.5	(0.3)	(0.2)
Financial Services	4.5	(1.5)	3.0	0.0	0.0
Organisational Development & HR	2.8	(0.2)	2.6	(0.2)	(0.1)
Legal Services	3.2	(0.3)	2.9	0.0	0.0
Strategy	5.0	(2.8)	2.2	(0.3)	(0.1)
Planning	2.6	(1.9)	0.7	0.0	(0.1)
Regeneration & Place	47.8	(40.4)	7.4	0.7	(0.1)
Reserves	0.0	(0.6)	(0.6)	0.0	0.0
Total	76.3	(51.1)	25.2	(0.1)	(0.6)

- 9.2 The *regeneration & place* division is forecasting a net overspend of £0.7m. 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 (£0.3m) 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). The previously reported forecast was based upon last year's outturn position and agreed adjustments to the budget, whereas the latest position is based upon more detailed and robust management information and review as at the end of July 2018.
- 9.3 The *corporate policy & governance* division (£0.3m), the *organisational development and HR* division (£0.2m) and the *strategy* division (£0.3m) are forecasting underspends that are mainly due to vacancies.
- 9.4 There are currently balanced budget positions being forecast for the *corporate resources*, *financial services*, *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 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 There are five schools who have not submitted a budget plan this year, the local authority is working with these schools to develop plans. At the same stage last year, there were two schools who had not submitted budget plans, reflecting increased pressures in schools, but also in the Finance Team.

- 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 to £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.
- 12.2 The forecast position for July 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 July 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.

Table 8 – Housing Revenue Account

Service Area	Expenditure Budget	Income Budget	2018/19 budget	Forecast over/ (under) spend	Forecast over/ (under) spend

				May 18	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	47.6	(95.8)	(48.2)	0	(2.9)
Total	99.3	(99.3)	0	0	(2.9)

13. COLLECTION FUND

- 13.1 As at 31 July 2018, £47.4m of council tax had been collected. This represents 35.1% of the total amount due for the year of £134.8m. This is below the profiled collection rate of 35.4% 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 35.1%.
- 13.2 Business rates collection is at 47.4%, an increase of 1.4% compared to the same period last year, and 1.8% higher than the profiled collection rate if the overall target rate for the year of 99% is to be achieved.

14. CAPITAL EXPENDITURE

- 14.1 The overall spend to 31 July is £20.7m. This represents 15% of the revised budget of £137.8m. At this point last year, 10% of the revised budget of £116.6m had been spent, with the final outturn being 86% of the revised budget of £100.7m.
- 14.2 The 2018/19 capital programme budget, and the capital programme budget for future years have been updated and is proposed for agreement by Mayor & Cabinet on 10th October 2018. The changes to the 2018/19 budget are set out in Appendix 1 and the revised four-year capital programme budget is summarised in Appendix 2.
- 14.3 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 31 July 2018	Spent to Date (Revised Budget)
	£m	£m	£m	%
GENERAL FUND				
Schools - Pupil Places Programme	17.7	5.6	1.0	18%
Schools - Other Capital Works	1.1	6.0	0.4	7%
Highways & Bridges – LBL	3.1	3.1	1.1	35%
Highways & Bridges – TfL	0.0	2.9	0.2	7%
Highways & Bridges - Others	1.1	3.4	0.0	0%
Catford town centre	4.8	4.7	0.3	6%
Asset Management Programme	3.9	4.2	0.3	7%
Heathside & Lethbridge Regeneration	1.1	1.1	0.1	9%
Excalibur Regeneration	0.0	2.6	0.1	4%
Lewisham Homes – Property Acquisition	10.0	8.0	8.0	100%
Private Sector Grants and Loans (inc. DFG)	1.7	3.0	0.2	7%
Fleet Replacement Programme	2.6	2.9	1.2	41%
Beckenham Place Park	5.5	4.0	0.5	13%

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	1.1	15%
TOTAL GENERAL FUND	63.2	65.4	14.6	22%
HOUSING REVENUE ACCOUNT				
Housing Matters Programme	28.0	28.0	1.2	4%
Decent Homes Programme	43.9	43.7	4.7	11%
Other HRA schemes	0.8	0.8	0.2	25%
TOTAL HOUSING REVENUE ACCOUNT	72.7	72.4	6.1	8%
TOTAL CAPITAL PROGRAMME	135.9	137.8	20.7	15%

14.4 The main sources of financing the programme are grants and contributions, and capital receipts from the sale of property assets. Some £4.6m has been received so far this year, comprising £3.2m (net) from Housing Right-To-Buy and other capital receipts and £1.4m 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

For further information on this report, please contact:

Selwyn Thompson, Head of Financial Services on 020 8314 6932

APPENDIX 1

PROPOSED 2018/19 CAPITAL PROGRAMME – APPROVED TO LATEST BUDGET

	Total	Total
	£'000	£'000
APPROVED CAPITAL PROGRAMME BUDGET		
Full Council – 21st February 2018		135,825
Underspend carried-forward from 2017/18		7,650
New Schemes		
Wide Horizons	700	
Algernon Road Area scheme	56	
Watson Street Streetscape Improvements	130	
Creeside Streetscape Improvements (Phase 1)	625	
Ladywell Fields Footpath Improvements Works	63	
Deptford Park	51	
Luxmore Gardens	27	
CCTV Modernisation Plan 2017	610	
Temporary Accommodation – Developments	490	
Forster Memorial Park Improvements	40	
LIP Programme 18/19	2,851	
Schools Minor Works Capital Programme 18/19	3,647	9,290
Approved variations on existing schemes		
<u>Additional Funding</u>		
DHS Local Contribution	150	
Disabled Facilities Grant	541	
Folkestone Garden Improvements	25	
Besson St. Development	301	
Excalibur – Estate Regeneration	452	
Education Catering Investment	(250)	
Deptford Southern Sites	500	
Wearside Car Park works and Building Demolition	60	
Catford Town Centre – Phase 1	(1,500)	
Grove Park Street Improvements	272	
Ladywell Pop up Village	105	656
<u>Re- Phasing Budgets</u>		
General Fund	(15,411)	
Housing Revenue Account	(167)	(15,578)
Revised Capital Programme Budget 2018/19		137,843

Major Projects over £2m	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m
GENERAL FUND				
Schools - Pupil Places Programme	5.6	9.4	6.8	21.8
Schools – Minor Works Capital Programme	4.0			4.0
Schools - Other Capital Works	2.0			2.0
Highways & Bridges – TfL	2.9			2.9
Highways & Bridges - LBL	3.1	3.5	3.5	10.1
Catford town centre	4.7	1.8	0.8	7.3
Asset Management Programme	4.2	2.5	2.5	9.2
Excalibur Regeneration	2.6			2.6
Lewisham Homes – Property Acquisition	8.0	6.0		14.0
Disabled Facilities Grant	1.7	0.7	0.7	3.1
Private Sector Grants and Loans	1.3	0.6	0.6	2.5
Fleet Replacement Programme	2.9			2.9
Beckenham Place Park	4.0	1.7	0.6	6.3
Smart Working Programme	2.1	0.6		2.7
Edward St. Development	2.5	6.6	0.0	9.1
Other Schemes	13.8	0.7	0.7	15.2
	65.4	34.1	16.2	115.7
HOUSING REVENUE ACCOUNT				
Housing Matters Programme	28.0	21.6	9.8	59.4
Decent Homes Programme	43.6	34.6	34.8	113.0
Other Schemes	0.8	0.9	0.9	2.6
	72.4	57.1	45.5	175.0
TOTAL PROGRAMME	137.8	91.2	61.7	290.7