

AUDIT PANEL		
Report Title	Financial forecasts for 2012/13	
Key decision	No	Item No. 4
Ward	N/A	
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES & REGENERATION	
Class	Part 1	Date: 21 November 2012

1 Summary of the Report

1.1 This report sets out the financial forecasts for 2012/13 as at 31 August 2012. The key areas of concern are:

- The forecast overspend of £1.1m in Customer Services. Whilst this is down from the £1.5m reported at the start of the year this still requires management attention.
- Progress in delivering the capital programme. As at 31 August 2012 £33.5m, or 23%, of this had been spent, which indicates a risk that the programme may be significantly underspent again this year.

1.2 Other key messages are that:

- An underspend of £0.3m against the directorates' net general fund revenue budget is forecast
- The Housing Revenue Account (HRA) is forecast to be spent to budget and the Dedicated Schools Grant (DSG) is forecasting an underspend of £0.2m
- 97% of the £16.6m savings agreed in setting the 2012/13 budget are forecast to be delivered on schedule
- The revised capital programme for 2012/13 is £147m. As at 31 August 2012 £33.5m, or 23%, of this had been spent. It is unlikely that this will be fully spent in the year.
- Council tax collection has improved compared to the same point last year but is slightly behind the expected profiled amount to August. The full year target remains at 95.5%, compared with the actual collection rate of 94.56% achieved last year
- Business rates collection is 3.6% higher than the same period last year. For three consecutive months performance has been substantially above the interim results at the same point last year. After last year's poor results there is now increasing confidence that this performance can be sustained and the target of 98.5% for the year achieved.

2 Purpose of the Report

2.1 To set out the financial forecasts for 2012/13.

3 Recommendation

3.1 To note the financial forecasts for the year ending 31 March 2013.

4 Policy Context

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

5 Overall directorate outturn

5.1 The forecasts against the directorates' general fund revenue budgets are shown in the table below. Expenditure controls through Directorate Expenditure Panels (DEPs) remain in place. This tight control helped to deliver an underspend in 2011/12.

5.2 The forecast overspend as at 31 July 2012 was £0.5m, and this has reduced to £0.3m as at 31 August 2012. The key issues are still in the Customer Services directorate, which is forecasting an overspend of £1.1m.

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
CYP (1)	103,935	(38,784)	65,151	(276)
Community Services	164,949	(49,823)	115,125	(329)
Customer Services (2)	93,783	(62,948)	30,835	1,146
Resources & Regeneration	62,645	(14,688)	47,957	(868)
Directorate total	425,312	(127,459)	259,068	(327)
Corporate items			9,441	0
Budget requirement			268,509	(327)

(1) – gross figures exclude £252m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude £236m matching income and expenditure for housing benefits

5.3 The table below sets out the proportion of agreed savings delivered in the year. Any variances are included in the overall forecasts shown in the table above.

Directorate	Savings agreed for 2012/13	Forecast delivery	Variance	
			£'000	%
CYP	4,394	4,394	0	0
Community Services	4,610	4,610	0	0
Customer Services	3,528	3,128	400	11
Resources & Regeneration	2,954	2,954	0	0
Fees & Charges	1,068	977	91	8.5
Total	16,554	16,063	491	3.0

6 Children and Young People's Services

6.1 The forecast underspend for the year is £0.3m, improved from the £0.1m underspend forecast consistently since May 2012.

CYP division	Gross expenditure	Govt grants	Other income	Net budget	Forecast over / (under) spend
	£'000	£'000	£'000	£'000	£'000
Children's Social Care	48,016	(1,059)	(733)	46,224	338
Standards and Achievements	4,769	(332)	(1,889)	2,548	0
School Infrastructure	2,120	0	(15)	2,105	0
Commissioning, Strategy & Performance	3,753	(910)	(342)	2,501	(50)
Access & Support	15,346	(219)	(3,713)	11,414	0
Resources	29,931	(14,508)	(13,738)	1,685	(564)
Schools	0	0	(1,326)	(1,326)	0
Total	103,935	(17,028)	(21,756)	65,151	(276)

6.2 The main budget pressure is £0.9m, in respect of the placements for Looked after Children (LAC). This is net of planned management action to move placements towards lower cost areas such as fostering, where this is appropriate to the needs of the child. There were 486 placements as at 31 July 2012, as against 485 as at 30 June 2012 and 491 at 31 March 2012.

6.3 There are other pressures within the social care budget, including £0.2m for special guardianship orders, £0.1m on adoption allowances and £0.2m in respect of asylum seekers with no recourse to public funds. It is expected that these can be offset by reducing staffing costs by £0.5m over the year through grant substitution and reduction in number of agency staff and savings of £0.7m on supplies and services budgets including short breaks.

6.4 Other services within the directorate operate complex budgets which are nonetheless lower risk than for children's social care. General underspends of £0.5m are expected to be delivered within the Resources area, through continued application of the DEP process and other controls in order to offset the pressures on the placement budget and enable the directorate to forecast a small underspend of £0.3m.

7 Community Services

7.1 The forecast underspend for the year is £0.3m, improved from the £0.1m underspend forecast consistently since May 2012.

Community Services division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/ (under) spend
	£'000	£'000	£'000	£'000
Cultural Services	15,757	(6,996)	8,762	798
Adult Services	110,246	(34,171)	76,075	(281)
Community & Neighbourhood Development	8,527	(352)	8,175	(242)
Crime Reduction & Supporting People	27,714	(7,081)	20,633	(630)
Strategy & Performance	2,704	(112)	2,592	(220)
Community Reserves	0	(1,112)	(1,112)	246
Total	164,949	(49,823)	115,125	(329)

- 7.2 The forecast overspend in cultural services of £0.8m reflects pressures within the sports and leisure service:
- £0.2m representing a worst case assumption from the income benchmarking exercise that has been called under the terms of the Downham PFI. This issue was identified in May 2012 and clarity and a resolution are now expected by October.
 - £0.3m representing the difference between the cost of the new leisure contract and the budget in the current year.
 - Additional pressures due to R&M and other works to leisure centres of around £0.4m.
- 7.3 There are other minor underspends of £0.1m on the CEL budget, and some other minor pressures throughout the division.
- 7.4 Adult Social Care is forecast to underspend by £0.3m, after taking into account health funding of £2.4m. It is not yet clear whether this funding will recur in future years, and the risk of it not recurring increases beyond 2014/15. Within the service there are some forecast under and over spends as set out below.
- 7.5 Mental health budgets are forecast to be £0.2m overspent with pressures on salaries, residential care and supported accommodation. Action to contain these pressures has included reducing the number of residential service users from 89 as at 31 March 2012 to 76 as at 31 August 2012.
- 7.6 The picture for older adults is more complex. Since last month, projected costs of residential and nursing care have increased though costs of domiciliary care have reduced. This is a deviation from the recent trend of a movement from residential care to care at home. If sustained this suggests that key cost pressures may be emerging and will need to be managed very carefully.
- 7.7 Budgets for learning disability are still projected to overspend by £0.2m. However, there are offsetting staffing savings of £0.3m in day opportunities and in the modernisation budget which is now projected to underspend by £0.6m.
- 7.8 The Community & Neighbourhood Development budget is forecast to be underspent by £0.2m. This movement is primarily result of budget adjustments that have now been made to account for the Local Assemblies Programme and Locality Fund funding that is being drawn down from Corporate Reserves.
- 7.9 The £0.3m underspend forecast on the voluntary sector grants budget is mainly due to slippage in allocation of the Investment Fund element. The investment fund has taken a developmental approach to working with third sector organisations around priority areas. This approach has required a longer lead in than a traditional grant aid programme and therefore the spend has been profiled over the two and a half year programme with a higher percentage of spend planned to take place in 2013/14. An estimated £0.7m of the investment fund will be spent in 2012/13 made up of £0.5m drawn down from reserves and £0.2m from the 2012/13 budget. All spend on the two and half year programme is currently forecast to be allocated by 31 March 2014.
- 7.10 There are other minor offsetting over and under spends forecast within the division, including in respect of the localities fund.

- 7.11 Within Crime Reduction & Supporting People cost reductions of £0.5m have been achieved through recommissioning of contracts. After taking account of cost pressures in the floating support service an overall underspend of £0.4m is forecast. With an increased underspend on the rehab placement budget in the Drug & Alcohol Service (£0.2m) and a small underspend on the Youth Offending Service budget, Crime Reduction & Supporting People is now projecting an overall underspend of £0.6m.
- 7.12 An underspend of £0.2m is forecast within the strategy and performance division, as a result of tight expenditure controls.

8 Customer Services

- 8.1 The Customer Services Directorate's projected overspend has reduced by £0.2m to £1.1m.

Customer Services division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
Strategic Housing and Regulatory services	11,509	(8,122)	3,387	0
Environment	42,413	(21,139)	21,274	495
Public Services *	38,089	(33,447)	4,642	669
Strategy & Performance	1,772	(240)	1,532	(18)
Sub-total	93,783	(62,948)	30,835	1,146

* excludes £236m of matching income and expenditure in respect of housing benefits

- 8.2 Within the Strategic Housing and Regulatory Services division there are spending pressures of £0.2m within the housing needs service, including cases where the cost of provision is above the housing benefit cap. Underspends of £0.1m within business regulatory services and housing strategy largely offset this, with other minor over and under spends bringing the forecast back to budget.
- 8.3 The Environment Division is forecasting an overspend of £0.5m. The principal issues are:
- A forecast overspend of £0.3m on staffing costs within the street management division, similar to the outturn in 2011/12
 - A forecast overspend of £0.2m within strategic waste management, largely as a result of SELCHP fees for waste disposal
 - A forecast overspend of £0.1m in respect of Green Scene budgets, largely in respect of income shortfalls in Beckenham Place Park
 - Staffing underspends of £0.1m within environmental enforcement, pending a staffing reorganisation planned for 2013/14.

The Environment division are currently reviewing all non staffing and non contractual spending commitments with a view to reducing the overspend. To date, savings have been identified in bereavement, waste management and refuse collection. These, however, have been used in part to offset increased costs in green scene arising from the delay in implementing new management arrangements for Beckenham Park Place golf course.

- 8.4 An overall £0.7m overspend is forecast within Public Services. The parking income budgets are forecast to be on budget. Additional resources have been deployed to focus on collection. This is proving to be successful with the projected outturn on fines increasing by £50k for the second month in a row.

Early indications are that this may grow higher but officers are waiting to see the impact of the Olympics, Paralympics and other seasonal variations before increasing the forecast further. It should be remembered that increased fine income collection does incur additional legal fees. These are currently projected to be £0.1m over-budget but this, and the additional collection costs are far outweighed by the amount of additional income raised, currently projected to be £0.7m.

- 8.5 The re-letting of the parking contract was agreed to be delayed, in order to align the re-let with other priorities. As anticipated this gives rise to a forecast overspend of £0.4m, as planned savings will be delivered late. In addition, other contractual costs are forecast to be overspent by £0.2m.

9 Resources and Regeneration

- 9.1 The Resources and Regeneration Directorate is forecasting an underspend of £0.9m.

Resources & Regeneration Division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/ (under) spend
	£'000	£'000	£'000	£'000
Audit & Risk	5,529	(2,383)	3,146	(43)
Corp Policy & Governance	3,234	(77)	3,157	(157)
Finance	6,327	(1,152)	5,175	(326)
Executive Office	345	0	345	(81)
Personnel & development	3,838	(283)	3,555	(244)
Legal Services	2,976	(444)	2,532	(77)
Strategy	3,242	(409)	2,833	(90)
IMT	9,737	(1,272)	8,465	296
Planning & Development	4,097	(1,801)	2,296	(119)
Regen & Asset M'gement	22,781	(5,159)	17,622	(31)
Strategy & Performance	539	(61)	478	(93)
Reserve transfers		(1,647)	(1,647)	97
Total	62,645	(14,688)	47,957	(868)

- 9.2 The risks highlighted earlier in the year in the IMT budget have been significantly mitigated. The initial forecast overspend of £0.8m has now been more than halved through focused management action. The remaining forecast overspend of £0.3m, whilst still of significant concern, is planned to be managed down further by continuing printing restrictions. However, contractual obligations in place might prevent the overspend being eliminated in the current year.
- 9.3 The previously forecast overspend within the Regeneration & Asset Management division has now reduced and a small underspend is now reported. However pressures remain and these are principally in respect of repairs and maintenance, energy costs and once off redundancy costs. These are being offset against underspends elsewhere within the division mainly in relation to the highways budgets including street lighting.
- 9.4 Other key underpends include Personnel & Development where an underspend on learning and development is being reported and Finance where there have been fewer calls on the directorate contingency budget. Generally across the directorate there are a number of vacant posts that are being maintained in anticipation of reorganisations that are either planned or underway. These combined with expenditure controls on non salaried expenditure have enabled a forecast underspend of £0.9m to be reported.

10 Dedicated Schools' Grant

10.1 The final confirmation of the Dedicated Schools' Grant (DSG) for 2012/13 was received on the 26 June 2012 at £235.0m and together with £9.3m of funding provided by the Education Funding Agency to support post 16 provision in schools and £7.1m of Pupil Premium, the total amount of be grants expected to be received is £251.4m

10.2 The Dedicated School Grant budget is as follows

	Gross Expenditure	Govt Grants	Other Income	Internal Income	Net Budget
	£'000	£'000	£'000	£'000	£'000
Individual Schools Budget	208,060	(208,060)	0	0	0
Central expenditure on education of children under 5s	6,666	0	0	(112)	6,554
Provision for pupils with SEN (including assigned resources)	13,580	(696)	(1,204)	(2)	11,678
Education out of school	7,329	0	(29)	(1,082)	6,218
Capital Expenditure from Revenue (CERA) (Schools)	3,879	0	0	0	3,879
School-specific contingencies	4,595	(36,617)	0	0	(32,022)
Other	2,476	0	(14)	(95)	2,367
Academy Recoupment	6,064	(6,064)	0	0	0
Total	252,649	(251,437)	(1,247)	(1,291)	(1,326)

10.3 The grant is expected to have an underspend at the year end of £0.2m due to fewer independent special school places than expected.

11 Corporate Provisions

11.1 Corporate financial provisions include working balances, capital expenditure charged to revenue account (CERA) and interest on revenue balances. Overall, corporate financial provisions are not expected to overspend. The certainty on the outturn of these provisions will only become more apparent towards the end of the financial year.

12 Housing Revenue Account

12.1 The Housing Revenue Account is currently projecting very close to budget. A shortfall in hostel rent and service charge income is offset by an increase in tenants rental and service charge income.

	2012/13 net budget	Forecast	Variance
	£k	£k	£k
Customer Services - Housing	8,914	9,220	306
Lewisham Homes & R&M	39,656	39,656	0
Resources	1,766	1,766	0
Centrally Managed Budgets	-50,336	-50,655	-319
Total	0	-13	-13

12.2 The shortfall in hostel rent and service charge income is due to a significantly higher than budgeted void rate. The current rate is 17.6% compared to a

	2012/13 Original Budget	2012/13 Revised Budget	Spend to 31 July 12	Spend to 31 August 12	Proportion spent to date
	£000	£000	£000	£000	%
Community Services	3.8	3.8	1.1	1.4	37
Resources & Regeneration	23.2	19.5	2.4	3.3	17
CYP	30.4	31.8	6.0	6.2	19
CYP - BSF	35.8	35.8	5.0	8.4	23
Customer Services	3.7	3.5	0.2	0.2	6
Housing (General Fund)	9.9	10.4	1.1	1.4	13
Total General Fund	106.8	104.8	15.8	20.9	20
HRA	42.1	42.1	9.2	12.6	30
Total Expenditure	148.9	146.9	25.0	33.5	23

15 Treasury Management

- 15.1 With continued concerns about the stability of the banking sector, the Council's chosen treasury management strategy is highly risk averse. The counterparty list is based on industry analysis and is narrow in that it excludes the lowest credit rated counterparties, but includes the part nationalised banks. As at the end of August 2012, the balance stood at £252m. The performance of our internally managed funds is expected to at least perform in line with the benchmark for 2012/13. Performance will continue to be monitored closely by officers throughout the year.

16 Financial Implications

- 16.1 This report concerns the financial forecasts for the 2012/13 financial year. However, there are no direct financial implications in noting these.

17 Legal Implications

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

18 Crime and Disorder Act Implications

- 18.1 There are no crime and disorder implications relevant to this report.

19 Equalities Implications

- 19.1 There are no equalities implications relevant to this report.

20 Environmental Implications

- 20.1 There are no environmental implications relevant to this report.

21 Conclusion

- 21.1 The forecast overspend last month of £0.5m has been further reduced to £0.3m. However, plans are still not in place to tackle the bulk of the substantial overspend in the Customer Services directorate and the lack of progress on the capital programme is a further significant risk.

BACKGROUND PAPERS

None

APPENDICES

None

If there are any queries on this report, please contact Conrad Hall, Head of Business Management and Service Support 0208 3148379.