

Public Accounts Select Committee		
Title	Financial Forecasts 2016/17	
Contributor	Executive Director for Resources and Regeneration (Head of Financial Services)	Item 5
Class	Part 1 (open)	26 October 2016

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the financial forecasts for 2016/17 as at 31 August 2016, reporting on any exceptional items to the end of September 2016. The key areas to note are as follows:
- i. There is a forecast overspend of £9.6m against the directorates' net general fund revenue budget, an increase of £2.0m compared to the position reported in May 2016. This is set out in more detail in sections five to nine of this report. This compares to a final outturn of £3.1m for 2015/16 which resulted after applying £3.2m of funding for 'risks and other budget pressures' against the directorates' year-end overspend of £6.3m for that year.
 - ii. The Dedicated Schools Grant (DSG) is expected to be overspent by £0.7m at the year end.
 - iii. It is expected that there will be nine schools that require a licensed deficit. This is set out in more detail in section 11 of this report.
 - iv. It is expected that following the academy conversion order for Sedgehill School, the school's deficit will be written off against the schools' contingency.
 - v. The Housing Revenue Account (HRA) is currently projecting a £0.2m surplus, but this will be reinvested to maintain a balanced budget position. This is set out in more detail in section 12 of this report.
 - vi. As at 31 August 2016, some 43% of council tax due and 54.5% of business rates due had been collected. At this point last year, 43% of council tax due and 56% of business rates due had been collected. This is set out in more detail in section 13 of this report.
 - vii. For the 2016/17 capital programme, the revised budget is proposed at £87.4m. The budget figure reported to Public Accounts Select Committee on 5 July 2016 and Mayor & Cabinet on 13 July 2016 has been updated and is recommended for agreement by Mayor & Cabinet. Further details are set out in section 14 of this report. At 31 August 2016, some £21m or 24% of the revised budget had been spent, which is below the profile figure expected if the programme is to be delivered in full. The comparable figure to 31 August last year was 25% of the budget of £143.1m, with the final outturn being 80% of the revised budget of £118.1m.

2. PURPOSE

- 2.1 The purpose of this report is set out the financial forecasts for 2016/17 as at the end of August 2016, and also reporting on any exceptional items to the end of September 2016, projected to the year end.

3. RECOMMENDATION

- 3.1 The Public Accounts Select Committee is recommended to:
- 3.2 Note the current financial forecasts for the year ending 31 March 2016 and the actions being taken by the Executive Directors to manage down the forecasted year-end overspend.
- 3.3 Note the revised capital programme budget, as summarised in section 14 of the report and set out in more detail in 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.

5. DIRECTORATE FORECAST OUTTURN

- 5.1 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year-end overspend of £9.6m is being reported as at the end of August 2016. At the same time last year, an overspend of some £7.9m was forecast. Members should note that for 2016/17, there is a sum of £3.75m held corporately for managing 'risks and other budget pressures' which emerge during the year. As in previous years, the Executive Director for Resources and Regeneration will give due consideration as to when it might be appropriate to apply this sum to alleviate budget pressures. This consideration will happen towards the end of the financial year, after assessing the progress that has been made to manage down the current forecast overspend.

Table 1 – Overall Directorate position for 2016/17

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast Outturn 2016/17	May 2016/17 Forecast
	£m	£m	£m	£m	£m
Children & Young People (1)	57.8	(8.9)	48.9	4.5	4.6
Community Services	170.0	(76.9)	93.1	3.1	1.6
Customer Services (2)	101.5	(57.0)	44.5	2.2	1.6
Resources & Regeneration	41.6	(15.6)	26.0	(0.2)	(0.1)
Directorate Totals	370.9	(158.4)	212.5	9.6	7.7
Corporate Items	23.7	0.0	23.7	0.0	0.0
Net Revenue Budget	394.6	(158.4)	236.2	9.6	7.7

(1) – gross figures exclude £309m of Dedicated Schools' Grant and other school related expenditure and matching grant income

(2) – gross figures exclude approximately £220m of matching income and expenditure for housing benefits.

- 5.2 For various reasons the financial forecasts at this stage of the year are usually higher than the resulting outturn. However, similar to the scale of the variances projected last year, the current overspending projections are significantly greater than those in recent earlier years. This suggests that the council continues to face budget pressures of a different order than normal.
- 5.3 Delivering a large package of revenue budget savings for 2016/17 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.

6. CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of August 2016, the Children and Young People's directorate is forecasting a £4.5m overspend. At the same time last year, the year-end forecast was an overspend of £5.2m, with the actual year-end outturn being an overspend of £7.4m.

Table 2 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Forecast Outturn 2016/17	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	43.5	(1.5)	42.0	45.6	3.6
Education, Standards and Inclusion	4.0	(2.7)	1.3	1.5	0.2
Targeted Services and Joint Commissioning	15.4	(8.5)	6.9	7.6	0.7
Schools	0.0	(1.3)	(1.3)	(1.3)	0.0
Total	62.9	(14.0)	48.9	53.4	4.5

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

- 6.2 The most significant cost pressures for the directorate fall within the *children's social care* division which amounts to £3.6m. This includes a forecast overspend of £0.2m on the *no recourse to public funds* budget. The key issues relating to the directorate's budget pressures have been set out in the following paragraphs.
- 6.3 The placement budget for *looked after children* is currently forecast to overspend by £1.2m with the current number of looked after children totalling 442.
- 6.4 *Children leaving care* is currently forecast to overspend by £0.8m. The overspend as at the end of last year was £1.3m. The reduction has been achieved through better procurement of accommodation and reducing numbers.
- 6.5 There is an additional pressure on the *Section 17* unrelated to no recourse to public funds of £0.6m and on salaries and wages which show a forecast overspend of £0.8m. This has mainly been created by greater use of agency of the last three months.

- 6.6 The other main budget pressure in the rest of the directorate is on schools' transport within the partnerships and targeted services area. The final outturn on schools' transport at end of 2015/16 was an overspend of £0.9m. In 2016/17, it is expected to be £0.7m. Members should note that there is currently a review of fleet and passenger transport services underway. This is a cross council review and is expected to report back on its initial findings later this year.
- 6.7 There were savings proposals to put forward on Attendance and Welfare, occupational therapy and Multi agency planning that will not be delivered in full this year and a shortfall of £0.2m is expected.
- 6.8 The key unit costs and activity levels within children's social care are summarised in the following table.

Table 3 – Fostering Client Numbers

Placement type	Average weekly unit costs		Client numbers
	August 2016 (£)	August 2015 (£)	August 2016
Local authority fostering	443	402	183
Agency fostering	908	899	151
Residential homes	3,367	3,431	53

- 6.9 The unit cost information set out in the table above demonstrates the importance of the directorate's strategy for shifting the balance of provision towards fostering, as well as reducing costs.

7. COMMUNITY SERVICES

- 7.1 As at the end of August 2016, the community services directorate is forecasting an overspend on £3.1m. At the same time last year, the year-end forecast was an overspend of £2.0m, with the actual year-end outturn being an underspend of £1.2m.

Table 4 – Community Services Directorate

Service Area	Gross budgeted expenditure	Gross budgeted income	Net budget	Forecast Outturn 2016/17	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Adult Services Division	101.5	(31.1)	70.4	73.4	3.0
Cultural and Community Development	19.1	(7.6)	11.5	11.1	(0.4)
Public Health	17.6	(17.9)	(0.3)	1.1	1.4
Crime Reduction & Supporting People	18.9	(9.0)	9.9	9.1	(0.8)
Strategy & Performance	12.9	(11.3)	1.6	1.5	(0.1)
Total	170.0	(76.9)	93.1	96.2	3.1

- 7.2 The *adult services* division is forecast to overspend by £3.0m. The placement budgets, which has a projected overspend £2.5m, remains volatile in particular. The increase since last month reflects increased costs of mental health placements and changes associated with the re-letting of contracts for home care, at rates which include both travel time and London Living Wage. The greatest pressures remain on learning disability where the costs of transition clients has added an estimated £2m to adult budgets over the past two financial years. This has been identified as a financial risk, but has not been funded. Decisions on care arrangements for the next cohort of young people are currently being taken. These are likely to add a further £0.5m to the 2016/17 projection.
- 7.3 The projected overspend includes expected pressures, identified as budget risks, from learning disability transition cases of £0.3m and Deprivation of Liberty Safeguards (DOLS) work of £0.1m. Revenue budget savings of £2.5m have been agreed for adult social care for 2016/17. Most of these have either already been achieved in full or will be achieved in the next three months. Proposals to achieve the largest remaining savings areas will be brought to members in coming months. Once achieved, these can be expected to reduce the projected overspend. The current projections assume use of £0.4m of the Care Act funding which is being held corporately.
- 7.4 In 2015/16, underspends on the original Better Care Fund (BCF) plan were used to address pressures within adult social care. In 2016/17, there are again likely to be underspends against the BCF programme as several larger schemes have yet to start. No formal decisions have yet been taken about the application of this underspend. Therefore, the figures in this report make no assumption about any impact on social care budgets.
- 7.5 The *cultural and community services division* is forecasting an underspend of £0.4m. This is primarily due to a projected underspend on the budget for the main leisure management contract and associated dilapidations budgets for the Leisure Centres. The core contract value has reduced over the last few years to reflect the increases in projected usage which were included in the original contract profile. This underspend forms part of an agreed package of savings for the 2017/18 financial year. An underspend of £0.1m is projected on the libraries services, including Deptford Lounge; this reflects a decision to reduce discretionary expenditure to address pressures elsewhere in the directorate. There are other minor variances across the division covering the Broadway Theatre, the community sector grants and community centre budgets which at this stage of the year are largely expected to balance each other out.
- 7.6 In addition to the Council's £2m savings target across 2016/17 and 2017/18 for *public health*, these services are also subject to deliver a £2.08m reduction in grant funding in 2016/17 with further reductions expected in the next two financial years. Across 2016/17 and 2017/18, the service therefore has to identify savings in excess of £4m. Action has already been taken to reduce discretionary spend and a recent report to Mayor & Cabinet in August 2016 proposed consultation on a further set of disinvestments. However, it will not be possible to reduce spend in the current financial year by the full level of the funding reduction and at the end of August 2016, an overspend of £1.4m is projected. This includes a pressure on sexual health or genitourinary medicine (GUM) services budgets of £0.3m.
- 7.7 An underspend of £0.8m is projected on *crime reduction and supporting people*. There is a £0.5m projected underspend on the *supporting people programme*

arising partly from an expected early achievement of the agreed 2017/18 contract savings and partly from unexpected allocation of rental income for a property being used by one of the supporting people providers. Elsewhere in the division, there is a projected staffing underspend of £0.1m in the *crime, enforcement & regulatory services*. There is a further staffing underspend of £0.2m in the *prevention & inclusion service* and a further underspend of £0.2m on core *drug & alcohol service* which is resulting primarily from the enforcement of contract penalties on performance by results contracts. Both of these service areas are primarily funded via public health grant and these underspend are easing the overall pressure on public health funding. The divisional underspends are being partially offset by the projected overspend of £0.2m on the *youth offending service* budget for secure remand placements which has resulted from a combination of a reduction in government grant funding coupled with an upturn in the level of remand placements required by the courts.

- 7.8 The *strategy and performance* service which included the directorate management team budget is projected to underspend by £0.1m due to staff vacancies. This budget also includes the proportion of the BCF budget managed by the Clinical Commissioning Group.

8. CUSTOMER SERVICES

- 8.1 As at the end of August 2016, the forecast overspend for the customer services directorate is £2.2m, an increase of £0.6m compared to the figure reported in May 2016. At the same time last year, the year-end forecast was an overspend of £3.3m, with the actual year-end outturn being an overspend of £3.9m.

Table 5 – Customer Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast Outturn 2016/17	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Strategic Housing	25.7	(20.2)	5.5	6.3	0.8
Environment	35.7	(16.8)	18.9	19.9	1.2
Public Services*	32.5	(19.0)	13.5	13.7	0.2
Strategy & IMT	7.6	(1.0)	6.6	6.6	0
Total	101.5	(57.0)	44.5	46.7	2.2

* -excludes £220m of matching income and expenditure in respect of housing benefits

- 8.2 The *strategic housing service* is projecting an overspend of £0.8m, an increase of £0.2m. This relates to the action taken to manage the demand for temporary accommodation in the borough.
- 8.3 The number of people in nightly paid accommodation tenancies as at end of August 2016 was 528, compared to 556 reported in May 2016. This compares to 597 reported at the same period in 2015/16.
- 8.3 The reduction in numbers, together with the actions taken to manage costs has resulted in a balanced nightly paid accommodation budget. However, measures taken to achieve this has resulted in additional costs elsewhere within the strategic housing budget.

- 8.4 The *private sector leasing scheme* (PSL) is currently showing an overspend of £0.75m. This is due to a higher turnover of tenants as a result of actions to reduce the number of families in nightly paid accommodation and an increasing number of landlords withdrawing from the scheme and returning to the more lucrative private sector market. Both scenarios result in a loss of rental income and increased repairs and maintenance costs. These costs can be partially offset by balances set aside at the beginning of the PSL scheme for this purpose, but this is only a short term solution. Officers are currently looking into longer term options to supplement or replace the PSL scheme.
- 8.5 Incentives paid to landlords also contribute to the overspend. The council is projecting to pay £0.5m in incentives as a means of reducing the cost of nightly paid accommodation either by preventing families becoming homeless or retaining PSL landlords. The cost effectiveness of the incentive schemes are under constant review. The table below compares the average costs of a placement in a 2 or 3 bedroom property to the average incentive paid.

Table 6 – Housing Placement Costs

	Average incentive paid	Average cost per placement	Average saving per placement
	£	£	£
Inner rate	2,700	5,000	2,300
Outer rate	2,700	8,000	5,300

- 8.6 The current overspend set out above totals £1.25m. The use of balances and further reductions in spend on nightly paid accommodation is expected to reduce the overspend to £0.8m by the end of the financial year.
- 8.7 The *environment division* is forecasting an overspend of £1.2m, an increase £0.2m since the last report. This projection assumes the £1.0m cost of the disposal of dry recyclables will be met from corporate resources.
- 8.8 The largest proportion of the overspend, £0.7m, relates to additional vehicle hire costs as a result of a number of vehicles coming to the end of their operational life. Officers are currently considering options for leasing or purchasing vehicles, together with future vehicle requirements in preparation service changes as a part of the savings programme. Delivery times on new vehicles mean that this is likely to have little impact on the projection for this financial year.
- 8.9 An increase in domestic refuse tonnages is expected to result in an overspend of £0.2m. The council collected 41.9k tonnes in the first five months of 2016/17 compared to 40.6k tonnes in the same period last year. If the trend continues, it will result in additional disposal costs of £0.2m. Whilst initiatives such as the garden waste service are designed to reduce the amount of residual waste, the number of properties in the borough has increased by around 2,000 in the past year.
- 8.10 The *green scene* budgets are projecting an overspend of £0.1m largely as a result of the loss of income from the former Foxgrove Club. The future use of the premises is being considered as a part of the plans for Beckenham Place Park, but at present there is no clear scope for attracting the budgeted level of rental income.

- 8.11 For *bereavement services* this is projecting an overspend of £0.1m, largely arising from increased crematorium maintenance costs. Income levels are currently higher than in previous years as a result of issues at a local crematorium in a neighbouring borough. This will need close monitoring as there has been significant pressure on the services income budgets over several years and the risk of not achieving the budgeted income levels remain.
- 8.12 The provision of automated public conveniences no longer funded as a part of the JC Decaux highways contract will result in a £0.1m overspend in the street management budgets.
- 8.13 The *public services division* is forecasting an overspend of £0.2m compared to a balanced position last reported. The overspend has mostly arisen as a result of shortfalls in income across the service. A number of other risks have been identified but at this stage officers are taking action to keep within budget.
- 8.14 One of the risk areas is the recently established enforcement service. Income is currently projected to be below budgeted levels. A review of collection rates and options to recover the situation are currently being considered, but it should be noted that, despite being below budget, the service is still earning a net income to the council that would have previously been paid to external providers.
- 8.15 The *strategy* and *IMT* divisions are also forecasting a balanced position

9. RESOURCES AND REGENERATION

- 9.1 As at the end of August 2016, the resources and regeneration directorate is forecasting an underspend of £0.2m. At the same time last year, the year-end forecast was an underspend of £2.0m, with the actual year-end outturn being an underspend of £3.8m.

Table 7 – Resources and Regeneration Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast Outturn 2016/17	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Corporate Resources	4.9	(2.5)	2.4	2.4	0.0
Corporate Policy & Governance	4.1	0.0	4.1	3.8	(0.3)
Financial Services	4.8	(1.3)	3.5	3.4	(0.1)
Executive Office	0.2	0.0	0.2	0.2	0.0
Human Resources	3.0	(0.4)	2.6	2.3	(0.3)
Legal Services	3.0	(0.4)	2.6	2.7	0.1
Strategy	2.8	(0.7)	2.1	1.7	(0.4)
Planning	2.6	(1.4)	1.2	1.2	0
Regeneration & Asset Management	16.1	(8.4)	7.7	8.5	0.8
Reserves	0.0	(0.4)	(0.4)	(0.4)	0.0
Total	41.6	(15.6)	26.0	25.8	(0.2)

- 9.2 The *corporate policy & governance* division (£0.3m), the *financial services* division (£0.1m), the *human resources* division (£0.3m) and the *strategy* division (£0.4m) are all forecasting underspends which are principally driven by underspending on salaries costs.
- 9.3 In the *planning* division, high levels of planning fee income are again being forecast for 2016/17, but this is being offset by higher salaries and supplies and services costs in order to manage the additional workload.
- 9.4 A £0.1m overspend is forecast within the *legal services* division, due to an anticipated shortfall in income from capital works. There are no significant variances currently being forecast within the *corporate resources* and *executive office* divisions.
- 9.5 The *regeneration & asset management* division is forecasting an overspend of £0.8m. There is currently a £0.45m underachievement of income forecast in relation to large format advertising and small cell wireless devices. This income target was agreed as part of setting the 2016/17 budget. Officers will continue to progress with the options for these proposals and will continue to update members as the year progresses. There is also an underachievement of income from utilities companies against the network management budget of £0.25m. There are other areas of budget pressure including the costs of running the corporate estate where a £0.45m overspend is forecast. However, these are partly offset by areas of underspending including on salaries costs to result in the overall position for the division.

10. CORPORATE PROVISIONS

- 10.1 The *corporate financial provisions* include working balances, capital expenditure charged to the revenue account (CERA), and interest on revenue balances. These provisions are not expected to overspend although, with the impact of continued reductions in service budgets, there is ever greater pressure on working balances. Certainty on their outturn only becomes clear towards the end of the financial year.
- 10.2 With the United Kingdom electorate having voted to leave the European Union and the pending uncertainty this brings, there will continue to be concerns about the stability of the banking sector. The council's treasury management strategy continues to be focused on avoiding risk, wherever possible. With investment returns still at historically low levels, albeit with indications of modest rate rises possible by the end of the calendar year, there is little opportunity to seek higher returns. However, the council continues to keep its strategy under review and assess alternative investment strategies to find the appropriate balance in the trade off between return and risk. Members should note that similar to last year, a sum of £3.75m is being held corporately to help manage 'risks and other pressures' during 2016/17.

11. DEDICATED SCHOOLS' GRANT

- 11.1 The Dedicated Schools' Grant (DSG) for 2016/17 now stands at £284.7m. The DSG is now £48m (or 20%) larger than the Council's net general fund budget.

Further grants are given to schools and routed through the local authority. This includes the pupil premium (£17m), post 16 funding (£6m), and universal free school meals grant (£3m). This makes total funds of £311m. In total, this is some £73m higher than the Council's net general fund.

Schools

- 11.2 The deadline for schools to submit budget returns to the Local Authority was 31 May 2016. The last of the budget returns were received at the end of August 2016. Members should note that there is now an established escalation process for the non-submission of budget plans.
- 11.3 At the end of the 2015/16 financial year, there were 11 schools that had deficits. This compares with the three schools that had a license deficit agreement in place for the year end. There is likely to a further nine schools in deficit this year. Looking further ahead, the returns suggest that a further seven schools could go into deficit in 2017/18.
- 11.4 There are 45 schools who are operating an in-deficit in 2016/17, the schools have balanced their budget by using their carry forward. Currently officers are performing reasonableness checks on the information provided by schools. Such checks include
- Does the budget plan income agree to funding notification
 - Is the carry forward quoted in the budget plan incorrect
 - Reasonableness check, such as whether the budgets set align to previous year's budget and or expenditure.
- 11.5 The government is proposing to introduce a new national funding formula for schools in April 2018. With the current details available through the release of the first stage consultation earlier in the spring, it is not possible to see the exact impact on Lewisham. The most likely scenario is that schools in Lewisham will see a circa 10%, or £17m reduction in funding over the next three years. This is likely to impact on the level of traded services schools buy from the council. Likewise, there is a review of the high needs block funding and it is expected the funding in the high needs block could also be reduced by some 10%, or £4.5m.
- 11.6 The government has released a consultation document on Early Years funding, while there is extra funding overall due to the funding of the new 30 hours child care for working families the underlying position is a loss for Lewisham. It is estimated that this loss will be £1.5m, but in the next two years there will be some protection and the loss will initially be £0.9m. The consultation closed on 22 September 2016.

DSG central expenditure

- 11.7 The High Needs block is showing signs of pressure and an overspend of £0.7m is forecast at the year end. There has been a significant growth in the number of children with Education, Health and Care Plans for pupil aged 5 and below. There is also a significant growth in the number of post 19 children with high needs. The Schools Forum High Needs sub group will draw up proposals on how this will be dealt with in November. They will submit their proposals to the Schools Forum who meet on the 8 December 2016 to decide the budget for next year.

Mutual Funds

- 11.8 Sedgehill School will transfer to an academy by order, although the exact date for conversion has not yet been confirmed. The national regulations under this type of academy conversion is that the deficit remains the responsibility of the local authority. In the first instance, it can be charged to the schools contingency if there are sufficient funds. Otherwise it is left as the responsibility of the council to meet the cost.
- 11.9 In Lewisham, the schools contingency is held by the Schools Forum as a mutual fund for all schools. The deficit to this school which is circa £1.3m, will be charged to this contingency.

12. HOUSING REVENUE ACCOUNT

- 12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2016/17. The balanced HRA budget seen in the table includes a budgeted surplus of £1.1m, which is to be transferred to reserves at year end as a part of the 30 year HRA plan.
- 12.2 The forecast position for August 2016, is for an additional small surplus of £0.2m in compared with a balanced position previously reported. The surplus has been generated by unbudgeted income from garage rents of £0.1m and additional service charge and lease income and additional lease income for outsourced hostels totalling £0.1m.

Table 8 – Housing Revenue Account

Service Area	Expenditure Budget	Income Budget	2016/17 budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Customer Services – Housing	11.7	(3.5)	8.2	0
Lewisham Homes & R&M	36.8	0	36.8	0
Resources	2.0	0	2.0	0
Centrally Managed Budgets	50.5	(97.5)	(47.0)	(0.2)
Total	101.0	(101.0)	0	(0.2)

13. COLLECTION FUND

- 13.1 As at 31 August 2016, £49.7m of council tax had been collected. This represents 43.0% of the total amount due for the year of £115m. This is 0.4% below the profiled collection rate of 43.4% 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 43.0%, the same as this year.

- 13.2 Business rates collection is at 54.5%, a decrease of 1.5% compared to the same period last year, but 0.5% 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 August 2016 is £21m. This represents 24% of the revised budget of £87.4m. At this point last year, 25% of the revised budget of £143.1m had been spent, with the final outturn being 80% of the revised budget of £118.1m.

- 14.2 The 2016/17 revised capital programme budget, and the capital programme budget for future years has been updated and is proposed for agreement by Mayor & Cabinet. The changes to the 2016/17 revised budget are detailed in Appendix 1 and the revised four-year capital programme budget is summarised in Appendix 2. The revised budget for 2016/17 shows a decrease to the last reported budget and is mainly due to the re-phasing of some major projects:

- Catford Town Centre Regeneration Programme: The budget incorporates the allocation for buybacks of the remaining leaseholds in Milford Towers. The timeline for the Catford regeneration programme is currently being prepared and will be reported to Mayor & Cabinet in the autumn.
- Schools Places: At the last review, it was evident that some expansion works will slip due to late procurement, hence a re-profile of the budget into future years. This is alongside some modest savings achieved on ongoing contracts.
- Traveller Site Relocation: The site search for Travellers is currently ongoing for the development of a new Traveller site in the borough. It is unlikely that a site will be identified and ready for development in the next six months, hence a re-profile of the spend to next year.
- Asset Management Programme: The AMP funding is being re-profiled because a number of key projects expected for the current year have now been delayed and not likely to start until much later in the year. The implication is that some of the expected spend for the current year have now had to be deferred to next year.
- Housing Matters Programme (New Homes, Better Places): This programme has been re-phased due to planning conditions and remodelling of schemes following planning feedback.
- Decent Homes Programme: Whilst the anticipated spend for the largest area of budget provision (Major Works South) has increased from the previous forecast, significantly reduced spend is now expected in-year on planned preventative maintenance and sheltered Improvements, which are in the project initiation stage.

- 14.3 During 2015/16, the council established the Regeneration and Capital Programme Delivery Board comprising key officers involved in the planning and delivery of the capital programme. This Board has responsibility and accountability for the

delivery of all regeneration and capital projects and programmes of the built environment and is also responsible for ensuring that all projects and programmes are adequately and appropriately resourced.

- 14.4 The key objectives of the Board are to ensure that a consistent and corporate approach is taken to the development and authorisation of all project and programme initiation documents and the associated financing and funding of projects and programmes. It meets every two months and ensures that a corporate approach is taken to the monitoring, management and delivery of all projects and programmes. It reports through to the Regeneration Board which is chaired by the Executive Director for Resources and Regeneration.

Table 9 – Capital Programme

2016/17 Capital Programme	Budget Report (February 2016)	Revised Budget	Spend to 31 August 2016	Spent to Date (Revised Budget)
	£m	£m	£m	%
Community Services	0.4	1.0	0.4	40
Resources & Regeneration	17.8	14.3	3.4	24
CYP	9.4	20.4	4.9	24
Customer Services	0.7	1.2	0.3	25
Housing (General Fund)	14.7	13.9	3.9	28
Total General Fund	43.1	50.8	12.9	25
Housing Matters Programme	50.9	14.7	3.4	23
Hostels Programme	0.4	0.4	0.0	0
Decent Homes Programme	34.8	21.5	4.7	22
Total HRA	86.1	36.6	8.1	22
Total Expenditure	129.2	87.4	21.0	24

- 14.5 The table below shows the current position on the major projects in the 2016/17 general fund capital programme (i.e. those over £1m in 2016/17).

Table 10 – Major Capital Projects

2016/17 Capital Programme	Budget Report (February 2016)	Revised Budget	Spend to 31 August 2016	Spent to Date (Revised Budget)
	£m	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	2.9	5.1	1.5	29
School Places Programme	6.0	13.1	2.3	18
BSF - Sydenham	1.2	2.2	1.1	50
Other Schools Capital Works	1.5	3.9	1.2	31
Disabled Facilities / Private Sector Grants	1.3	1.7	0.4	24
Highways and Bridges (TfL)	2.0	4.9	0.4	8
Asset Management Programme	3.1	1.5	0.3	20
Highways and Bridges (LBL)	4.0	3.5	1.8	51
Acquisition – Hostels Programme	1.5	1.6	1.0	63
Property Acquisition – Lewisham Homes	4.0	3.0	0.0	0
Surrey Canal	0.6	1.0	0.7	70
Total Major Projects	28.1	41.5	10.7	26
Other Projects	15.0	9.3	2.2	24
Total Projects - GF	43.1	50.8	12.9	25

- 14.6 The main sources of financing the programme are grants and contributions and capital receipts from the sale of property assets. A total of £15.6m has been received so far this year, comprising £0.2m in respect of previous year's Housing stock transfers, £6.9m (net) from Housing Right to Buy sales, £1.6m from other sales and £6.9m of grants.

15. FINANCIAL IMPLICATIONS

- 15.1 This report concerns the financial forecasts for the 2016/17 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 has continued to apply sound financial controls. However, the short and medium-term outlook remains difficult and continued strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2016/17 and beyond.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Financial Outturn for 2015/16	1 st May 2016 (M&C)	5 th Floor Laurence House	Selwyn Thompson
Financial Forecasts for 2016/17 – May 2016	13 th July 2016 (M&C)	5 th Floor Laurence House	Selwyn Thompson
2016/17 Budget	24 th February 2016 (Council)	5 th Floor Laurence House	David Austin

For further information on this report, please contact:

Selwyn Thompson, Head of Financial Services on 020 8314 6932

APPENDIX 1

PROPOSED 2016/17 CAPITAL PROGRAMME - APPROVED TO LATEST BUDGET

	Total £000	Total £000
GENERAL FUND		
Approved Budget (month 2 2016)		71,579
New Schemes during the year		
Louise House and Library Works	108	
Coulgate Street – Public Realm Scheme	102	210
 Approved variations on existing schemes		
<u>Additional Funding</u>		
Besson Street Development	658	
TfL Highways Programme	922	1,580
 <u>Re- Phasing Budgets</u>		
School Places Programme	-4,078	
Catford Town Centre Regeneration	-8,000	
Asset Management Programme	-1,700	
Traveller Site	-1,088	
Schools Asset Management Programme (AMP)	-1,940	
Schools (AMP) – transfer to School minor capital works	-1,750	
Grove Park Street Improvements	-1,123	
ICT – Tech Refresh	-704	
Brookdale club freehold property purchase	-949	
Sydenham Park Footbridge	-465	
CPZ Programme	-500	
Education Catering Investment (UFSM)	-222	-22,519
 Completed Projects		 -4
 Latest Budget		 50,846

HOUSING REVENUE ACCOUNT

Approved Budget (month 2 2016)

85,693

Re-phasing Budgets

- Hostels Capital Programme
- Decent Homes Programme
- Housing Matters Programme

-66

-13,318

-35,772

-49,156

Latest Budget

36,537

Overall Budget

87,383

APPENDIX 2

Major Projects over £2m	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m
GENERAL FUND					
BSF – Sydenham	2.2				2.2
Schools - Places Programme	13.1				13.1
Schools - Other Capital Works	3.9	2.9			6.8
Highways & Bridges - TfL	4.9				4.9
Highways & Bridges - LBL	3.5	4.0	3.5	3.5	14.5
Catford Town Centre Regeneration	0.7	4.0	4.0		8.7
Asset Management Programme	1.5	3.8	3.9		9.2
Kender and Excalibur Regeneration	3.0	1.1		1.5	5.6
Heathside & Lethbridge Regeneration	2.1	5.0			7.1
Lewisham Homes – Property Acquisition	3.0			9.0	12.0
Acquisition – Hostels Programme	1.6			0.8	2.4
Disabled Facilities Grant	1.0	0.7	0.7		2.4
Private Sector Grants and Loans	0.7	0.6	0.6		1.9
Other Schemes	9.6	6.0	1.1		17.9
	50.8	28.1	13.8	14.8	107.5
HOUSING REVENUE ACCOUNT					
Hostels Programme	0.4	0.4	0.4	0.4	1.6
Housing Matters Programme	14.7	40.8	34.1	4.5	94.1
Decent Homes Programme	21.5	36.4	33.3	35.1	126.3
	36.6	77.6	67.8	40.0	222.0
TOTAL PROGRAMME	87.4	105.7	81.6	54.8	329.5