

Public Accounts Select Committee		
Title	Financial Results for 2016/17	
Contributor	Executive Director for Resources and Regeneration	Item 7
Class	Part 1 (open)	28 June 2017

1. EXECUTIVE SUMMARY

1.1 This report sets out the financial results for 2016/17. The key areas to note are as follows:

- i. The directorates' net general fund revenue budget was overspent by £9.8m and after applying the corporately held sum of £2.75m for 'risks and other budget pressures' this reduces the overall directorates' overspend to £7m. This has been set out in more detail in sections five to nine of this report.
- ii. The Dedicated Schools Grant (DSG) of £284.7m was in balance at the end of the year. There were nine schools in deficit at the year-end, three primary schools and the pupil referral unit. All of those schools have a licensed deficit agreement or are in the process of applying for one. This has been set out in more detail in section 10 of this report.
- iii. The Housing Revenue Account (HRA) is projecting an additional surplus of £4.1m above the already budgeted surplus of £10.1m, making the total for the year £14.2m. This surplus is expected to be transferred to reserves at the end of the year which will ensure that there are sufficient resources available to fund the current housing programme over the medium term. This has been set out in more detail in section 11 of this report.
- iv. Council Tax collection as at 31 March 2017 was 95.2% and was therefore 0.8% lower than this year's profile.
- v. Business Rates collection as at 31 March 2017 was 99.45% and was therefore 0.25% lower than the same period last year, but 0.45% higher than the overall target rate for the year of 99%.
- vi. The Capital Programme spend as at 31 March 2017 was £70.9m. This represents is 84% of the revised budget of £84.8m. The comparable figure last year was a final spend of £94.1m, which was 80% of the revised budget of £118.1m. This has been set out in more detail in section 13 of this report.
- vii. The net asset worth of the Lewisham Pension Fund as at 31 March 2017 was £1.274bn, which is an increase of some £233m over the course of the year. This has been set out in more detail in section 14 of this report.

2. PURPOSE

2.1 The purpose of this report is to set out the financial results for 2016/17 as at 31 March 2017.

3. RECOMMENDATION

That members of the Public Accounts Select Committee are asked to:

- 3.1 Note the year-end results for the financial year ended 31st March 2017.

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 general fund overspend against the directorate's net controllable revenue budget was £9.8m, as set out in Table 1 below. An original sum of £3.75m was set aside at the time of agreeing the 2016/17 budget and was being held corporately for managing 'risks and other budget pressures'. These were for such items which although difficult to quantify with absolute certainty, could prove significant should they have materialised during the course of the financial year. During the year, £1m of this sum had been allocated toward pressures pertaining to the dry recyclables contract managed within the Customer Services directorate. It is now felt necessary for the remaining sum of £2.75m should be applied to the overspend, the consequence of which will bring the directorates' year end overspend down from £9.8m to £7m for 2016/17. This residual overspend has been covered through the use of once-off corporate resources.

Table 1 – Directorates' Financial Results for 2016/17

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Final Outturn	Outturn over/ (under) spend	Variance
	£m	£m	£m	£m	£m	%
Children & Young People (1)	61.7	(14.0)	47.7	54.7	7.0	14.7%
Community Services	174.9	(81.8)	93.1	96.9	3.8	4.1%
Customer Services (2)	101.5	(57.0)	44.5	45.9	1.4	3.1%
Resources & Regeneration	74.2	(47.3)	26.9	24.5	(2.4)	(8.9)%
Directorate Totals	412.3	(200.1)	212.2	222.0	9.8	4.6%
Corporate Items	24.0	0.0	24.0	0	(2.8)	
Net Revenue Budget	436.3	(200.1)	236.2	222.0	7.0	

(1) – gross figures exclude £285m Dedicated Schools' Grant expenditure, pupil premium expenditure £17m, Post 16 Funding £7m, and universal free meals expenditure £2m and all the matching grant income

(2) – gross figures exclude approximately £240m of matching income and expenditure for housing benefits.

6 CHILDREN & YOUNG PEOPLE

- 6.1 The directorate overspent by £7.0m. The outturn was higher than forecasts being reported throughout the year. The overall position for the directorate has been set out in Table 2.

Table 2 – Children & Young People Directorate

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	43.4	(1.5)	41.9	45.8	3.9
Education, Standards and Inclusion	4.0	(2.7)	1.3	1.3	0.0
Targeted Services and Joint Commissioning	14.3	(8.5)	5.8	8.9	3.1
Schools	0	(1.3)	(1.3)	(1.3)	0.0
Total	61.7	(14.0)	47.7	54.7	7.0

* 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 £3.9m. This compares to a final year-end overspend of £6.3m in 2015/16. This includes an underspend of £0.5m on the *no recourse to public funds* budget. The key issues relating to the directorate's overspends have been set out in the following paragraphs.
- 6.3 The placement budget for *looked after children* showed an overspend of £2.2m. The number of looked after children at the end of the year was 459, this is lowest number recorded for several years, although the number for Lewisham remains higher than those recorded by our statistical neighbours. By way of comparison, at the end of last year it was 465. The cost of residential placements has grown throughout the year. At the end of 2015/16, the cost was on average £3,400 per week, but peaked during the year at £3,700, but has now come back down to £3,500. The overall overspend is made up of adoption allowances of £1.0m and special guardianship orders of £1.2m.
- 6.4 The *children leaving care* service showed an overspend of £0.3m. The overspend as at the end of 2015/16 was £1.3m. The reduction has been mainly achieved through better and improved procurement of accommodation, reducing the costs by some 20%.
- 6.5 There was an additional overspend on the *Section 17* budget unrelated to *no recourse to public funds* of £0.6m. The increase is mainly due to the number of clients who have children presenting themselves to the local authority as intentionally homeless. In 2016/17, this had cost £0.5m. It should be noted that there are costs which fall to this service which are unfunded through care leavers without status and some families where appeal rights have been exhausted. Salaries and wages has overspent by £0.7m. In addition to this, investment of £0.4m was made in order to set up the new 'front door' and there was new investment in technology of £0.2m across the whole directorate.

- 6.6 The other main overspend in the directorate is on schools' transport, where the service ended the year with an overspend of £1.2m. Members will be aware that the cross council review of fleet and passenger transport services is continuing. The numbers of children being transported has reduced over the year. At the beginning of the year, there were some 630 children receiving transport, 396 via Door 2 Door and 234 transported by taxi. The corresponding numbers at the end of the 2016/17 financial year was 357 and 225, giving a total of 582. Despite the reduction in the numbers of children being transported, the cost has not been reduced. Whilst it is positive that the numbers have reduced for children transported by the fleet, the savings can only be made if a bus route is no longer required. The transport budget for 2016/17 has also met the initial costs of the capacity needed to implement the long term policies that will eventually reduce the costs.
- 6.7 There were savings proposals to put forward on education psychologists and multi-agency planning that were not be delivered in full this year and a shortfall of £0.6m materialised. The education psychologists' budget has seen increased spending pressure due to the demand for Education Health and Care Plan, where the numbers issued has doubled this year. In addition, the short breaks budget is expected to overspend by £0.3m, although work is underway to bring this back within budget.
- 6.8 Provision has been made in the accounts for the government's Troubled Families Programme. The Second phase of the programme came into effect in 2015 and runs through to 2020. Part of the income depends on payments by results. In 2016/17, the target was to identify 964 families and make successful claims for 482 families. Some 976 families were identified and claims made for 376. While work continues with these families, it is now uncertain whether retrospective claims will be allowed for these families. Allowance for this has been made in the accounts and as a result a provision of £400k has been made.
- 6.9 The youth service was mutualised during the financial year. The Youth First contract covers the cost of direct frontline youth provision such as the cost of youth workers but also includes the property costs and management support. The total cost of the contract has been met from the CYP directorate budget, although in the past this directorate would only meet the direct service delivery costs. This has allowed savings to made in other directorates which offset this cost, leaving a neutral position for the council overall, but an overspend in the directorate.

7. COMMUNITY SERVICES

- 7.1 The directorate was overspent by £3.8m at the end of 2016/17. The overall position for the directorate has been set out in Table 5, and details of significant variations are set out in the paragraphs below.

Table 3 – 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	106.9	(36.1)	70.8	76.0	5.2
Cultural and Community Development	19.0	(7.3)	11.7	10.2	(1.5)
Public Health	17.6	(18.1)	(0.5)	0.4	0.9
Crime Reduction & Supporting People	18.8	(8.7)	10.1	9.2	(0.9)
Strategy & Performance	12.6	(11.2)	1.4	1.1	(0.3)
Reserves	0	(0.4)	(0.4)	0.0	0.4
Total	174.9	(81.8)	93.1	96.9	3.8

- 7.2 The *adult services* division overspent by £5.2m. The largest area of overspend, as forecast, was placement budgets which ended the year with total overspend of £4.3m. 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. Pressure on mental health budgets also increased during the year and the net overall overspend for this client group was £0.8m.
- 7.3 The projected overspend includes two further areas identified as budget risks. The year-end variance on Deprivation of Liberty Safeguards (DOLS) work was £0.3m and spend of £0.4m on activity related to the Care Act was charged to adult social care budgets rather than being met corporately, as had been assumed in forecasts.
- 7.4 In 2016/17, there are underspends against the Better Care Fund programme as several larger schemes had yet to start. Part of this underspend was allocated to adult social care budgets, reducing the net service variance by £734k.
- 7.5 The *cultural and community services division* underspent by £1.5m. There was, as projected, an 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. The service underspend increased by £0.2m (to £0.5m) compared to the last monitoring report, but this is the subject of a bid to carry an underspend forward into 2017/18. If approved, this will be reflected against the 'contributions to and from reserves' budget in 2016/17. At year end, there was an underspend of £0.3m on the Libraries Service (including Deptford Lounge). Most of this variance reflected the decision to reduce discretionary service expenditure to address the budget pressures elsewhere in the directorate and staffing variances caused by the service delivery changes following the mid-year changes to the library service.

However, the underspend was increased by slippage on the programme of IT works at the new community libraries; this is the subject of a carry forward request. Adult Learning Lewisham showed an underspend of £0.4m in 2016/17, £0.1m of this represents improvements in income generation. The remaining £0.3m is the carry forward of funding into 2017/18 to reflect spend in the final term of the academic year as spending. This carry forward is shown against 'transfers to reserves' not against the service. There are a number of more minor variances across the division covering the budgets for the core staffing budget for Cultural and Community Development Team, the Broadway Theatre, Community Sector Grants and Community Centres.

- 7.6 In addition to the council's £2m savings target across 2016/17 and 2017/18 for *public health*, these services were 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 report to Mayor & Cabinet in November 2016 proposed consultation on a further set of disinvestments. However, it was not possible during the last financial year by the full level of the funding reduction and the division overspent by £0.9m. This includes a pressure of £0.2m on school nursing budgets.
- 7.7 The year end underspends on *crime reduction and supporting people* was £0.9m. There was a £0.35m underspend on the Supporting People Programme arising mainly from the early achievement of the agreed 2017/18 contract savings. Elsewhere in the division, there was an underspend of £0.3m across staffing and operational budgets in the Crime, Enforcement & Regulation Service. There was also an underspend of £0.2m in the budget for the Prevention & Inclusion Service (PIT) - primarily staffing related pending a restructure. An underspend of £0.4m on core Drug & Alcohol service which resulted primarily from a combination of the enforcement of contract penalties on performance by results contracts and a reduction in Tier 4 rehabilitation activity. Both PIT and the Drug & Alcohol service are largely funded via the public health grant and these underspends are helping to ease the overall pressure on public health funding. The divisional underspends of £1.2m were offset by an overspend of £0.3m on the Youth Offending Service budget. This overspend relates primarily to the budget for secure remand placements which has resulted from a significant upturn in the level of remand placements required by the courts during 2016/17, but there has also an underlying pressure on the core staffing budget.
- 7.8 The *strategy and performance* service which included the directorate management team budget is projected to underspend by £0.3m primarily due to staff vacancies.

8. CUSTOMER SERVICES

8.1 The directorate was overspent by £1.4m at the end of 2016/17. The overall position for the directorate has been set out in Table 4, and details of significant variations are set out in the paragraphs below.

Table 4 – Customer Services Directorate

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Strategic Housing	25.7	(20.2)	5.5	4.0	(1.5)
Environment	35.7	(16.8)	18.9	21.1	2.2
Public Services*	32.5	(19.0)	13.5	13.9	0.3
Technology and Change	7.6	(1.0)	6.6	6.9	0.4
Total	101.5	(57.0)	44.5	45.9	1.4

* - excludes £240m of matching income and expenditure in respect of housing benefits

8.2 The budget for the *strategic housing service* has underspent by £1.5m. This is as a result of reduced costs relating nightly paid temporary accommodation, a once-off refund of Housing Benefit Subsidy resulting from the audit of the 2015/16 claim and additional rental income from various strands of temporary accommodation.

8.3 The cost of nightly paid temporary accommodation, commonly the number of bed and breakfast cases, has significantly reduced in 2016/17 as a result of the following factors:

- A reduction in the number of tenancies, due to enhanced prevention measures and the provision of alternative temporary accommodation,
- Better procurement of accommodation, for example, the Inter-Borough Accommodation Agreement, a Pan London collaborative approach to procuring temporary accommodation.

8.4 The number of tenancies in nightly paid accommodation as at end of March 2017 was 496, a significant reduction compared to the 546 tenancies at the end of 2015/16. This, together with the measures described above has resulted in a much reduced Housing Benefit Limitation Recharge and a lower requirement for a provision for bad debts, culminating in an underspend of £0.7m.

8.5 In addition to the above, an issue identified as a part of the audit of the 2015/16 Housing Benefit Subsidy Claim resulted in a new claim being submitted to the DWP in November 2016. As a result of the resubmission, the council received a refund in the region of £0.7m in March 2017 in respect of the Housing Benefit Limitation Recharge for 2015/16, giving a total underspend in the nightly paid accommodation budget of £1.4m, before offsetting the additional cost of alternative temporary accommodation and homelessness prevention measures.

8.6 The cost of prevention measures and alternative temporary accommodation exceeds budget provision by £1.2m, made up of £0.6m in incentives paid to landlords and a similar spend on properties acquired under the Private Sector Leasing (PSL) and Privately Managed Accommodation (PMA) schemes.

- 8.7 The incentives paid to landlords is a means of reducing the cost of nightly paid accommodation either by preventing families becoming homeless or retaining PSL landlords. 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.

	Average incentive paid	Average cost per placement	Average saving per placement
	£k	£k	£k
Inner rate	2.7	5.0	2.3
Outer rate	2.7	8.0	5.3

- 8.8 The PSL and PMA schemes spent above the sum budgeted by some £0.6m. This is due to a higher turnover of tenants as a result of actions to reduce the number of families in nightly paid accommodation. The PSL scheme is also experiencing 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.
- 8.9 The service received £0.9m income in excess of budget from hostels and other Council managed temporary accommodation. The biggest contributor to this surplus was the Milford Towers project where actual income exceeded budget by £0.5m.
- 8.10 Underspends on salaries budgets across the service totalled £0.4m as a result of recruitment drag following several major reorganisations.
- 8.11 The *environment division* has a year-end overspend of £2.2m.
- 8.12 The environment budget includes planned savings in respect of passenger transport provision across the council. The proposal to save £1m over two years was approved by Mayor and Cabinet as a part of the 2016/17 budget process and a Transport Board has been established to oversee its implementation.
- 8.13 The saving would be achieved partly by efficiency savings in the management of the direct provision of transport by the fleet and passenger services section within the environment division, and partly by managing demand and provision within CYP and Community Services, with the latter producing the bulk of the saving. It should be noted that, before the saving could be achieved, a £2.1m overspend on the provision of transport needed to be addressed.
- 8.14 Some progress has been made in this financial year. Changes in provision, together with a reduction in direct costs incurred by Environment, has resulted in the projected recharge from Environment to CYP and Community Services reducing by £0.3m in the current financial year. These reduced costs are reflected, if not separately identified, in the user directorates outturn rather than that of Customer Services and this has resulted in a £0.5m overspend being shown against this budget.
- 8.15 A further £0.5m of the overspend relates to additional vehicle hire costs as a result of a number of vehicles coming to the end of their operational life. The procurement process for the purchase of new vehicles is underway. There was a

report pertaining to the vehicle acquisitions elsewhere on the Mayor & Cabinet agenda.

- 8.16 Waste disposal budgets are projected to overspend by £0.6m. 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. This has increased the number of tonnes sent for disposal and costs have increased by £0.3m. In addition to this, disposal charges in relation to fly tipping have risen and new regulations regarding the disposal of fridges have resulted in an overspend of £0.3m on waste disposal costs.
- 8.17 The costs of establishing the new garden waste service were £0.1m in excess of their original estimates. The council will see the benefits of this investment in the current and coming years as the service grows.
- 8.18 A shortfall in commercial waste income of £0.1m has arisen, partly as a result of the reduction in the number of properties in the corporate estate.
- 8.19 The *green scene* budgets have overspent by £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. The balance of the overspend relates to residual costs resulting from the transfer of estates grounds maintenance to Lewisham Homes and a small overspend in the Arboriculture service
- 8.20 *Bereavement services* are reporting an overspend of £0.2m. This has arisen from increased crematorium maintenance costs and the costs of the mortuary contract with the Royal Borough of Greenwich.
- 8.21 The provision of automated public conveniences no longer funded as a part of the JC Decaux highways contract has resulted in a £0.1m overspend in *the street management* budgets. Small overspends on transport and staffing account for a further £0.1m overspend, bring the total to £0.2m.
- 8.22 The *public services division* overspent by £0.4m in 2016/17.
- 8.23 Enforcement service income is below budgeted levels by £0.4m. A review of collection rates and options to recover the situation are showing positive signs of improvement and this is expected to continue during 2017/18. 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.
- 8.24 The Registrars Service is showing an income shortfall of £0.1m. This is due to reduced income earnings in relation to citizenship following a change in the legislation.
- 8.25 This is partially offset by an underspend of £0.3m in the parking service. The underspend is as a result of increased income of £0.5m, offset by increased legal fees and banking charges, both of which correlate to the level of income received, of £0.2m.

8.26 The balance of the overspend, £0.1m, relates to the Housing Benefit Subsidy budget. This represents 0.01% of the gross budget of over £223m.

8.27 The *technology and change* division continues to forecast an overspend of £0.4m. This is mostly as a result of increased costs in Microsoft licenses.

9. RESOURCES AND REGENERATION

9.1 The directorate underspent by £2.4m. The size of underspend is greater than had been forecast during the course of the year and the overall position for the directorate has been set out in Table 6.

Table 6 – Resources and Regeneration Directorate

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Corporate Resources	5.3	(2.5)	2.8	2.9	0.1
Corporate Policy & Governance	4.4	(0.1)	4.3	3.9	(0.4)
Financial Services	4.8	(1.3)	3.5	3.3	(0.2)
Executive Office	0.2	0.0	0.2	0.2	0.0
Human Resources	3.0	(0.3)	2.7	1.9	(0.8)
Legal Services	3.1	(0.4)	2.7	2.5	(0.2)
Strategy	2.5	(0.3)	2.2	1.8	(0.4)
Planning	2.6	(1.4)	1.2	1.2	0.0
Regeneration & Place	48.2	(40.1)	8.1	7.6	(0.5)
Reserves	0.0	(0.8)	(0.8)	(0.8)	0.0
Total	74.2	(47.3)	26.9	24.5	(2.4)

9.2 The *corporate policy & governance* division (£0.4m), the *financial services* division (£0.2m), the *human resources* division (£0.8m), the *strategy* division (£0.4m) and the *legal services* division (£0.2m) have all achieved underspends which are principally driven by underspending on salaries costs and on supplies and services. In the *planning* division, there was no overall variance against budget as the end of the financial year.

9.4 The *regeneration & place* division has achieved an underspend £0.5m. This is despite there being a £0.5m underachievement of income in relation to large format advertising and small cell wireless devices, which has been substantially addressed for 2017/18 via a budget pressure allocation. There has been an overachievement of income within the Operational Asset Management section, including income from commercial properties, of approximately £0.4m and underspending on employee costs of c. £0.3m. There have also been receipts of One Public Estate grant funding (£0.25m) which will be utilised in 2017/18.

9.5 The *corporate resources* division has overspent by £0.1m due to increased motor insurance premiums. This is an area of the insurance market that is hardening with rising costs and a higher premium tax following last year's budget.

10. DEDICATED SCHOOLS' GRANT

- 10.1 The overall position on the Dedicated Schools' Grant (DSG) budget settlement for 2016/17 is set out in Table 6.

Table 6 – Dedicated Schools' Grant Settlement for 2016/17

DSG Area	Before Academy Recoupment	After Academy Recoupment
	£m	£m
Schools block	218.24	191.43
Early years block	22.48	22.48
High needs block	43.97	43.12
Total additions for non-block funding	0.05	0.05
Total DSG allocation	284.74	257.09

Note: The above table excludes the Pupil Premium (£17m), Post 16 funding (£6m) and Universal Free School Meals Grant (£3m), making total funds of £311m.

- 10.2 There were 9 secondary schools in deficit at the year-end, 3 primary schools and the pupil referral unit. All of those schools have a licenced deficit agreement or are in the process of applying for one.
- 10.3 Total school balances rose slightly from £12.4m at the end of 2015/16 to £12.7m at the end of 2016/17.
- 10.4 The overall DSG had a small surplus of £0.01m at the year end. Within this there was an overspend on special educational needs and early years, but this was offset by an underspend on capital expenditure from revenue.

11. HOUSING REVENUE ACCOUNT

- 11.1 The Housing Revenue Account (HRA) is reporting expenditure to its budget position after transfers to reserves as at 31 March 2017. Table 7 sets out the budgets and year end variances by services. It should be noted that an additional surplus of £4.1m above the budgeted value of £10.1m surplus, making a total of £14.2m was achieved in 2016/17, compared to the additional surplus figure of £1.6m which was previously reported. As with previous years, the surplus is transferred into reserves and reinvested in HRA services in future years as a part of the 30 year business plan.

Table 7 – Housing Revenue Account

	Expenditure Budget	Income Budget	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Customer Services - Housing	11.9	(3.5)	8.4	9.8	1.4
Lewisham Homes & R&M	36.7	0	36.7	35.3	(1.4)
Resources	2.1	0	2.1	1.6	(0.5)
Centrally Managed Budgets	50.3	(97.5)	(47.2)	(46.7)	0.5
Total	101.0	(101.0)	0.0	0.0	0.0

- 11.2 Lewisham Homes manages certain budgets on behalf of the council in addition to those formally delegated to them. Following two years of underspending, the

repairs and maintenance budget has underspend again this year. This in part reflects the continued investment in the decent homes programme, which has tended to reduce demand for day to day repairs and maintenance as properties are brought up to standard. The final underspend was £1.4m, an increase of £0.9m compared to the previous report.

- 11.3 A review of asset management spending requirements has been undertaken and officers are currently considering the outcome. It is envisaged that any underspend in repairs and maintenance will be reinvested in revised asset management priorities arising from the review.
- 11.4 An end of year review of bad debt provisions has resulted in a reduction of the required contribution by £2.8m.
- 11.5 In addition to the underspend in repairs and maintenance budgets, and bad debt provision, the surplus includes £2.3m arising from increased tenants' rental, leaseholder service charge and other income. The former has arisen due to lower than budgeted void rates in respect of tenanted properties. The additional leaseholder income is as a result of adjustments to prior year charges following completion of the annual leaseholder audit and a small variance between budgeted levels and actual bills raised. However, major works income was £4.2m less than budgeted, partly off-set by an underspend in the HRA Capital Programme.
- 11.6 Reduced interest costs of £0.4m, an adjustment to Insurance costs of £0.5m and an unused contingency of £0.3m are the most significant variations that contribute to the balance of the surplus.
- 11.7 Overall, the HRA has made a surplus on its activities during 2016/17. It will continue to build upon its reserves on an annual basis and this is mainly to ensure that there are sufficient resources available to fund the current 30 year business plan which seeks to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term.
- 11.8 After transfers to reserves, the HRA is reporting a balanced budget position.

12. COLLECTION FUND

- 12.1 As at 31 March 2017, £109.8m of council tax had been collected. This represents 95.2% of the total amount due for the year of £115.3m. This is 0.8% below the overall target of 96%. The rate achieved at this time last year was also 95.2%.
- 12.2 Business rates collection is at 99.5% for 2016/17, which is 0.25% less than the same period last year, but 0.5% than the overall target rate for the year of 99%.

13. CAPITAL EXPENDITURE

- 13.1 The overall spend for 2016/17 is £70.9m, which is 84% of the revised budget of £84.8m. The comparable expenditure figure last year was a final spend of £94.1m, which was 80% of the revised budget of £118.1m. Table 8 below

provides a breakdown of the budget and expenditure for both the general fund and the HRA.

Table 8 – Capital Programme

2016/17 Capital Programme	2016/17 Revised Budget	2016/17 final spend	Spend (Revised Budget)
	£m	£m	%
Community Services	1.0	1.1	107
Resources & Regeneration	14.3	12.7	89
Children and Young People	17.0	13.2	78
Customer Services	1.1	1.4	128
Housing (General Fund)	14.6	13.8	95
Total General Fund	48.0	42.2	88
Housing Matters Programme	15.3	9.9	65
Decent Homes Programme	21.5	18.8	87
Total HRA	36.8	28.7	78
Total Expenditure	84.8	70.9	84

13.2 Table 9 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 9

2016/17 Capital Programme	2016/17 Revised Budget	2016/17 Final Spend	Spend (Revised Budget)
	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	5.1	3.2	63
School Places Programme	9.7	6.8	70
BSF - Sydenham	2.2	2.3	105
Other Schools Capital Works	3.9	3.1	79
Surrey Canal – North Lewisham Links	1.0	0.8	80
Disabled Facilities / Private Sector Grants	1.7	1.1	65
Asset Management Programme	1.5	1.4	93
Acquisition – Hostels Programme	1.6	1.4	88
Property Acquisition – Lewisham Homes	3.0	6.0	200
Highways and Bridges (TfL)	5.0	4.8	96
Highways and Bridges (LBL)	3.5	3.1	89
Total Major Projects	38.2	34.0	86
Other Projects	9.8	8.2	84
Total Major Projects (General Fund)	48.0	42.2	88

- 13.3 The main sources of financing the programme include grants and contributions, and capital receipts from the sale of property assets. Some £45m has been received in 2016/17, comprising £14.9m (net) from housing right-to-buy sales, £1.6m from other sales and £28.5m of grant and contributions.

14. TREASURY MANAGEMENT AND PENSION FUND

Treasury Management

- 14.1 The overall treasury management portfolio as at 31 March 2017 has been set out in Table 10.

Table 10 - Treasury Position as at 31 March 2017

	Outstanding at 31 March 2017	Average Coupon Rate	Average Remaining Duration	Outstanding at 31 March 2016
	£m	%	Years	£m
Fixed Rate Borrowing				
Public Works Loans Board	76.7	5.44	21.6	78.0
Market Debt	89.2	4.71	36.9	88.3
Sub Total – Fixed Rate Borrowing	165.9			166.3
Variable Rate Borrowing				
Public Works Loans Board	0.0	0.0	0.0	0.0
Market Debt	25.0	4.54	21.8	25.0
Sub Total – Variable Rate Borrowing	25.0			25.0
Total Debt	190.9			191.3
Investments				
Internally Managed	372.5	0.64	116 days	330.5
Total Cash Managed	372.5			330.5

- 14.2 It has been the council's strategy to borrow up to the level of the government's assessment of the council's underlying need to borrow which is termed the Capital Financing Requirement (CFR). The net increase in CFR in 2016/17 was £0.9m, this being £10.0m lower than the increase for 2015/16. When maturing debt is considered, the net borrowing requirement for 2016/17 was minus £0.4m, this being £11.3m less than the net borrowing requirement of £10.9 in 2015/16, as set out in Table 11.

Table 11 – Capital Financing Requirement for 2016/17

	2016/17	2015/16
	£m	£m
Opening CFR	241.7	230.8
Prudential Borrowing	7.0	12.5
MRP/Voluntary Repayment	(6.1)	(1.6)*
Closing CFR	242.6	241.7

Increase/(Decrease)	0.9	10.9
Maturing Debt	(1.3)	-
Net Borrowing Requirement	(0.4)	10.9

*there was a one-off pre 2015/16 adjustment to MRP policy in 2015/16

- 14.3 In previous years, the difference between CFR and external debt has been met from the borrowing of internally held funds. As at 31 March 2017, this internal borrowing totalled £51.7m. There was no new borrowing in the year 2016/17. Table 12 sets out the comparative position of CFR and debt.

Table 12 – Debt and CFR Movement in 2016/17

	2016/17	2015/16
	£m	£m
Capital Financing Requirement	242.6	241.7
External Debt	190.9	191.3
Difference	51.7	50.4

Pension Fund

- 14.4 The net asset worth of the Lewisham Pension Fund as at 31 March 2017 was £1.274bn. This represents an increase of some £233m over the course of the year, where the closing net assets of the scheme as at 31 March 2016 were valued at £1.041bn. This is principally attributable to an increase in stock valuation during the year.
- 14.5 The Pension Fund is, and is likely to remain, 'cash negative'. That is, the benefits paid out in any year are likely to exceed the contributions paid in. This is entirely normal for a Pension Fund of this maturity and is fully taken into account in the investment strategy.

15. FINANCIAL IMPLICATIONS

- 15.1 This report concerns the financial results for the 2016/17 financial year. However, there are no financial implications in agreeing the recommendation of this report.

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 IMPLICATIONS

- 18.1 There are no equalities implications directly arising from this report.

19. ENVIRONMENTAL IMPLICATIONS

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

20. HUMAN RESOURCES

20.1 There are no human resources implications directly arising from this report.

21. CONCLUSION

- 21.1 The overall net general fund overspend against the directorates' net general fund budgets was £9.8m. After applying the sum of £2.75m which was set aside in agreeing the 2016/17 budget for 'risks and other budget pressures', this brings the final overspend down to £7m.
- 21.2 Since the start of the financial year and the first public report of the financial forecast position to Mayor & Cabinet in July 2016, the Executive Directors have continued to put in place a number of measures designed to alleviate the council's overall budget pressures to help bring spending back into line with budget. These measures have included the strengthening of local controls on particular expenditure in the short term.
- 21.3 As the new financial year begins, with a new set of challenges in terms of the delivery of revenue budget savings, the council will continue to apply sound financial controls. It is clear that the short and medium-term outlook will remain difficult. However, the Executive Director for Resources and Regeneration will continue to work with directorate management teams across the council to effect the necessary continued actions to manage their services.
- 21.4 Members should note that the Budget Book for 2017/18 has now been published and available for viewing on the council's website. This provides the starting point for the 2017/18 budget monitoring programme.

BACKGROUND PAPERS AND FURTHER INFORMATION

Short Title of Report	Date	Location	Contact
Budget 2017/18	22 February 2017 (Council)	5 th Floor Laurence House	Selwyn Thompson
Financial Forecasts 2016/17	July 2016 and 11 November 2016 and February 2017 (M&C)	5 th Floor Laurence House	Selwyn Thompson
Financial Outturn 2015/16	June 2016 (M&C)	5 th Floor Laurence House	Selwyn Thompson
Budget 2016/17	24 February 2016 (Council)	5 th Floor Laurence House	Selwyn Thompson

For further information on this report, please contact:

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