Mayor & Cabinet				
REPORT TITLE	Financial Results for 2017/18			
KEY DECISION	No		Item No.	
WARD	N/A			
CONTRIBUTORS	Executive Director for Resources and Regeneration			
CLASS	Part 1	Date	11 July 2018	

1. EXECUTIVE SUMMARY

1.1 This report sets out the financial results for 2017/18. The key areas to note are as follows:

i. The directorates' net general fund revenue budget was overspent by £17.8m and after applying the corporately held sum of £1.3m for 'risks and other budget pressures' this reduces the overall directorates' overspend to £16.5m. This is set out in more detail in sections five to nine of this report. This compares to a final outturn of £7m for 2016/17 which resulted after applying £2.8m of funding for 'risks and other budget pressures' against the directorates' year-end overspend of £9.8m for that year.

ii. For the Dedicated Schools Grant (DSG) of £289.6m for 2017/18, there were nine schools which applied for a licensed deficit by the year-end. There are a further six schools which are not in a licensed deficit position, but are benefiting from loans being provided. This has been set out in more detail in section 10 of this report.

iii. The Housing Revenue Account (HRA) is projecting a £5.1m surplus above the budgeted level of a £7.9m surplus as at 31 March 2018. 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 2018 was 94.5% and was therefore 1.5% lower than this year's profiled collection rate of 96% and 0.7% lower than the previous year's collection rate. This was due to having to collect the minimum 33% contribution from Council Tax Reduction Scheme recipients and additional debt raised as a result of the single person discount review. Further details have been set out in section 12 of this report.

v. Business Rates collection as at 31 March 2018 was 97.9% and was 0.5% higher than the same period last year, but 1.1% lower than the overall target rate for the year of 99%. Further details have been set out in section 12 of this report.

vi. The Capital Programme spend at 31 March 2018 was £87.0m. This represents 86% of the revised budget of £100.7m. The comparable figure last year was a final spend of £71.2m, which was 84% of the revised budget of £84.8m. This has been set out in more detail in section 13 of this report.

2. PURPOSE

2.1 The purpose of this report is to set out the financial results for 2017/18 as at 31 March 2018.

3. RECOMMENDATION

3.1 The Mayor & Cabinet are asked to:

3.2 Note the current financial results for the year ending 31 March 2018.

4. POLICY CONTEXT

4.1 The Council's strategy and priorities drive the budget with changes in resource allocation determined in accordance with policies and strategy. The Council's vision "together, we will make Lewisham the best place in London to live, work and learn" was adopted by the Lewisham Strategic Partnership as part of the Sustainable Community Strategy, along with six over-arching priorities:

4.1.1 Sustainable Community Strategy

- **Ambitious and achieving**: where people are inspired and supported to their potential.
- **Safer**: where people feel safe and live free from crime, antisocial behaviour, and abuse.
- **Empowered and responsible**: where people are actively involved in their local area and contribute to supportive communities.
- **Clean, green, and liveable**: where people live in high quality housing and can care for and enjoy their environment.
- **Healthy, active and enjoyable**: where people can actively participate in maintaining and improving their health and well-being.
- **Dynamic and prosperous**: where people are part of vibrant communities and town centres, well connected to London and beyond.

4.1.2 Corporate Priorities

The Council's ten 'enduring' priorities were agreed by full Council and are the principal mechanism through which the Council's performance is reported and through which the impact of saving and spending decisions are assessed. The Council's priorities also describe the Council's contribution to the delivery of Lewisham's Sustainable Community Strategy priorities.

- **Community Leadership and Empowerment**: developing opportunities for the active participation and engagement of people in the life of the community.
- **Young people's achievement and involvement**: raising educational attainment and improving facilities for young people through partnership working.

- **Clean, green, and liveable**: improving environmental management, the cleanliness and care for roads and pavements, and promoting a sustainable environment.
- **Safety, security, and a visible presence**: partnership working with the police and others to further reduce crime levels and using Council powers to combat anti-social behaviour.
- **Strengthening the local economy**: gaining resources to regenerate key localities strengthen employment skills and promote public transport.
- **Decent Homes for all**: investment in social and affordable housing to achieve the decent homes standard, tackle homelessness, and supply key worker housing.
- **Protection of children**: better safeguarding and joined up services for children at risk.
- **Caring for adults and older people**: working with health services to support older people and adults in need of care.
- **Active, healthy citizens**: leisure, sporting, learning, and creative activities for everyone.
- **Inspiring efficiency, effectiveness, and equity**: ensuring efficiency and equity in the delivery of excellent services to meet the needs of the community.

4.2 The Council's strong and resilient framework for prioritising action has assisted the organisation in face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, the Council continues to work alongside our communities to achieve more than it could by simply working alone.

4.3 This outturn position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year on year, despite the increasing demand to deliver services to the borough's residents.

5. DIRECTORATE FINAL OUTTURN

5.1 The general fund overspend against the directorate' net controllable revenue budget was £17.8m, as set out in Table 1 below. A residual sum of £1.3m was set aside as the time of agreeing the 2017/18 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 over the course of the financial year.

5.2 Given that the financial year has now come to a close, it has been necessary for this residual sum of £1.3m to be applied to the overall directorate overspend. The consequences of this brings the directorates' year end overspend down from £17.8m to £16.5m for 2017/18. This remaining overspend has been covered through the use of once-off corporate resources.

Table 1 – Directorates' Financial Results for 2017/18

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)	66.7	(18.0)	48.7	64.3	15.6	32.0%
Community Services	167.0	(80.0)	87.0	86.1	(0.9)	(1.0%)
Customer Services (2)	102.7	(60.1)	42.6	47.6	5.0	11.7%
Resources & Regeneration	76.9	(51.8)	25.1	23.2	(1.9)	(7.6%)
Directorate Totals	**413.3**	**(209.9)**	**203.4**	**221.2**	**17.8**	**8.8%**
Corporate Items	29.3	0.0	29.3		(1.3)	
Net Revenue Budget	**442.6**	**(209.9)**	**232.7**		**16.5**	**7.1%**

(1) – gross figures exclude £289.6m Dedicated Schools' Grant expenditure

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

6 CHILDREN & YOUNG PEOPLE

6.1 The directorate overspent by £15.6m. This is a significant overspend for the directorate and is of an order never seen previously in Lewisham. Up until the final quarter of the financial year, the forecasts had generally remained consistent throughout the year. However, the last quarter has been witness to the most significant month-on-month increases since the year began. This is for various reasons and explanations have been set out in the following paragraphs. 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 – including grants*	Net budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	38.7	(1.0)	37.7	50.3	12.6
Education, Standards and Inclusion	2.6	(1.5)	1.1	0.6	(0.5)
Targeted Services and Joint Commissioning	18.0	(5.6)	12.4	15.9	3.5
Schools	0.0	(2.5)	(2.5)	(2.5)	0.0
Total	**59.3**	**(10.6)**	**48.7**	**64.3**	**15.6**

* 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 fell within the c*hildren's social* care and *no recourse to public funds* service areas and together, these amount to £12.6m, after applying reserves and other available once-off resources. The key issues pertaining to these pressures are set out in the following paragraphs.

6.3 In respect of those clients with no recourse to public funds, this includes temporary bed and breakfast temporary accommodation for those clients and section 17 payments. These are families who seek support from the local authority under section 17 of the Children's Act because they claim to have no financial means of supporting themselves whilst they are in the process of attempting to regularise their stay in the UK with the Home Office. At the end of 2017/18 support was being provided to a lower number of clients from the 29 cases being supported at the start of the year. This has all resulted in an overall underspend of £0.450m for 2017/18.

6.4 The placement budget for *residential placements* overspent by £3.2m. The current number of *residential placements* totalled 42 at the year-end. For services related to *fostering (in-house and external)* this overspent by £2m, with the number of clients at the year-end being 361. It is worth noting that the average number for the 2016/17 financial year was 357. Furthermore, it is also worth noting that the total number of external fostering placements has moved from 171 in 2016/17 to some 191 in 2017/18.

6.5 There was an additional pressure from placements of children in semi-independent accommodation of £1.8m in 2017/18.

6.6 One of the most significant areas of overspend has been on salaries and wages, with a significant sum spent on agency staff. This has overspent by some £6.6m. This significant level of overspend, coupled with the overspend of the salaries budgets of £0.9m, brings the total overspend on staffing to £7.5m. The significant increase of agency staff, particularly towards the latter end of this year, has had a hugely detrimental impact on the children's social care budget for the year.

6.7 A summary of the key cost and volume activity is set out in Table 3 below.

Table 3 – Cost and volume activity

Care Type	Budgeted Weekly Costs	Budgets Clients	Actual Costs	Actual Clients
	£		£	
In–House Placements	434	154	399	170
External Fostering Placements	914	148	910	191
Residential Placements	3,726	28	3,970	42
Placements – Other	1,991	15	358	30
Semi–Independent	307	30	1,188	38

6.8 The other cost pressures in the rest of the directorate is on schools' transport within the *partnerships and targeted services* area with an overspend of £2.2m. The cost of travel assistance has been the main cause of the budget pressure due to the increased use of taxis for extra pupils being transported. This has resulted in overall additional costs of £1m on schools' transport for 2017/18. There are also existing budget pressures on the Youth First contract relating to property related costs and some loss of grant income.

6.9 For the Standards and Achievement division, these underspends of £0.5m mainly related to staff savings and additional income achieved through schools' service level agreements.

7. COMMUNITY SERVICES

7.1 The directorate underspend by £0.9m. This was generally in line with the trajectory being reported throughout the course of the financial year and the overall position for the directorate has been set out in Table 4.

Table 4 – Community Services Directorate

Service Area	Gross budgeted expenditure	Gross budgeted income	Net budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Adult Services Division	115.2	(46.3)	68.9	69.7	0.8
Cultural and Community Development	17.0	(7.7)	9.3	8.7	(0.6)
Public Health	16.0	(17.6)	(1.6)	(1.8)	(0.2)
Crime Reduction & Supporting People	17.7	(8.3)	9.4	8.6	(0.8)
Strategy & Performance	1.3	(0.1)	1.2	1.1	(0.1)
Reserves	(0.2)	0.0	(0.2)	(0.2)	(0.0)
Total	**167.0**	**(80.0)**	**87.0**	**86.1**	**0.9**

7.2 The *adult services* division overspent by £0.8m. The main variances relate to (i) costs associated with deprivation of liberty safeguards (DOLS),(ii) placement budgets where existing pressures are compounded by the cost of new transition cases of £0.9m, by pressures from earlier discharges from hospital and (iii) by the difficulty in achieving the £4.5m savings required for 2017/18.

7.3 Previous reports notes that £0.8m of the improved Better Care Fund (iBCF) had not been allocated to individual schemes. Agreement was reached with the Clinical Commissioning Group (CCG) for this underspend to be applied to the additional costs incurred by the council in reducing the number of patients staying in hospital despite being medically fit for discharge. This additional income to the council reduced the overspend on adult social care, but it should be noted that this is only one-off. The plans for overall use of the iBCF for 2018/19 have yet to be agreed.

7.3 The c*ultural and community services division* finished the year with an underspend of £0.6m. This represents a movement of £0.4m from the position reported in the last quarter. Part of the movement relates to the Adult Learning Lewisham (ALL) budget which is underspent by £0.25m. This change followed the decision to fund an expected transfer to capital reserves for proposed work at the Invitational Centres from the ALL earmarked reserves rather than 2017/18 revenue budgets.

7.4 There was an underspend of £0.150m on Leisure Management due to a change in the accounting treatment for the budgeted contribution to the Discretionary Rate Relief Pool. This cost will now fall on the Collection Fund rather than on the revenue budget.

7.5 The Libraries budget – underspent by £0.1m although an earmarked reserve request has been made to carry forward £50k of this underspend forward to 2018/19 to cover the once off contribution to the London Libraries Consortium (LLC) for the New London wide Library Management System-each local authority within the LLC has been requested to identify and set aside funding for a one-off transition costs which due to delays will now fall in 2018/19.

7.6 Overall, there was an overspend on the budget for Community Centres of £0.160m. There was a review undertaken of the facilities management arrangements for the seven buildings directly managed by the Community Resources Team in order to deliver a saving of £70k for the 2017/18 financial year. This work included the option to outsource management functions to a third part provider with experience in either managing community facilities or to a social housing provider. Delays in the implementation of this work coupled with a loss of income from the closure of several building during 2016/17 following the implementation of voluntary sector accommodation plan *(report to Mayor & Cabinet on 11 November 2015*) and budget pressures around the 'new' Community Hubs has created the 2017/18 budget pressure.

7.7 There was an underspend of £0.1m on the Culture & Community Development staffing budget and an underspend of £60k on Assemblies reflecting delays in committing the Assemblies Fund in some areas.

7.8 There was a small underspend (£0.2m) is projected on the *public health* due to lower than forecast activity against a number of demand led budgets.

7.9 The *crime reduction and supporting people* division showed an underspend of £0.8m. This represents a movement of £0.3m on the previously reported position. The largest change was that agreement has now been reached with One Housing over the annual rental income for the use of Honor Lea hostel for the delivery of services under the Supporting People Programme. The final agreement has now been signed and backdated to April 2016, resulting in net rental income of £0.2m not previously assumed in the monitoring position.

7.10 Youth Offending budgets overspent overall by £0.1m. There was a small overspend on the budget for secure remand placements although this budget had been supplemented by £50k in 2017/18 on a one-off basis. Additionally, following the adverse service inspection by the Youth Justice Board, a new staffing structure was put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan. This created a £70k pressure on the core budget.

7.11 Other areas of the division underspent in 2017/18. This includes: drug & alcohol budgets of £0.2m relating to contracts; environmental health of £0.16m relating to staffing and income; prevention and inclusion of £0.2m relating to staffing); and crime, enforcement and regulation of £0.18m also relating to staffing.

7.12 The *strategy and performance* service which includes the directorate management team budget showed a small underspend of £0.1m.

7.13 There is a small net projected variance on the Community Services reserves. There was a drawdown of £0.1m against the earmarked reserve to combat against 'violence against women and girls'. This reserve is matched against the overspend shown on the Supporting People Programme. Also, a sum of £0.1m has been transferred to reserves following the technical accounting adjustment on the Arts Service – matched against the underspend on the Arts Service.

8. CUSTOMER SERVICES

8.1 The directorate was overspent by £5.0m at the end of 2017/18. 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 5 – 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	27.5	(21.9)	5.6	5.8	0.2
Environment	35.8	(17.3)	18.5	21.7	3.2
Public Services*	34.1	(20.5)	13.6	13.9	0.3
Technology and Change	5.3	(0.4)	4.9	6.2	1.3
Total	**102.7**	**(60.1)**	**42.6**	**47.6**	**5.0**

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

8.2 The budget for the *Strategic Housing service* overspent by £0.2m in relation to staffing costs for *no recourse to public funds*, following an in-year reduction in the staffing budget.

8.3 The cost of nightly paid temporary accommodation, commonly number of bed and breakfast, has significantly reduced in 2017/18 as a result of the following factors:

- The application of Discretionary Housing Payments to help reduce tenants arrears;
- Better procurement of accommodation, for example, the Inter-Borough Accommodation Agreement (IBAA), a Pan London collaborative approach to procuring temporary accommodation;
- A small reduction in the average number of clients accommodated throughout the year.

8.4 The number of tenancies in nightly paid accommodation as at end of March 2018 was 573. This is higher than the number accommodated at the start of the year which was 496, but is at a lower average cost due to the use of the IBAA rates. This has resulted in a much reduced Housing Benefit Limitation Recharge, culminating in an underspend of some £0.8m

8.5 The cost of prevention measures and alternative temporary accommodation exceeds budget provision by £1.7m, made up of £0.7m of incentives paid to landlords and a similar overspend on properties acquired under the Private Sector Leasing (PSL) and Privately Managed Accommodation (PMA) schemes.

8.6 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.

8.7 The PSL and PMA schemes are overspent by a total of £1m. 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.

8.8 The service received £0.7m income in excess of budget from hostels and other council managed temporary accommodation. The main contributor to this surplus was the Milford Towers project where actual income exceeded budget by £0.6m.

8.9 Underspends on salaries budgets across the service totalled £0.2m as a result of recruitment delays following several major reorganisations. The service was also in receipt of £0.5m of government grants for Trailblazers, Flexible Homelessness Support Grant (FHSG) and New Burdens through the HRA Act.

8.10 The *Environment division* has a year-end overspend of £3.2m. This includes the refuse service overspend by £2.1m. Additional costs have been incurred by the service as a result of the delay in implementing the move to fortnightly collections and the introduction of a new service for food and garden waste collection in October 2017. An overspend of £0.8m on staffing costs has occurred, partly to ensure the smooth running of the new service arrangements. This is not expected to continue into 2018/19 once the service has fully settled. Additional costs for the purchase of food waste bins and the publicity for the new service arrangements has added another £0.5m of unbudgeted costs for the service in 2017/18.

8.11 It should be noted that part of the £2.1m overspend in refuse services relates to vehicle costs for the service. An overspend of £0.7m relates to additional vehicle hire costs, as a result of a number of vehicles coming to the end of their useful life, with vehicle hire costs being at least three times the cost of council owned vehicles. The first four of 15 new waste vehicles have now been delivered to the council and will be in use for 2018/19. The new vehicles should significantly reduce the vehicle hire costs going forward. This should also impact on repairs and maintenance costs for the fleet, as the oldest vehicles will be replaced first.

8.12 The Environment budget included 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, with a saving £0.5m in 2016/17 and a further £0.5m in 2017/18. 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, and partly by managing demand and provision within the CYP and Community Services directorates, with the latter producing the bulk of the saving. The first year saving was achieved. In recognising the difficulty in delivering the saving for the second year, this will be reversed in 2018/19.

8.13 The strategic waste management service is showing an overspend of £0.2m in relation to fly-tipping, including street sweeping and disposal of waste costs.

8.14 The *green scene* budgets have overspent by £0.2m largely as a result of remedial works on trees to prevent insurance claims for damage from trees.

8.15 *Bereavement services* are reporting an overspend of £0.2m. This has arisen from lower than budgeted crematorium and increased costs of the mortuary contract with the Royal Borough of Greenwich.

8.16 The *Public Services division* overspent by £0.3m in 2017/18. The Enforcement service income is below budgeted levels by £0.3m. 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.

8.17 This is partially offset by an underspend of £0.7m in the parking service. The underspend is as a result of increased income of £1.1m compared to budget, partially offset by banking charges as a result of the increase in processed income and unbudgeted contractor performance payments of £0.4m.

8.18 Further minor overspends against budget can be seen for the central debtors team, relating to staffing and for the council tax administration grant and court income service area, in relation to bank charges.

8.19 Some £0.5m of the overspend relates to the Housing Benefit Subsidy budget. This represents just 0.02% of the gross budget of over £240m.

8.20 The *Technology and Change* division has overspent by £1.3m. In the last financial year 2016/17, the service delivered budget savings of £1m, primarily through introducing a new shared ICT service and reducing the cost of infrastructure contracts. For 2017/18, a reduction in the division's budget of £0.85m, combined with a pressure from new software licences and the unachieved savings expected to be delivered as part of the shared service with London boroughs of Brent and Southwark, has resulted in an overspend of £1.3m.

9. RESOURCES AND REGENERATION

9.1 The directorate underspent by £1.9m. Last year, the year-end outturn was an underspend of £2.4m. The overall position 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	5.9	(3.2)	2.7	2.7	0.0
Corporate Policy & Governance	4.7	(0.3)	4.4	4.1	(0.3)
Financial Services	4.7	(1.5)	3.2	3.0	(0.2)
Organition Develot & HR	2.7	(0.2)	2.5	2.2	(0.3)
Legal Services	3.2	(0.4)	2.8	2.9	0.1
Strategy	4.9	(2.8)	2.1	1.9	(0.2)
Planning	2.6	(1.5)	1.1	0.8	(0.3)
Regeneration & Place	48.2	(40.5)	7.7	7.0	(0.7)
Reserves	0.0	(1.4)	(1.4)	(1.4)	0.0
Total	**76.9**	**(51.8)**	**25.1**	**23.2**	**(1.9)**

9.2 The *regeneration & place* division has underspent by £0.7m. There continues to be an underachievement of income from utilities companies against the network management budget of £0.2m. This reflects improved utility company practices and IT systems. There is also a net overspend of £0.2m in relation to garages that were transferred from the Housing Revenue Account in 2015/16. Officers are making continued efforts to maximise the net rental income to fully achieve budget savings. These overspends are offset by areas of underspending including: additional income from corporate rents of £0.3m; an underspend against the Schools Estate Management budget of £0.3m; slippage on planned and reactive maintenance of £0.2m; rents payable of £0.1m and reduced Street Lighting energy costs of £0.2m, to arrive at the overall net underspend of £0.7m.

9.3 In the *corporate policy & governance* division, there is underspending on employee costs of £0.3m. In the *organisational development and HR* division, there is underspending forecast on staffing budgets of £0.2m and additional income of £0.1m. The *strategy* division has underspent by £0.2m, mainly across employee cost budgets. The *planning* division has underspent by £0.3m due to high levels of fee income and reduced expenditure.

9.4 *Legal services* has overspent by £0.1m due on pressures on staffing and supplies and services budgets. The financial services division has underspent by £0.2m due to application of the directorate contingency budget. There are no significant variances currently being forecast within the *corporate resources* or *financial services* divisions.

10. DEDICATED SCHOOLS' GRANT

10.1 The overall position on the Dedicated Schools' Grant (DSG) budget settlement for 2017/18 is set out in Table 7.

Table 7 – Dedicated Schools' Grant Settlement for 2017/18

Dedicated Schools' Grant Area	Before Academy Recoupment	After Academy Recoupment
	£m	£m
Schools block	214.7	187.9
Early years block	23.6	23.6
High needs block	50.7	48.1
Total additions for non-block funding	0.6	0.6
Total DSG allocation	**289.6**	**260.2**

Note: The above table excludes the Pupil Premium (£18m), Post 16 funding (£7m), and Universal Free School Meals Grant (£2m).

10.2 There were nine schools with licenced deficit budgets at the year end. Of these schools, three of them were granted loans in excess of £0.5m, these schools being Sedgehill, Forest Hill and Deptford Green. At the end of the financial year there are a further six schools who have a deficit balances and will need to apply for a licensed deficit.

10.3 Total school balances increased by £5.8m in 2017/18. The final balance held by schools including external funds now stands at £18.6m This should not detract from the fact that overall, secondary schools have a cumulative deficit, with four of the 11 secondary schools in deficit.

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 2018. Table 8 sets out the budgets and year end variances by services. It should be noted that there is an additional surplus of £5.1m above the budgeted value of the £7.9m surplus. This means a total of £13m was achieved in 2017/18, compared to the additional surplus figure of £4m 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 8 – Housing Revenue Account

	Expenditure Budget	Income Budget	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Customer Services - Housing	12.460	(3.479)	8.981	9.5	0.5
Lewisham Homes & R&M	36.893	(0.0)	36.893	36.7	(0.2)
Resources	2.062	(0.0)	2.062	1.4	(0.6)
Centrally Managed Budgets	47.835	(95.771)	(47.936)	(47.6)	0.3
Total	**99.250**	**(99.250)**	**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 £0.1m, which represents a decrease of £0.4m compared to the previous report.

11.3 An end of year review of bad debt provisions has resulted in a reduction of the required contribution by £2.2m.

11.4 In addition to the underspend in repairs and maintenance budgets, and bad debt provision, the surplus includes £2.7m 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. Major works income was £0.2m more than budgeted.

11.5 These were partly off-set by increased depreciation charges of £1.5m, increased rates and water charges of £0.3m and a reduction of £0.2m in heating charges income. Furthermore, reduced interest costs of £1.0m, an adjustment to Insurance costs of £0.6m and an unused contingency of £0.3m are the most significant variations that contribute to the balance of the surplus.

11.6 Overall, the HRA has made a surplus on its activities during 2017/18. 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.

11.7 After transfers to reserves, the HRA is reporting a balanced budget position.

12. COLLECTION FUND

12.1 As at 31 March 2018, £121.9m of council tax had been collected. This represents 94.5% of the total amount due for the year of £129.0m. This is 1.5% below the overall target of 96%. The rate achieved at this time last year was 95.2%.

12.2 The lower in-year collection rate is attributable to having to collect the minimum 33% (up from 3% the year before) contribution from Council Tax Reduction Scheme recipients where the council is allowing longer to pay and additional debt been able to raise as a result of the single person discount review carried out during the year.

12.3 It should be noted that the process for collecting council for any given year continues beyond the end of that year. It is fully expected that the collection target of 96% for 2017/18 will be achieved over the coming four to five year period.

12.4 Business rates collection is at 97.9% for 2017/18, which is a 0.5% increase on last year, but 1.1% lower than the profiled collection, had the overall target rate for the year of 99% been achieved.

13. CAPITAL EXPENDITURE

13.1 The overall spend for 2017/18 is £87m, which is 86% of the revised budget of £100.7m. The comparable expenditure figure last year was a final spend of £70.9m, which was 84% of the revised budget of £84.8m. Table 8 below provides a breakdown of the budget and expenditure for both the general fund and the HRA.

Table 9 – Capital Programme

2017/18 Capital Programme	Budget Report (February 2017)	Revised Budget	Outturn Spend	Spent to Date (Revised Budget)
	£m	£m	£m	%
Community Services	0.0	0.7	1.0	143%
Resources & Regeneration	11.6	16.1	13.8	86%
CYP	20.6	20.2	16.1	80%
Customer Services	1.7	2.0	0.6	30%
Housing (General Fund)	11.6	25.5	23.4	92%
Total General Fund	**45.5**	**64.5**	**54.9**	**85%**
Housing Matters Programme	40.8	9.0	7.5	83%
Decent Homes Programme	36.4	26.4	24.3	92%
Other HRA capital	0.8	0.8	0.3	38%
Total HRA	**78.0**	**36.2**	**32.1**	**89%**
Total Expenditure	**123.5**	**100.7**	**87.0**	**86%**

13.2 The table below shows the current position on the major projects in the 2017/18 General Fund capital programme (i.e. those over £1m in 2017/18).

Table 10 – Capital Programme (Major Projects)

2017/18 Capital Programme	Budget Report (February 2017)	Revised Budget	Final Outturn	Spent to Date (Revised Budget)
	£m	£m	£m	%
Housing Regeneration Schemes	6.1	8.2	7.3	89%
School Places Programme	14.4	12.5	11.3	90%
Other Schools Capital Works	6.2	7.7	4.4	57%
Disabled Facilities / Private Sector Grants	1.3	1.9	1.1	58%
Highways and Bridges (TfL)	0.0	2.4	4.1	171%
Catford town centre	4.0	3.5	2.0	57%
Asset Management Programme	3.9	4.0	1.7	43%
Highways and Bridges (LBL)	4.0	5.3	4.8	91%
Travellers Site Relocation	1.1	0.0	0.0	0%
Acquisition – Hostels Programme	0.0	1.4	0.7	50%
Grove Park Street Improvements	1.1	0.1	0.1	100%
Lewisham Homes Property Acquisition loan	0.0	10.0	12.0	120%
ICT Tech Refresh	0.2	1.0	0.8	80%
Total Major Projects	**42.3**	**58.0**	**50.3**	**87%**
Other Projects	3.2	6.5	4.6	71%
Total Projects – General Fund	**45.5**	**64.5**	**54.9**	**85%**

13.3 The main sources of financing the programme include grants and contributions, and capital receipts from the sale of property assets. Some £35.9m of usable receipts have been received in 2017/18, comprising £11.4m (net) in respect of previous year's housing stock transfers, £10.2m (net) from housing right-to-buy sales and £10.3m from other sales.

14. TREASURY MANAGEMENT AND PENSION FUND

Treasury Management

14.1 The treasury management portfolio as at 31 March 2018 has been set out in Table 11.

Table 11 - Treasury Position as at 31 March 2018

	Outstanding at 31 March 2018	Average Coupon Rate	Average Remaining Duration	Outstanding at 31 March 2017
	£m	%	Years	£m
Fixed Rate Borrowing				
Public Works Loans Board	88.7	5.26	21.8	76.7
Market Debt	92.5	4.71	31.5	89.2
Sub Total – Fixed Rate Borrowing	181.2			165.9
Variable Rate Borrowing				
Public Works Loans Board	0	0.0	0.0	0.0
Market Debt	38.2	4.49	40.3	25.0
Sub Total – Variable Rate Borrowing	38.2			25.0
Total Debt	**219.4**			**190.9**
Investments - Internally Managed	410.9	0.61	81 days	372.5
Total Cash Managed	**410.9**			**372.5**

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 2017/18 was £9.4m, this being £8.5m higher than the increase for 2016/17.

Table 12 – Capital Financing Requirement for 2017/18

	2017/18	2016/17
	£m	**£m**
Opening CFR	242.6	241.7
Prudential Borrowing	14.9	7.0
MRP/Voluntary Repayment	(5.5)	(6.1)
Closing CFR	252.0	242.6
Increase/(Decrease)	**9.4**	**0.9**
Maturing Debt	0	(1.3)
Net Borrowing Requirement	**9.4**	**(0.4)**

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 2018, this internal borrowing totalled £32.6m. During the year the council borrowed £12m from the Public Works Loan Board as part of the financing arrangement with Lewisham Homes, and restructured on of its marker loans to generate revenue savings from a variable, stepped rate loan structure. Table 13 sets out the comparative position of CFR and debt.

Table 13 – Debt and CFR Movement in 2017/18

	2017/18	2016/17
	£m	**£m**
Capital Financing Requirement	252.0	242.6
External Debt	219.4	190.9
Difference	**32.6**	**51.7**

<u>Pension Fund</u>

14.4 The net asset worth of the Lewisham Pension Fund as at 31 March 2018 was £1.304bn. This represents an increase of some £29m over the course of the year, where the closing net assets of the scheme as at 31 March 2017 were valued at £1.274bn. The return is lower than last year when equities outperformed expectation, but their relatively poor performance this year coupled with a rebalancing within the Fund into alternative asset classes has seen the Fund's value increase by 2.3% in 2017/18 compared to 22% in 2016/17, although this is still line with benchmarks.

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 2017/18 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 £17.8m. After applying the sum of £1.3m which was set aside in agreeing the 2017/18 budget for 'risks and other budget pressures', this brings the final overspend down to £16.5m. The level of overspend recorded at the close of the 2017/18 financial year is unprecedented for Lewisham. It would firmly suggest that these are budgetary pressures of an order not previously seen by the council and this is with particular regards to children's social care.

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

BACKGROUND PAPERS AND FURTHER INFORMATION

Short Title of Report	**Date**	**Location**	**Contact**
Budget 2018/19	21 February 2018 (Council)	5th Floor Laurence House	Selwyn Thompson
Financial Forecasts 2017/18	19 July 2017 and 6 December 2017 and 7 February 2018 (M&C)	5th Floor Laurence House	Selwyn Thompson
Financial Outturn 2016/17	7 June 2017 (M&C)	5th Floor Laurence House	Selwyn Thompson
Budget 2017/18	22 February 2017 (Council)	5th Floor Laurence House	Selwyn Thompson

For further information on this report, please contact:

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