

<b>MAYOR &amp; CABINET</b>			
<b>REPORT TITLE</b>	Financial Forecasts 2018/19		
<b>KEY DECISION</b>	No	<b>Item No.</b>	
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources and Regeneration		
<b>CLASS</b>	Part 1	<b>Date</b>	10 <sup>th</sup> October 2018

## 1. EXECUTIVE SUMMARY

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

- i. There is a forecast overspend of £17.4m against the directorates' net general fund revenue budget as at the end of July 2018. This is before the recommended application of £6m to support the Children's Social Care base budget. If agreed, this would provide a revised forecast overspend of £11.4m. This is set out in more detail in sections five to nine of this report. The position as at the end of July 2018 compares to a projected year outturn position of £14.8m as at the end of May.
- ii. The Dedicated Schools Grant (DSG) is expected to balance at the year end. It is expected that there will be 14 schools that will have a licensed deficit. This is set out in more detail in section 11 of this report.
- iii. The Housing Revenue Account (HRA) is currently projecting an additional surplus of £2.9m, in addition to the £6.4m budgeted surplus that is forecast to be transferred to reserves at year-end (which creates a balanced budget for the year). This remains unchanged from the position reported to the end of May 2018. This is set out in more detail in section 12 of this report.
- iv. As at 31 July 2018, some 35.1% of council tax due and 47.4% of business rates due had been collected. At this point last year, 35.1% of council tax due and 46.1% of business rates due had been collected. This is set out in more detail in section 13 of this report.
- v. For the 2018/19 capital programme, the revised budget is now £137.8m, compared to the figure presented to the Public Accounts Select Committee on 6 February 2018 of £135.9m. The budget has been amended to take account of newly approved schemes and the re-profiling of spend on other schemes. The changes to the 2018/19 capital programme budget are set out in Appendix 1, and the updated profiling of major projects is set out in Appendix 2. As at 31 July 2018, some £20.7m or 15% of the revised budget had been spent, which is below the profile figure expected if the programme is to be delivered in full. This is set out in more detail in section 14 of this report. The comparable figure to 31 July last year was 10% of the revised budget of £116.6m, with the final outturn being 86% of the revised budget of £100.7m.

## **2. PURPOSE**

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

## **3. RECOMMENDATIONS**

- 3.1 The Mayor & Cabinet is recommended to:
- 3.1.1 Note the current financial forecasts for the year ending 31 March 2019 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend;
  - 3.1.2 Agree to apply the remaining £1.7m of the 2018/19 unallocated risks and other budget pressures to Children's Social Care services;
  - 3.1.3 Agree to immediately apply £4.3m from reserves to Children's Social Care services in advance of a proposed commitment of £4.3m risks and pressures of the available £6.5m in the 2019/20 budget.
  - 3.1.4 Agree to the use of provisions and reserves in 2018/19, as set out in section 10 of this report, and that a further review of the annual use of provisions and reserves be undertaken as part of preparing the 2019/20 budget.
  - 3.1.5 Note the revised capital programme budget, as set out in section 13 of this report, with further details attached at appendices 1 and 2.

## **4. POLICY CONTEXT**

- 4.1 Reporting financial results in a clear and meaningful format contributes directly to the council's tenth corporate priority: inspiring efficiency, effectiveness and equity.
- 4.2 The Council's strong and resilient framework for prioritising action has assisted the organisation in the face of austerity and on-going cuts to local government spending. This continues to mean, that even with the prospect of the most daunting financial challenges facing the Council and its partners, the Council continues to work alongside our communities to achieve more than it could by simply working alone.
- 4.3 This financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year on year, despite the increasing demand to deliver services to the borough's residents.

## **5. DIRECTORATE FORECAST OUTTURN**

- 5.1 Members will be aware that the Council has recently implemented a new financial system, Oracle Cloud. The new system's budget monitoring tool entitled 'planning and budgeting cloud service' (PBCS), was initially due to be launched at the beginning of June and would have been used to support budget holders in

monitoring the current position. PBCS is expected to be fully available for budget holders in October, for the production of the September position. Alongside the systems integrator, the finance team is providing further support and training to budget holders during September for the preparation of the August monitoring position.

- 5.2 The May forecast report was constructed in the absence of forecasting information from the new Oracle Cloud solution and was based on a combination of information from other systems, last year's outturn and budget changes. This report sets out the position as at the end July and has been prepared by the finance team using PBCS with input from budget holders.
- 5.3 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £17.4m is being reported as at the end of July 2018, before the application of resources held corporately and the use of reserves. This compares to the £14.8m forecast overspend reported to the end of May 2018 and represents an increase of £2.6m prior to any budget adjustments.
- 5.4 In reviewing the current position, the Executive Director for Resources and Regeneration is recommending the Mayor & Cabinet to commit the remaining £1.7m of 2018/19 unallocated risk & other budget pressures to Children's Social Care with immediate effect. In addition to this, there is to be a further recommendation to draw £4.3m from reserves now in advance of a proposed commitment of £4.3m risk & pressures of the available £6.5m in the 2019/20 budget. Subject to agreement, the impact of these adjustments will increase the Children's Social Care base budget by £6m for 2018/19 and on-going. Officers recommend using the reserves now instead of applying it at the year-end as it brings the budget closer to the real need and thereby makes it more meaningful and easier for the service responsible for the budget to monitor and make decisions to control costs.

**Table 1 – Overall Directorate position for 2018/19**

Directorate	Gross budgeted spend	Gross budgeted income	Net budget 2018/19	Variance July 2018	Variance May 2018
	£m	£m	£m	£m	£m
Children & Young People (1)	65.1	(11.5)	53.6	15.5	13.5
Community Services	172.2	(82.2)	90.0	0.3	0.3
Customer Services (2)	98.4	(57.3)	41.1	1.7	1.6
Resources & Regeneration	76.3	(51.1)	25.2	(0.1)	(0.6)
<b>Directorate Totals</b>	<b>412.0</b>	<b>(202.1)</b>	<b>209.9</b>	<b>17.4</b>	<b>14.8</b>
Recommended use of corporate items (3)	29.3	(0.0)	29.3	6.0	0.0
<b>Net Revenue Budget</b>	<b>441.3</b>	<b>(202.1)</b>	<b>239.2</b>	<b>11.4</b>	<b>14.8</b>

(1) – gross figures exclude £290m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude approximately £213m of matching income and expenditure for housing benefits

(3) – Subject to agreement this will be applied to Children's Social Care in its entirety. It commits the remaining £1.7m of the 2018/19 risk and other budget pressures and draws £4.3m from reserves in advance of the proposed commitment from the 2019/20 budget for risks and other pressures.

- 5.5 Officers are continually seeking to identify ways to manage down overspending budgets, but it is unlikely that this will be sufficient to balance the budget in this financial year. Furthermore, it's inevitable that delivering a large package of revenue budget savings for 2018/19 is managerially complex and challenging.

There is an inherent risk that some savings will be delivered later than planned, which would result in overspends within the year. As a result, officers will increase the focus on monitoring the progress of savings being implemented.

- 5.6 The table below sets out the proportion of agreed revenue budget savings to be delivered during the course of the year. Any variances are included in the overall forecasts shown in the table above.

**Table 2 – Progress of 2018/19 savings**

Ref.	Saving	2018/19 £'000	Update at September 2018
<b>A</b>	<b>Smarter &amp; deeper integration of social care &amp; health</b>		
A19	Workforce productivity from better technology	300	Ongoing IT work on LAS liquid logic system. Will be met with risk of any shortfall covered by iBCF in 2018/19.
	<b>Total</b>	<b>300</b>	
<b>B</b>	<b>Supporting People</b>		
B4	Service economy rental income	70	Delivered
	<b>Total</b>	<b>70</b>	
<b>D</b>	<b>Efficiently review</b>		
D2	Corporate efficiency from Unallocated inflation	1,000	Delivered via cash limits set for 18/19
	<b>Total</b>	<b>1,000</b>	
<b>E</b>	<b>Asset Optimisation</b>		
E8	Income from Private Rented Scheme (PRS) Joint Venture	500	In progress – Besson St contract signed
	<b>Total</b>	<b>500</b>	
<b>I</b>	<b>Management and Corporate Overheads</b>		
I12	Administrative budgets	20	Delivered
I13	Finance function efficiencies through the implementation of Oracle Cloud	200	In progress – Oracle Cloud system now live for finance. HR & Payroll due April 2019
I14	Loss of seconded Police Officer to Counter Fraud team	70	Delivered
I15	Balance sheet review of accounting policies	1,000	Subject to external independent review and advice in Sept / Oct.
	<b>Total</b>	<b>1,290</b>	
<b>J</b>	<b>School Effectiveness</b>		
J18	Statutory functions of School Effectiveness	366	Delivered as part of SLA agreements with schools for 2018/19
	<b>Total</b>	<b>366</b>	
<b>K</b>	<b>Statutory functions of School Effectiveness</b>		

Ref.	Saving	2018/19 £'000	Update at September 2018
K5	Problem solving crime reduction	30	Delivered
	<b>Total</b>	<b>30</b>	
<b>L</b>	<b>Culture and Community Services</b>		
L8	Facilities management - retender of contract for Deptford Lounge	130	Delivered – Albany successful and managing this site.
	<b>Total</b>	<b>130</b>	
<b>M</b>	<b>Housing strategy and non-HRA funded services</b>		
M8	Reduced costs of providing nightly paid accommodation	250	On track to be delivered but at risk of demand pressures
	<b>Total</b>	<b>250</b>	
<b>O</b>	<b>Public Services</b>		
O5	Council Tax single person discount review	500	Delivered through data matching work
	<b>Total</b>	<b>500</b>	
<b>P</b>	<b>Planning and Economic Development</b>		
P3	Planning savings	270	In progress – subject to development demand to sustain income levels
	<b>Total</b>	<b>270</b>	
<b>Q</b>	<b>Safeguarding and Early Intervention</b>		
Q6	Developing alternative pathways for care	100	Savings delivered in housing costs for care leavers but offset by large overspend on placements budget from increased numbers in residential placements
Q7	Review of Lewisham CAMHS	50	On hold
	<b>Total</b>	<b>150</b>	
	<b>Grand Total (excluding Q7 CAMHS)</b>	<b>4,806</b>	

- 5.7 For the majority of the revenue budget savings, some £3.186m have either been delivered already or are expected to be delivered in full by the end of the financial year. There are two savings, the balance sheet review of accounting policies (£1m) and the planning saving (£270k) which are dependent on advice from the Council's treasury management advisers and the progress on planning income levels, respectively.
- 5.8 The saving which pertains to the finance function efficiencies through the implementation of Oracle Cloud (£200k) may only deliver a part year-effect in 2018/19. A further update on this will be provided in the next monitoring report. Furthermore, delays to developing alternative pathways to care could mean that this savings of (£100k) is not delivered in full in 2018/19. There is one further saving which relates to the review of Lewisham CAMHS of (£50k) which has been withdrawn.

## 6. CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of July 2018, the Children and Young People's directorate is forecasting a £15.5m overspend. This represents £2m increase to the position reported to the end May 2018 which stood at a projected overspend of £13.5m.

**Table 3 – Children & Young People Directorate**

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

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

- 6.2 The full year projection of the Children's Social Care spend has changed since May due to improved data from the prior month. Numbers of children placed in residential, local authority fostering and agency fostering has increased by 38 compared with the same time in the previous year. Since the last report, the projections have been revised upwards by £1.3m. Similarly, staffing projections have been revised upwards £700k to reflect current staffing levels.
- 6.3 The most significant cost pressures for the directorate fall within the *children's social care* division, which amounts to £12.9m. The key issues relating to the directorate's budget pressures have been set out in the following paragraphs.
- 6.4 The Residential placement budget for *looked after children* is currently forecast to overspend by £4.7m. This is the main area of pressure in the budget, but the budget for independent fostering is also overspent by £2m although the unit costs and numbers in independent fostering are not out of line with other boroughs. Semi Independent placements are overspent by £2.7m, with a budget of only £480k to cover the costs of placements for 45 young people. The fully year projection is an increase of £0.7m from May's position. Special Guardianship orders (SGO), which are a rising cost with an increasing number of children being placed with family members, are set to overspend by £1m, with the year-end projection increased by £0.1m from May's position. The placements budget is the primary focus of the Children's Social Care Improvement Programme, which has commenced with the Placements Team having been shifted into the Commissioning Team in order to strengthen gatekeeping, decision-making and to introduce more pro-active management of the local market.
- 6.5 Table 4 sets out the current trend of weekly unit costs and client numbers for the key placement types in this service area. The unit cost information set out in the table above, demonstrates the importance of reducing, both through alternative high

quality provision and through earlier intervention, use of residential placements as these are extremely costly, with significant shortages in the regional and national market.

**Table 4 – Client Numbers and Costs**

Placement Type	Weekly Unit Costs			
	May 2018 (£)	June 2018 (£)	July 2018 (£)	July 2017
Local Authority Fostering	436	440	440	432
Agency Fostering	910	909	910	924
Residential Placement	3,731	3,705	3,710	3,715

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

- 6.6 Another major area of pressure within CYP is spend on staffing. Currently, the forecast is estimated at £4.3m overspend, which represents an increase from the position reported to the end of May. Current data shows that 27.4% of staff in Children’s Social Care are agency staff. This is higher than the service aims for (maximum 10%) but mid-table for London.
- 6.6.1 There has been an issue around clarity of establishment and alignment between the budget and the establishment. This is the second urgent focus of the Children’s Social Care Improvement Programme which is re-baselining the establishment and working to match the budget against it. The caseloads of social workers are constantly monitored and are appropriate (recently endorsed by Ofsted).
- 6.6.2 The savings target for 2018/19 of £466k is expected to be fully met. However, slippages in historic savings are a factor in current in-year pressures.
- 6.6.3 As set out in detail in section 5, Members should note that the corporate allocation of £6m will be applied to the children’s social care budget in its entirety and has the impact of reducing the projected year-end variance down from £12.9m to £6.9m for 2018/19.
- 6.7 The Targeted Services and Joint Commissioning Division is forecast to significantly overspend by £2.8m, which is reduction of £0.8m from the position reported to the end of May. Last year the outturn, before the use of reserves was £4.3m for the service. The main pressure area is SEND Transport £2m. Work has been done to reduce demand and the percentage of children with EHCPs on transport compares well in London however overall numbers of EHCPs has increased and continues to do so. In addition, the reduced use of buses by adults’ services has increased unit costs for children’s transport because of increased down time. A review is being undertaken, following an initiative in LB Hillingdon which has realised large scale savings in SEND transport.
- 6.7.1 In addition, the budget for the Youth services does not match the value of the contract, creating a £600k overspend. The early help offer for families is funded

exclusively from the Troubled Families Grant (attachment fees and payment by results). Although our TF claims are at the level expected by MHCLG, the income is £650k short of the expenditure on the early help offer.

6.7.2 The Education psychologists' budget is forecast to overspend by £200k compared to £700k last year. Budget growth was awarded to reflect increased spending, pressure due to the demand for Education Health and Care Plans (EHCP), to reflect the doubling in the number of EHCPs and the pressure to complete within statutory timescales. The budget continues to overspend to meet demand but is subject to a comprehensive review to further benchmark spend and caseloads.

## 7. COMMUNITY SERVICES

7.1 As at the end of July 2018, the Community Services directorate is forecasting an overspend of £0.3m. The position remains unchanged from the forecast reported as at the end of May 2018. At the same time last year, the year-end forecast was an overspend of £1.5m with the actual year-end outturn being an underspend of £0.9m.

**Table 5 – Community Services Directorate**

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend July 2018	Forecast over/ (under) spend May 2018
	£m	£m	£m	£m	£m
Adult Services Division	120.7	(49.4)	71.3	0.3	0.3
Cultural and Community Development	16.7	(7.5)	9.2	0.0	0.0
Public Health	15.4	(17.0)	(1.6)	0.0	0.0
Crime Reduction & Supporting People	18.1	(8.2)	9.9	0.0	0.0
Strategy & Performance	1.3	(0.1)	1.2	0.1	0.0
Reserves	0.0	0.0	0.0	(0.1)	0.0
<b>Total</b>	<b>172.2</b>	<b>(82.2)</b>	<b>90.0</b>	<b>0.3</b>	<b>0.3</b>

7.2 Of new savings totalling £0.9m for 2018/19, achievement is predicted to be £0.6m. The one area of slippage is on staffing budgets in adult social care where there will only be a part-year effect.

7.3 The *adult services* division is forecast to overspend by £0.3m. At the same time last year an overspend of £1.1m was projected. The final outturn for 2017/18 was £0.8m.

7.3.1 Budgets have been supplemented in 2018/19 by increases in Improved Better Care Fund (iBCF) and by a 1% precept. Most of the additional funding has been used to fund increases in home care and residential/nursing budgets to reflect, respectively, increases in London Living Wage and National Living Wage. Additionally, transitions from Children's Services are expected to increase adult social care costs by £0.7m. The net increase in funding reduces does have the impact of reducing the overspend.

7.3.2 Overall, staffing budgets are projected to overspend with the largest pressures being on budgets for Deprivation of Liberties Safeguards (DOLS) although



compensating savings are projected on package and placement budgets. Budgets for fees and charges are expected to be fully achieved, a significant improvement on 2017/18 following an exercise to bring financial assessments and charges up to date.

- 7.4 The *cultural and community services division* is forecasting no overall variance. There is one main area of projected overspend on the budget for Community Centres of £130k. There was a review undertaken of the facilities management arrangements for the seven buildings directly managed by the Community Resources Team in order to deliver a saving of £70k for the 2017/18 financial year. This work included the option to outsource management functions to a third party provider with experience in either managing community facilities or to a social housing provider. Changes and delays in the implementation of this work coupled with a loss of income from the closure of several building during 2016/17 following the implementation of voluntary sector accommodation plan and additional running costs relating to the community hubs have all contributed to the 2018/19 budget pressure. This potential overspend may be mitigated if additional commercial rent agreements can be agreed in respect of the Sydenham and Leamore community hubs. In addition, work is progressing to transfer five community centres to Lewisham Homes.
- 7.4.1 There is a potential budget pressure of £80k in the Libraries Service with regard to the Lewisham contribution to London Libraries Consortium (LLC) for the implementation of the new Libraries Services platform. An earmarked reserve had originally been requested against the 2017/18 underspend on the Libraries Service budget. However, this carry forward request was not approved and it is currently anticipated that this commitment will therefore need to be funded from current year budgets. No variance is therefore highlighted in the current projections.
- 7.4.2 There is currently a projected underspend of £130k on Leisure Management budget which is primarily due to a change in the accounting treatment for the budgeted contribution to the Discretionary Rate Relief Pool. This cost will now fall on the Collection Fund rather than on the revenue budget.
- 7.4.3 There are smaller projected variances across the rest of the Division which largely balance each other out. There is a projected underspend of £90k on the culture and community development staffing budget due to staff turnover and vacancies. There is a further potential pressure on the Broadway Theatre budget of up to £50k resulting primarily from increased costs resulting from the decision to stage a pantomime season this year. This will be kept under review and it is planned to minimise costs in order to ensure they can be covered from the income generated from the event.
- 7.5 There is a nil variance currently projected on the *public health* budget at this stage. It is expected that the savings required to match the reduction in Public Health Grant will be achieved.
- 7.6 The *crime reduction and supporting people* division is forecasting a balanced budget for 2018/19. The budget pressure of £0.1m across the Division following the transfer of Business Support staff from Customer Services has now been absorbed within the overall position for the Division.
- 7.6.1 There is a projected overspend of £100k on the budget for secure remand placements. This variance has resulted from a combination of a reduction in

government grant funding from the Ministry of Justice and a small overall upturn in the level of remand placements required by the courts. Secure Remand Placements can still be a volatile area of spend as they are dependent on the age/ vulnerability of the young person and the nature and severity of the offence that has been committed. The final decision on the nature and length of remand is made in the operation of the court process. Secondly, following the adverse service inspection by the Youth Justice Board, a 'new' staffing structure is being put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan. Despite budget pressures funding of £250k for 2018/19, there is a further projected pressure of £80k on the core budget for the *youth offending service* in 2018/19.

7.6.2 These projected budget pressures are currently being offset by underspends on environmental health of £67k due to staffing & income, the prevention & inclusion team of £110k relating to staffing, the crime enforcement & regulation service of £40k due to staffing offset by pressures on licensing income and supporting people £40k due to contracts and income.

7.6.3 There is a further budget pressure of £119.5k within the supporting people programme. This is the result of the committed contract costs in relation to the core VAWG (Violence Against Women and Girls) Service. Following the loss of external funding, the service was given in principle agreement to draw on the earmarked reserve of £239k for VAWG in order to bridge the funding gap of £119.5k per annum for 2017/18 and 2018/19 to cover the budget shortfall. This is not, however, currently reflected in the current service budget. This overspend is matched by a variance on the Community Services Reserves budget.

7.7 The *strategy and performance* service which included the directorate management team budget is projected to overspend by £0.1m. This relates to costs of staff supporting the integration programme.

## 8. CUSTOMER SERVICES

8.1 As at the end of July 2018, the Customer Services directorate is forecasting an overspend of £1.7m. This is an increase of £0.1m in the overspend from the position reported to the end of May 2018. At the same time last year, the year-end forecast was an overspend of £4.6m with the actual year-end outturn being an overspend of £5m.

**Table 6 – Customer Services Directorate**

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

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

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

- 8.3 The *Environment division* is forecasting an overspend of £0.7m. The increase in £0.1m on the position reported to the end of May relates to vehicle hire costs for refuse services. In 2018/19, additional funding of £200k was provided for budget pressures in relation to domestic refuse collection and £150k for the shortfall in income from the garden waste subscription service. In addition, further funding for pressures from the costs of waste disposal in the strategic waste management service of £250k was allocated to the service.
- 8.3.1 As at the end of July 2018, net overspends of £0.4m on *refuse services* and £0.1m for *strategic waste management* are projected. The overspends on vehicle costs for refuse services as seen in previous years are not expected to occur at the same level following the purchase of a number new vehicles. However, there are still some hired in vehicles in use, which is expected to create an overspend position for this year. The overspend anticipated in 2018/19 also relates to staffing, as the new fortnightly service implemented in October 2017 may continue to require some additional staffing resource for the first few months of 2018/19 as residents continue to adapt to the new collection service. The Management team will continue to monitor this closely over the coming months. With regards to the strategic waste management service, the waste disposal pressure on fly-tipping is expected to continue in 2018/19.
- 8.3.2 The *passenger services* budget is showing a net nil position in 2018/19. Additional funding of £500k was provided to the service in 2018/19, to mitigate a saving allocated to the service, despite the service being fully recharged to directorates, predominately CYP (for SEN transport) and Community Services. A significant level of cost reductions have been achieved by Passenger Services across the two-year period, following efforts to reduce demand for the service in Adult & Community Services.
- 8.3.3 *Street management* is forecasting an overspend of £0.1m relating to staffing costs and waste removal and disposal costs for street cleansing, and public convenience rental and maintenance charges. This is reduction of £0.1m in the overspend from the position reported to the end of May 2018.
- 8.3.4 *Green scene* is forecasting an overspend of £0.1m in relation to grounds maintenance costs for parks and open spaces and costs of the arborists' service. Additional budget of £0.1m for the year was allocated to the arborist's service, to help alleviate budget pressures from the tree works, to prevent potential insurance and injury claims. Despite the additional funding, an overspend of £0.1m is anticipated across the green scene service area.
- 8.3.5 It should be noted that there is a potential pressure on the refuse service that is currently not included in the forecast outturn position. The Council has previously charged a student accommodation provider for commercial waste collection, based on the Controlled Waste (England and Wales) Regulations 2012. DEFRA contacted local authorities in 2013 to inform them that it was not the intention of the regulations to charge for waste from student accommodation. In 2016, charges for commercial waste were applied to a new student accommodation block. The provider of this accommodation challenged the charge for commercial waste and The Local Government & Social Care Ombudsman has found that there was administrative fault in the Council's decision to introduce charging for commercial waste. A refund to the provider of private student accommodation must be made.

The amount to be refunded is currently being investigated and once confirmed the outcome will be reported to members.

- 8.4 The *Public Services division* is forecasting an overall balanced position at the year-end. An overspend of £0.3m is anticipated in the *council tax administration and court grant*, primarily due to bank charges. A similar position was reported in 2017/18. The gross costs of the *parking service* are forecast at £0.8m above budget, due to the increase in bank charges arising from the rise in cashless parking charge payments, and an increase in overtime payments. This is expected to be offset by increased income from fixed penalty notices of £0.8m and £0.3m from pay and display charges, creating a £0.3m surplus for the parking service.
- 8.5 The *Technology and Change* division is forecasting a £1m overspend. In 2016/17, the service delivered budget savings of £1m, primarily through introducing a new shared ICT service and reducing the cost of infrastructure contracts. For 2017/18, the division was expected to deliver a further saving of £0.35m, but a reduction in the division's budget, combined with a new pressure from software licences resulted in an outturn position for 2017/18 of £1.3m. Some of these pressures are expected to continue in 2018/19, despite the reduction in demand for services such as printing. The management continue to look at ways of alleviating these budgets with a view of bringing spend more into line with budget by the year-end.

## 9. RESOURCES AND REGENERATION

- 9.1 As at the end of July 2018, the Resources and Regeneration directorate is forecasting an underspend of £0.1m at the year-end. This represents an adverse shift of some £0.5m from the forecast underspend of £0.6m reported to the end of May 2018. At the same time last year, the year-end forecast was an underspend of £0.2m with the actual year-end outturn being an underspend of £1.9m. The overall position has been set out in Table 7.

**Table 7 – Resources and Regeneration Directorate**

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend July 2018	Forecast over/ (under) spend May 2018
	£m	£m	£m	£m	£m
Corporate Resources	5.6	(3.1)	2.5	0.0	0.0
Corporate Policy & Governance	4.8	(0.3)	4.5	(0.3)	(0.2)
Financial Services	4.5	(1.5)	3.0	0.0	0.0
Organisational Development & HR	2.8	(0.2)	2.6	(0.2)	(0.1)
Legal Services	3.2	(0.3)	2.9	0.0	0.0
Strategy	5.0	(2.8)	2.2	(0.3)	(0.1)
Planning	2.6	(1.9)	0.7	0.0	(0.1)
Regeneration & Place	47.8	(40.4)	7.4	0.7	(0.1)
Reserves	0.0	(0.6)	(0.6)	0.0	0.0
<b>Total</b>	<b>76.3</b>	<b>(51.1)</b>	<b>25.2</b>	<b>(0.1)</b>	<b>(0.6)</b>

- 9.2 The *regeneration & place* division is forecasting a net overspend of £0.7m. There are currently budget pressures in relation to a projected income shortfall on commercial rents (£0.3m); a continuing underachievement of budgeted income in relation to the sustainable energy levy (£0.1m) due to reduced energy consumption; utilities costs across the corporate estate (£0.3m) due to price increases; a continuing pressure in relation to Garages (£0.2m); and an overspend forecast in

Building Control due to a drop in income (£0.1m). These pressures are partly offset by underspends forecast in relation to employee costs (£0.2m) due to vacancies and rental income in relation to the Old Town Hall (£0.1m). The previously reported forecast was based upon last year's outturn position and agreed adjustments to the budget, whereas the latest position is based upon more detailed and robust management information and review as at the end of July 2018.

9.3 The *corporate policy & governance* division (£0.3m), the *organisational development and HR* division (£0.2m) and the *strategy* division (£0.3m) are forecasting underspends that are mainly due to vacancies.

9.4 There are currently balanced budget positions being forecast for the *corporate resources, financial services, legal services* and *planning* divisions.

## 10. CORPORATE PROVISIONS AND USE OF RESERVES

10.1 The *corporate financial provisions* include working balances, capital expenditure charged to the revenue account (CERA), and interest on revenue balances. These provisions are not expected to overspend although, with the impact of continued reductions in service budgets, there is ever greater pressure on working balances. Certainty on their outturn only becomes clear towards the end of the financial year.

10.2 The following are examples of £1m of activity in 2018/19 that will draw on working balances in the year:

- Investigating and responding to the data breach £0.2m;
- Work to upgrade the liquid logic system to better support social care £0.3m;
- Additional leadership support to the Children Social Care service and support to develop and deliver an improvement plan £0.3m; and
- Diagnostic reviews (IT, ASC, CSC, Finance) to triangulate service performance and inform future transformation needs and priorities £0.3m.

10.3 In the budget for 2018/19, the Council allocated £5m from reserves for ongoing transformation work, building on the enabling initiatives undertaken around technology upgrade, office space, Finance/HR system, and line of business system improvements since 2016/17. Of this, £2m has been committed and the programme then paused to consider the findings of the diagnostic reviews noted above. The monies committed are towards:

- IT security costs £1m in respect of the website, customer management system, sharepoint and network resilience; and
- Additional costs to support the implementation of the Oracle Cloud enterprise system for Finance, payroll and HR services, in particular more training.

10.4 The business has also identified potential ongoing pressures of £1m which, if agreed will be met from the remaining working balances in 2018/19 and then form part of the budget considerations when setting the 2019/20 budget. They include:

- Information Management Technology skills and capacity £0.3m;

- Communications capacity £0.2m;
- Commercial and Procurement support £0.2m; and
- Human Resources business partner resources to support leadership development and the delivery of organisational change £0.3m.

## 11. DEDICATED SCHOOLS' GRANT

11.1 The Dedicated Schools Grant (DSG) for 2018/19 has provisionally been set by the Department for Education at £292.3m, although this will change during the year to reflect updated pupil numbers at January 2018. Further grants are given to schools and routed through the local authority. These include the pupil premium (£16m), post 16 funding (£8.1m) and the universal free school meals grant (£3m) making total funds of £319m.

### Schools

- 11.2 There were nine schools with deficits at the year-end 31 March 2018 totalling £1.5m. It is anticipated that there will be 14 schools in deficit at the end of March 2019. These are not all the same schools as some schools expect to recover their current deficit during 2018/19, but others are projected to go into deficit.
- 11.3 There are five schools who have not submitted a budget plan this year, the local authority is working with these schools to develop plans. At the same stage last year, there were two schools who had not submitted budget plans, reflecting increased pressures in schools, but also in the Finance Team. These outstanding budget plan are being followed up with some urgency by the Schools' Finance Team.
- 11.4 The forecast cumulative revenue balances for the year to 2018/19 is a surplus of £13.9m which represents a reduction of £4.3m to the 2017/18 balance (£18.3m). Approximately 70% of schools are forecasting an in year deficit for 2018/19.
- 11.5 There are nine schools with loans with a total balance of £3m. Of this, seven are secondary schools and two are primary schools. All schools with deficits have a budget recovery plan and work will continue this year to ensure that this is delivered and sustainable.
- 11.6 It should be noted that the central side of the DSG is expected to end the year in balanced budget position.
- 11.7 There is on-going review of High Needs Block (HNB) budget in the DSG. The Council's finance team is working closely with service leads and HNB sub-group to finalise a position post September 2018 when the pupil places numbers will be confirmed. Some early indications suggest that additional cost pressures of between £1m to £2m can be expected. High Needs Block pressures are a significant lobbying point for London Councils and the LGA as they are overspent across the country. If an overspend on HNB materialises this year, then this will add to the overall corporate pressures. As yet, this potential impact has not been built into the projections as officers have not yet confirmed the September places. An update on this position will be provided in the next financial forecast report. The HNB sub-group is also working on reducing pressures on this budget, for example through increases in local provision which is lower cost than out-borough.

## 12. HOUSING REVENUE ACCOUNT

- 12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2018/19. The balanced HRA budget seen in the table includes a budgeted surplus of £6.4m, which is to be transferred to reserves at year end as a part of the 30 year HRA.
- 12.2 The forecast position for July 2018 is for an additional surplus of £2.9m. There had been no additional surplus over reported in the position to the end of May 2018. Within this July position, there is a net increase in expected income of £1.4m due to lower than budgeted void loss.
- 12.3 Bad debt impairments have been revised with a reduction of £1.3m in costs. Energy charges are currently forecasted to budget whilst billing issues relating to the new contract are resolved. However, given the underspend generated in 2017/18, it is expected that this may re-occur in 2018/19.
- 12.4 Repairs & Maintenance (R&M) is forecasting spend to budget. Lewisham Homes is currently reporting potential pressures within the R&M allocations for hostels. However, this is to be reviewed and is expected to be contained within overall allocations.

**Table 8 – Housing Revenue Account**

Service Area	Expenditure Budget	Income Budget	2018/19 budget	Forecast over/ (under) spend May 18	Forecast over/ (under) spend July 18
	£m	£m	£m	£m	£m
Customer Services – Housing	13.0	(3.5)	9.5	0	0
Lewisham Homes & R&M	37.2	0	37.2	0	0
Resources	1.5	0	1.5	0	0
Centrally Managed Budgets	47.6	(95.8)	(48.2)	0	(2.9)
<b>Total</b>	<b>99.3</b>	<b>(99.3)</b>	<b>0</b>	<b>0</b>	<b>(2.9)</b>

## 13. COLLECTION FUND

- 13.1 As at 31 July 2018, £47.4m of council tax had been collected. This represents 35.1% of the total amount due for the year of £134.8m. This is below the profiled collection rate of 35.4% if the overall target for the year of 96% is to be met. At the same time last year, the collection rate to date was 35.1%.
- 13.2 Business rates collection is at 47.4%, an increase of 1.4% compared to the same period last year, and 1.8% higher than the profiled collection rate if the overall target rate for the year of 99% is to be achieved.

## 14. CAPITAL EXPENDITURE

- 14.1 The overall spend to 31 July is £20.7m. This represents 15% of the revised budget of £137.8m. At this point last year, 10% of the revised budget of £116.6m had been spent, with the final outturn being 86% of the revised budget of £100.7m.

- 14.2 The 2018/19 capital programme budget, and the capital programme budget for future years have been updated and is proposed for agreement by Mayor & Cabinet on 10<sup>th</sup> October 2018. The changes to the 2018/19 budget are set out in Appendix 1 and the revised four-year capital programme budget is summarised in Appendix 2.
- 14.3 The table below shows the current position on the major projects in the 2018/19 Capital programme (i.e. those over £1m in 2018/19).

2018/19 Capital Programme	Budget Report (February 2018)	Revised Budget	Spend to 31 July 2018	Spent to Date (Revised Budget)
	£m	£m	£m	%
<b>GENERAL FUND</b>				
Schools - Pupil Places Programme	17.7	5.6	1.0	18%
Schools - Other Capital Works	1.1	6.0	0.4	7%
Highways & Bridges – LBL	3.1	3.1	1.1	35%
Highways & Bridges – TfL	0.0	2.9	0.2	7%
Highways & Bridges - Others	1.1	3.4	0.0	0%
Catford town centre	4.8	4.7	0.3	6%
Asset Management Programme	3.9	4.2	0.3	7%
Heathside & Lethbridge Regeneration	1.1	1.1	0.1	9%
Excalibur Regeneration	0.0	2.6	0.1	4%
Lewisham Homes – Property Acquisition	10.0	8.0	8.0	100%
Private Sector Grants and Loans (inc. DFG)	1.7	3.0	0.2	7%
Fleet Replacement Programme	2.6	2.9	1.2	41%
Beckenham Place Park	5.5	4.0	0.5	13%
Smart Working Programme	2.0	2.1	0.1	5%
Edward St. Development	4.9	2.5	0.0	0%
Travellers Site Relocation	1.1	1.1	0.0	0%
ICT Tech Refresh	0.7	0.9	0.0	0%
Other General Fund schemes	1.9	7.3	1.1	15%
<b>TOTAL GENERAL FUND</b>	<b>63.2</b>	<b>65.4</b>	<b>14.6</b>	<b>22%</b>
<b>HOUSING REVENUE ACCOUNT</b>				
Housing Matters Programme	28.0	28.0	1.2	4%
Decent Homes Programme	43.9	43.7	4.7	11%
Other HRA schemes	0.8	0.8	0.2	25%
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>72.7</b>	<b>72.4</b>	<b>6.1</b>	<b>8%</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>135.9</b>	<b>137.8</b>	<b>20.7</b>	<b>15%</b>

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

## 15. FINANCIAL IMPLICATIONS

- 15.1 This report concerns the financial forecasts for the 2018/19 financial year. However, there are no direct financial implications in noting these.



## **16. LEGAL IMPLICATIONS**

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

## **17. CRIME AND DISORDER ACT IMPLICATIONS**

- 17.1 There are no crime and disorder implications directly arising from this report.

## **18. EQUALITIES AND ENVIRONMENTAL IMPLICATIONS**

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

## **19. CONCLUSION**

- 19.1 The council will continue to apply sound financial controls throughout the duration of the financial year. However, the short and medium term outlook remains difficult and the continued strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2018/19 and beyond.

## **BACKGROUND PAPERS AND APPENDICES**

<b>Short Title of Report</b>	<b>Date</b>	<b>Location</b>	<b>Contact</b>
Financial Outturn for 2017/18	7 <sup>th</sup> July 2018 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
2018/19 Budget	21 <sup>st</sup> February 2018 (Council)	5 <sup>th</sup> Floor Laurence House	David Austin
Financial Forecast for 2018/19 – Month 2	11 <sup>th</sup> July 2018 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson

For further information on this report, please contact:

Selwyn Thompson, Head of Financial Services on 020 8314 6932

**APPENDIX 1**

**PROPOSED 2018/19 CAPITAL PROGRAMME – APPROVED TO LATEST BUDGET**

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

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