

PUBLIC ACCOUNTS SELECT COMMITTEE			
REPORT TITLE	Financial Forecasts 2018/19		
KEY DECISION	No	Item No.	5
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources		
CLASS	Part 1	Date	20 December 2018

1. EXECUTIVE SUMMARY

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

- i. There is a forecast overspend of £10.7m against the directorates' net general fund revenue budget as at the end of September 2018. This is after the application of £6m to support the Children's Social Care base budget. This is set out in more detail in sections five to nine of this report. The position as at the end of October 2018 compares to a projected year outturn position of £10.9m as at the end of September 2018.
- 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 October 2018, some 58.8% of council tax due and 71.1% of business rates due had been collected. At this point last year, 59.1% of council tax due and 71.2% of business rates due had been collected. This is set out in more detail in section 13 of this report.
- v. The Capital Programme spend, updated to a later position that this reporting period (i.e. 30 November 2018) is £41.0m, which is 30% of the revised budget of £137.8m. The capital expenditure up to 30 November in the last financial year was £50.7m, which was 50% of the revised budget of £102.4m, with the final outturn being 86% (£87.0m) of the revised budget of £100.7m. The breakdown of the capital budget and expenditure for 2018/19, along with an update on delivery of major capital schemes, is out in section 14 of this report.

2. PURPOSE

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

3. RECOMMENDATIONS

- 3.1 The members of the Executive Management Team are 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;

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) is now fully available for use by budget holders. Alongside the systems integrator, the finance team continues to provide further support and training to budget holders on use of the PBCS system.
- 5.2 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £10.7m is being reported as at the end of October 2018, after the application of resources held corporately and the use of reserves. This compares to the £10.9m forecast overspend reported to the end of September 2019 and represents an improvement in the monitoring position by £0.2m.

Table 1 – Overall Directorate position for 2018/19

Directorate	Gross budgeted spend	Gross budgeted income	Net budget 2018/19	Variance Oct 2018	Variance Sept 2018
	£m	£m	£m	£m	£m
Children & Young People (1) (2)	71.3	(12.3)	59.0	9.6	9.5
Community Services	172.2	(81.3)	90.9	(0.6)	(0.2)
Customer Services (3)	99.4	(57.3)	42.1	1.7	1.7
Resources & Regeneration	76.4	(51.2)	25.2	0.0	(0.1)
Directorate Totals	419.3	(202.1)	217.2	10.7	10.9
Corporate Budgets	24.1	0.0	24.1	0.0	0.0
Net Revenue Budget	443.4	(202.1)	241.3	10.7	10.9

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

(2) – £6m has been 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.

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

5.4 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, 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 continue to focus on monitoring the progress of savings being implemented.

5.5 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 November 2018
A	Smarter & deeper integration of social care & health		
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.
	Total	300	
B	Supporting People		
B4	Service economy rental income	70	Delivered

	Total	70	
D	Efficiently review		
D2	Corporate efficiency from Unallocated inflation	1,000	Delivered via cash limits set for 18/19
	Total	1,000	
E	Asset Optimisation		
E8	Income from Private Rented Scheme (PRS) Joint Venture	500	In progress – Besson St contract signed
	Total	500	
I	Management and Corporate Overheads		
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
	Total	1,290	
J	School Effectiveness		
J18	Statutory functions of School Effectiveness	366	Delivered as part of SLA agreements with schools for 2018/19
	Total	366	
Ref.	Saving	2018/19 £'000	Update at November 2018
K	Statutory functions of School Effectiveness		
K5	Problem solving crime reduction	30	Delivered
	Total	30	
L	Culture and Community Services		
L8	Facilities management - retender of contract for Deptford Lounge	130	Delivered – Albany successful and managing this site.
	Total	130	
M	Housing strategy and non-HRA funded services		
M8	Reduced costs of providing nightly paid accommodation	250	On track to be delivered but at risk of demand pressures
	Total	250	
O	Public Services		

O5	Council Tax single person discount review	500	Delivered through data matching work
	Total	500	
P	Planning and Economic Development		
P3	Planning savings	270	In progress – subject to development demand to sustain income levels
	Total	270	
Q	Safeguarding and Early Intervention		
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
	Total	150	
	Grand Total (excluding Q7 CAMHS)	4,806	

5.6 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.

5.7 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. 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 will not be progressing at all.

6. CHILDREN AND YOUNG PEOPLE'S SERVICES

6.1 As at the end of October 2018, the Children and Young People's directorate is forecasting a £9.6m overspend. The position shows a slight variance on the position reported to the end of September 2018. Members should not that this comes after an agreed injection of £6m to the Children's Social Care base budget approved by Mayor & Cabinet.

Table 3 – Children & Young People Directorate

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Forecast over/ (under) spend Oct 2018	Forecast over/ (under) spend Sep 2018
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	47.1	(0.8)	46.3	6.9	6.9
Education, Standards and Inclusion	1.8	(1.4)	0.4	(0.1)	(0.2)
Targeted Services and Joint Commissioning	22.4	(8.4)	14.0	2.8	2.8
Schools	0.0	(1.7)	(1.7)	0	0.0
Total	71.3	12.3	59.0	9.6	9.5

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

- 6.2 The full year projection of the Children’s Social Care spend has changed since the last report. The numbers of children placed in residential, local authority fostering and agency fostering has increased by 32 compared with the same time in the previous year. Since July, the projections for placements and staffing projections have continued at previously forecasted levels.
- 6.3 The most significant cost pressures for the directorate fall within the *children’s social care* division, which amounts to £6.9m. The key issues relating to the directorate’s budget pressures have been set out in the following paragraphs.
- 6.4 With the injection of the £6m budget approved by M&C for Children Social Care ,the Residential placement budget for *looked after children* is currently forecast to overspend by £0.3m and budget for independent fostering is also overspent by £0.5m although the unit costs and numbers in independent fostering are not out of line with other boroughs. The semi-independent placements are forecast to overspend by £0.3m, for placements of 46 young people. 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 £0.2m. Local authority fostering is in addition overspent by £0.6m as placements have increased by 24 since the start of the year. The placements budget is the primary focus of the Children’s Social Care Improvement Programme, which commenced with the Placements Team being transferred 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			
	Aug 2018 (£)	Sep 2018 (£)	Oct 2018 (£)	Oct 2017
Local Authority Fostering	440	440	440	427
Agency Fostering	910	910	912	927
Residential Placement	3,712	3,712	3,636	3,707

	Aug 2018	Sep 2018	Oct 2018	Oct 2017
Local Authority Fostering	193	202	199	172
Agency Fostering	192	186	188	194
Residential Placement	47	48	50	39
Total	432	436	437	405

- 6.6 Another major area of pressure within CYP is spend on staffing. Currently, the forecast is estimated at £4.1m overspend, which represents the same position reported at the end of September. Current data shows over 30% 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-base lining 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 has been 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 overspend by £2.8m, which is unchanged from the previously reported position to the end of July. Last year the outturn, before the use of reserves was £4.3m for the service. The main pressure area is SEND Transport £2.0m. 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 by 242 since the January 2018 census to 2,259 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 October 2018, the Community Services directorate is forecasting an underspend of £0.6m. This is an improvement on the forecast overspend reported as at the end of September 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 Oct 2018	Forecast over/ (under) spend Sep 2018
	£m	£m	£m	£m	£m
Adult Services Division	120.7	(49.5)	71.2	0.0	0.0
Cultural and Community Development	16.7	(7.5)	9.2	0.1	0.0
Public Health	15.4	(16.1)	(0.7)	(0.3)	(0.1)
Crime Reduction & Supporting People	18.1	(8.2)	9.9	(0.2)	(0.1)
Strategy & Performance	1.3	(0.0)	1.3	(0.0)	(0.0)
Reserves	0.0	0.0	0.0	(0.2)	(0.1)
Total	172.2	(81.3)	90.9	(0.6)	(0.2)

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 spend to budget. 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. This cost, along with demographic pressures for other client groups, is funded through the iBCF, as is the financial impact of earlier discharges from

hospital. Additionally, the Council has been allocated £1.4m of the £240m national Winter Pressures funding. Plans for the use of this are being developed. Part will be used to develop and fund new initiatives to support hospital discharges but part will be available to fund existing pressures. The monitoring position reported here assumes that £600k is used to fund existing spend.

7.3.2 Overall, staffing budgets are projected to overspend by £1.2m (an increase on the period 6 position), with the largest pressures (£0.6m) 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. The projection of a balanced budget assumes an underspend against the £855k Adult Social Care Support Grant and also against the new funding for winter pressures announced this autumn.

7.4 The cultural and community services division is forecasting an overspend of £55k which it is anticipated will be largely covered by a drawdown of £45k from earmarked reserves in respect of the Local Assemblies devolved project funding.

7.4.1 There is a projected overspend on the Community Centres budget of £113k. A review was undertaken of the facilities management arrangements for the seven buildings directly managed by the Community Resources Team in order to deliver a full year 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 an underlying budget pressure. This current projected overspend may be mitigated once the new commercial rent agreements are finalised for both the Sydenham and Leemore community hubs. In addition, work is progressing to transfer a further five community centres to Lewisham Homes early in 2019.

7.4.2 There is an overall net pressure on the *Libraries Service* which totals £108k. There will be an overspend of £80k in the Libraries Service resulting from LB Lewisham's agreed 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 this commitment will therefore need to be funded from the 2018/19 revenue budget. There is a further pressure of £35k which has resulted from the need to put additional security in place at Lewisham Library during operating hours following an incident at the Library. These two pressures are currently offset by minor underspends on staffing and other operational budgets.

7.4.3 There is a total projected underspend of £243k across the *Leisure Management* budget. An underspend of £130k has resulted from 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. In addition, there is an underspend of £113k on the Downham PFI unitary charge

payment for 18/19 which has resulted from a retrospective adjustment to the contract payments due under the PFI agreement for 18/19.

- 7.4.4 An overspend of £55k is projected on the Local Assemblies Devolved budget which is the result of committed spend carry-forward from previous financial years. It is anticipated will be covered by the drawdown of £45k from a specifically earmarked reserves, however, this is not currently reflected in the current service budget. There is also a projected overspend on the Broadway Theatre budget of up to £80k which is resulting primarily from additional costs incurred on the Pantomime season which cannot be covered from the potential income that will be generated from the event.
- 7.4.5 There are also smaller overspends on the *Community Sector Grant* Programme of £20k due to lost CCG funding and £20k on *Deptford Lounge* as a result of once of costs relating to the implementation of the new management contract. A projected underspend of £107k on the *culture and community development* staffing resulting from a combination of staff turnover and vacancies will help to balance the overall divisional position. The cost of the Adult Learning Lewisham (ALL) Service is expected to be fully externally funded from a combination of grant from the Education & Skills Funding Agency and student fee income.
- 7.5 An underspend of £0.3m is projected on the *public health* budget reflecting early achievement of savings.
- 7.6 The *crime reduction and supporting people* division is now projecting a forecast underspend of £0.2m for 2018/19 which is £0.1m up on the previously reported position. The initial budget pressure of £0.1m across the Division that was created following the transfer of Business Support staff from Customer Services has been absorbed within the overall position for the Division.
- 7.6.1 There is now a projected underspend of £106k on the budget for secure remand placements. This has resulted from a combination of an increase in the level of government grant funding received from the Ministry of Justice for 2018/19 and the level of remand placements required by the courts continuing to be exceptionally low for the year to date. However, Secure Remand Placements can 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 being made in the operation of the court process.
- 7.6.2 Despite budget pressures funding of £250k for 2018/19, there is still a projected pressure of £90k on the core staffing and operational budget for the *youth offending service* in 2018/19. This cost pressure follows the adverse service inspection by the Youth Justice Board, this resulted in a 'new' staffing structure being put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan.
- 7.6.3 There are further underspends on *environmental health* of £71k (staffing & income), the *prevention & inclusion team* of £124k (staffing), the *supporting people* budget of £37k (contract savings) and the *drug & alcohol* budget of £20k (operational marketing & publicity budgets). The *crime enforcement & regulation service (including CCTV)* has a projected underspend of £39k resulting from an underspend

on staffing budgets offset by pressures on licensing income and legal costs and CCTV maintenance costs.

7.6.4 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 spend to budget.

8. CUSTOMER SERVICES

8.1 As at the end of October 2018, the Customer Services directorate is forecasting an overspend of £1.7m. At the same time last year, the year-end forecast was an overspend of £4.3m 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 Oct 2018	Forecast over/ (under) spend Sep 2018
	£m	£m	£m	£m	£m
Strategic Housing	28.8	(23.2)	5.6	0.0	0.0
Environment	36.9	(16.7)	20.2	0.8	0.7
Public Services*	28.3	(17.0)	11.3	(0.3)	0.0
Technology and Change	5.4	(0.4)	5.0	1.2	1.0
Total	99.4	(57.3)	42.1	1.7	1.7

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

8.2 The *Strategic Housing* service is forecasting spend to budget for 2018/19.

8.3 The *Environment division* is forecasting an overspend of £0.8m. 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 October 2018, a net overspend of £0.6m on *refuse services* is 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 nine 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. There is also a shortfall of income projected for *trade refuse* of £200k, within this overspend, which is in line with the income shortfall in 2017/18. With regards to the *strategic waste management service*, an overspend of £0.1m is forecast, predominately due to the purchase of new containers for the civic amenities site and an overspend on staffing costs.

- 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 for the 2018/19 financial year in order to mitigate a prior year saving allocated to the service. The cost of the service is 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 which follows efforts to reduce demand for the service by both CYP-SEN and Community Services-Adults.
- 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.
- 8.4 The *Public Services division* is forecasting an underspend of £0.3m at the year-end. For the *revenue services* area, an overspend of £0.3m is anticipated, with £0.2m in the *council tax administration and court grant* area, primarily due to bank charges. A similar position was reported in 2017/18. The *council tax admin team* is anticipated to overspend by £0.2m on legal fees and ICT costs. An overspend of £0.2m is expected in relation to agency staffing in the *central debtors team* and £0.1m in the *FMD cashiers team*. Underspends for *council tax management* of £0.1m in relation to ICT hardware and other supplies and services.
- 8.4.1 In the *housing benefits* service area, there is a shortfall of £0.5m between the amount of housing benefit to be paid and the housing benefit subsidy (grant) due from Department for Work and Pensions (DWP) for the year. In 2016/17 and 2017/18, overpayments identified within the benefits system were particularly high, following initiatives from DWP to detect error and fraud and reduce it, such as Real Time Information (RTI). These initiatives meant that overpayments of housing benefit were more easily detected and recovery action for these overpayments taken. A reduction in the number of overpayments created is being seen this year due to changes in claimants' income being more quickly available through the initiatives, and therefore a reduction the overpayments to be recouped from claimants in has been seen. The impact of the reduction in potential income has been lessened by the forecast reduction in the bad debt provision associated with the reduction in overpayments to be recovered. However, a shortfall of £0.6m is nevertheless forecast for the year.
- 8.4.2 Across the service point area, an overspend of £0.3m is forecast, as a result of underachievement of income for business support services of £0.1m, an unfavourable variance for *customer service centre* of £0.1m in relation to agency

costs combined with unbudgeted security costs and a shortfall in income for *registrars service*, £0.1m.

- 8.4.3 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 for enforcement. This is expected to be offset by a favourable variance of £1.9m from fixed penalty notices and pay and display charges, creating a £1.1m surplus for the parking service.
- 8.4.4 There is also an underspend on *customer services reserves* and *management team* of £0.3m, of which £0.1m on staffing costs and an additional £0.2m underspend is forecast in relation to a transfer to reserves that is not anticipated to take place in 2018/19, due to the current overspend position.
- 8.5 The *Technology and Change* division is forecasting a £1.2m overspend, which is a movement of £0.2m on September's position. Following the notification of additional costs not previously forecast for the shared service, in relation to a service improvement programme, creating need for additional staffing costs and infrastructure related items.
- 8.6 A forecast overspend of £0.6m is anticipated for the shared service, of which the additional forecast of £0.2m for the service improvement programme is a part. Historically, the shared services budget has provided funding for the core element of the shared service, but the shared service arrangements include variable elements such as printing and the purchase of IT consumables, which are unbudgeted. In 2016/17, the service delivered budget savings of £1m, primarily through introducing the 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 savings have been made in 2018/19, following the extension of the shared service arrangements to the London Borough of Southwark in late 2017/18, in which the 2018/19 is seeing the full-year effect.

9. RESOURCES AND REGENERATION

- 9.1 As at the end of October 2018, the Resources and Regeneration directorate is forecasting a balanced budget at the year-end. This is an adverse movement of £0.1m to the reported forecast as at the end of September 2018. At the same time last year, the year-end forecast was an underspend of £0.5m 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 Oct 2018	Forecast over/ (under) spend Sep 2018
	£m	£m	£m	£m	£m
Corporate Resources	5.7	(3.2)	2.5	(0.1)	(0.1)
Corporate Policy & Governance	4.8	(0.2)	4.6	(0.2)	(0.2)
Financial Services	4.5	(1.5)	3.0	0.1	0.1
Organisational Development & HR	2.8	(0.3)	2.5	(0.1)	(0.2)
Legal Services	3.3	(0.3)	3.0	0.0	0.0
Strategy	5.0	(2.8)	2.2	(0.2)	(0.3)
Planning	2.6	(1.9)	0.7	0.0	0.0
Regeneration & Place	47.7	(40.4)	7.3	0.5	0.6
Reserves	0.0	(0.6)	(0.6)	0.0	0.0
Total	76.4	(51.2)	25.2	0.0	(0.1)

- 9.2 The *corporate resources* division (£0.1m), the *corporate policy & governance* division (£0.2m) and the *strategy* division (£0.2m) are forecasting underspends that are mainly due to vacancies. The *organisational development and HR* division is forecasting an underspend of £0.1m against salaries, income and supplies & services budgets. The *financial services* division is forecasting an overspend of £0.1m due to pressures across salaries, supplies & services and income budgets.
- 9.3 The *regeneration & place* division is forecasting a net overspend of £0.5m. 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 (£0.2m) due to price increases; and a continuing pressure in relation to Garages (£0.2m). 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).
- 9.4 There are currently balanced budget positions being forecast for the *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.

11.4 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 and £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 business plan.
- 12.2 The forecast position for October 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 October 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.
- 12.5 The current 30 year HRA financial model has been recently refreshed, with the latest updates for the new build programme, general capital programme, GLA grant and Headroom borrowing bid incorporated into the plans. Budgets will be amended from October 2018 to reflect the latest position.

Table 8 – Housing Revenue Account

Service Area	Expenditure Budget	Income Budget	2018/19 budget	Forecast over/ (under) spend Oct 18	Forecast over/ (under) spend Sep 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	48.1	(96.3)	(48.2)	(2.9)	(2.9)
Total	99.8	(99.8)	0	(2.9)	(2.9)

13. COLLECTION FUND

13.1 As at 31 October 2018, £79.9m of council tax had been collected. This represents 58.8% of the total amount due for the year of £135.7m. This is below the profiled collection rate of 59.9% 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 59.1%.

13.2 Business rates collection is at 71.1%, a decrease of 0.1% compared to the same period last year, and 2.1% lower 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 30 November 2018 is £41.0m, which is 30% of the revised budget of £137.8m. The capital expenditure up to 30 November in the last financial year was £50.7m, which was 50% of the revised budget of £102.4m, with the final outturn being 86% (£87.0m) of the revised budget of £100.7m.

14.2 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 30 Nov 2018	Spent to Date (Revised Budget)
	£m	£m	£m	%
GENERAL FUND				
Schools - Pupil Places Programme	17.7	5.6	2.1	38%
Schools - Other Capital Works	1.1	6.0	2.4	40%
Highways & Bridges – LBL	3.1	3.1	2.6	84%
Highways & Bridges – TfL	0.0	2.9	0.4	14%
Highways & Bridges - Others	1.1	3.4	0.6	18%
Catford town centre	4.8	4.7	0.8	17%
Asset Management Programme	3.9	4.2	0.9	21%
Heathside & Lethbridge Regeneration	1.1	1.1	0.1	9%
Excalibur Regeneration	0.0	2.6	0.8	31%

Lewisham Homes – Property Acquisition	10.0	8.0	8.0	100%
Private Sector Grants and Loans (inc. DFG)	1.7	3.0	0.7	23%
Fleet Replacement Programme	2.6	2.9	2.9	100%
Beckenham Place Park	5.5	4.0	1.6	40%
Smart Working Programme	2.0	2.1	0.4	19%
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	1.6	22%
TOTAL GENERAL FUND	63.2	65.4	25.9	40%
HOUSING REVENUE ACCOUNT				
Housing Matters Programme	28.0	28.0	2.3	8%
Decent Homes Programme	43.9	43.7	12.6	29%
Other HRA schemes	0.8	0.8	0.2	25%
TOTAL HOUSING REVENUE ACCOUNT	72.7	72.4	15.1	21%
TOTAL CAPITAL PROGRAMME	135.9	137.8	41.0	30%

- 14.3 The main sources of financing the programme are grants and contributions, and capital receipts from the sale of property assets. Some £20.6m has been received so far this year, comprising £8.1m (net) from Housing Right-To-Buy and other capital receipts and £12.5m of grants and contributions.
- 14.4 The paragraphs below set out further detail regarding the delivery of the Council's major capital schemes:
- Highways*
- 14.5 During 2018/19, investment from Transport for London (TfL) has been used to deliver major improvements to local streets, as part of the Local Implementation Plan (LIP) programme. This includes the completion of the Deptford High Street scheme, as part of TfL's major schemes programme, and builds on the continued regeneration of the town centre area. It also includes major works in Dartmouth Road (Forest Hill), Baring Road (Grove Park) and Sangley Road (Catford South) to provide improved pedestrian environments, support local businesses, and reduce traffic speeds.
- 14.6 Following the release of a new Mayor's Transport Strategy for London, a thorough review of the Council's LIP transport strategy is now underway, that will consider the Council's investment priorities for highways and transport over the next 5 years. As part of this review, the new strategy will need to consider the implications of cuts to the annual formula grants received from TfL, expected to be over £300,000 a year, as well as a two-year pause on maintenance funding from TfL, at a similar level of reduction. In September 2018, the new strategy was approved in draft by Mayor & Cabinet, and will focus on creating "Healthy Neighbourhoods" that reduce traffic flows, improve air quality, and create better environments for walking and cycling, as well as delivering speed reduction measures that support the Council's Borough-wide 20mph limit.
- 14.7 To offset the annual funding cuts from TfL, the Highways & Transport service continues to have success in bidding for additional funding, including being one of

only seven London Boroughs to be awarded Liveable Neighbourhoods funding to deliver “Healthy Streets”, as well as the proposed Cycle Superhighway which will run the full length of A200 Evelyn Street.

- 14.8 In addition, the Council continues to invest resources in maintaining its highway assets, most notably through its £3.5million programme of carriageway and footway resurfacing works. The budget for carriageways allows for 60 to 70 roads to be resurfaced each year and, until 2017, the majority of these roads were those in the worst condition and categorised as “Red” - lengths of road in poor overall condition and in need of immediate further engineering assessment with a planned maintenance soon. In 2018 we carried out resurfacing to 67 roads from the Council’s programme.
- 14.9 As a result of the resurfacing programme, it is now anticipated that the Council will have repaired all those roads with a Condition Index of “Red” category by early 2019. The focus will now move to works to roads classified with Condition Index of “Amber” (lengths of road where some deterioration is apparent, which should be investigated within one year to determine the optimum time for planned maintenance treatment). Without a planned early intervention within a year or two, could result into further severe defects and move the Condition Index to “Red”. Early intervention using appropriate design, based on carriageway coring information and other factors like bus routes, high volume of traffic, usage and environment will result in better value for money. There are still some 386 roads classified as Amber that require essential works and the Council’s long-term investment strategy is taking effect as since 2013, the number of annual insurance claims against the Council for carriageway defects has reduced by approximately 50%.
- 14.10 As progress continues on the condition of carriageways, the balance of focus will also move towards the footways programme where there are still approximately 70 roads categorised as Red and the proposal is to carry out essential repairs to at least 10 roads each year.

Schools

Schools - Pupil Places Programme

- 14.11 Since December 2015, the Regeneration and Place Division has been working with colleagues in the Children and Young Peoples Directorate to develop a longer term strategy for the delivery of school places to meet identified needs across the borough and to do so in a sustainable and efficient manner. As part of this, a new cross directorate governance structure has been implemented and a new procurement strategy agreed; utilising two-stage design and build contracts which transfer risk away from the Council to the contractors. As primary place demand has levelled off recently across London, the priority for the programme is Special Educational Need and Disability provision. Four schemes are currently in development stages, two due for completion in 2019 and two by 2020.

Schools – Minor Works Capital Programme

- 14.12 The School Minor Works Programme (SMWP) is an ongoing programme of minor capital works to existing community school buildings, primarily relating to mechanical/ electrical infrastructure and building fabric needs. The programme is grant funded by central government and has been consistently delivered on budget.

Early Years Programme

- 14.13 Works have taken place at three nurseries within the borough since 2017, providing additional facilities to enable the delivery of 30 hours free childcare per week, in line with government policy.

Housing Regeneration

- 14.14 In the past year excellent progress has been maintained on the Council's two main housing regeneration projects, at Heathside & Lethbridge and at Excalibur, which in combination will deliver 1,500 high quality new homes, of which half will be affordable homes of varying types. At Heathside & Lethbridge phase 4 completed this year delivering 121 new social homes, and all of the remaining residents on the old estate have now been successfully re-housed. At Excalibur the first new homes have completed, enabling the first residents to move out of their pre-fab homes into high quality modern homes at protected social rents.
- 14.15 Across the housing delivery programme there have been a number of achievements. As of December 2018, 429 of last administration's 500 social home programme are either complete, on-site or have received planning permission. All homes that make up this programme will have started on site in 2019. As well as the 500 new social homes, the Council has committed to delivering 1,000 additional new social homes over the next four years. A programme of sites, to fulfil this commitment, is expected to be prepared by spring 2019. More than 100 homes have now been purchased by Lewisham Homes to provide better and more financially viable accommodation for homeless households.
- 14.16 On Edward Street in Deptford, a new housing scheme that will provide 34 new homes for use as high-quality temporary accommodation for homeless families, using the next iteration of the precision manufacturing technology used to build PLACE/Ladywell received planning permission in November 2018. The development will also provide a community run nursery and commercial space on the ground floor. The build will generate rental income for the Council, as well as delivering significant savings by not having to house 34 families in expensive private temporary accommodation.
- 14.17 In relation to existing homes, in this past year Lewisham Homes has commenced Decent Homes works on the final homes required to achieve 100% decent homes, which is a significant landmark. Alongside this, the Council has helped 72 households with disabled facilities grant funding to make homes safer and more suitable. The priority in the coming year will be to continue to respond quickly to the Grenfell tragedy. Aluminium Cladding Materials (ACM) on three Lewisham Homes blocks has already been removed and will be replaced in the next financial year. The Council and Lewisham Homes will continue to work closely in partnership on any other investment requirements as they arise.

Other Schemes

Catford Town Centre

- 14.18 A masterplanner, Studio Egret West, has been appointed to develop a spatial plan or masterplan for Catford. The masterplan work which started in July this year will run for approximately 1 year. At the end the process, Council is expected to have a comprehensive masterplan that delivers on the Council's strategic objectives for a

viable Town centre and as well as on local aspirations of its residents. TfL continues to be a key partner in progressing the road realignment which forms part of the masterplan process. Work has also continued on the engagement, meanwhile use and place making initiatives started in 2016. These activities continue to reach out to thousands of people and have led to growing interest in the overall regeneration of the Town Centre. The challenge for 2019 is to complete the masterplan process and begin the process of developing a strategy for delivery the strategic outcomes it contains.

Beckenham Place Park

- 14.19 The restoration of the west side of Beckenham Place Park has secured planning and listed building consent. Preparatory works commenced in winter 2017 and the main restoration of the landscape and a number of listed building commenced in April 2018. Work to the west side of the park will be complete by summer 2019. Works to the east side of the park led by the Environment Agency to create a flood storage scheme for the River Ravensbourne have been put on indefinite hold following a significant increase in the cost of delivering their proposals. Council officers are investigating alternative ways of bringing investment to the east side of the park.

Smart Working Programme

- 14.20 The Smarter Working programme seeks to consolidate offices and release sites for future redevelopment in Catford town centre, whilst refurbishing the council's main office site, Laurence House, to ensure it is fit for purpose until new council offices can be built. The ground floor has been refurbished to provide a modern, welcoming and better functioning reception for the Council. It opened to staff and the public in October 2018. Work has commenced on refurbishing floors 1 to 5, improving and extending toilet provision, delivering new meeting rooms and kitchens, improving the heating and ventilation system, new energy efficient LED lighting, decoration and a layout and furniture which supports and encourages agile working. The programme of work will continue until the autumn of 2019, one floor at a time.

Asset Management Programme

- 14.21 Over the past few years, the Asset Management Programme (AMP) has provided resources to fund much needed capital works across the operational corporate estate. These have been reactive works to building fabric such as roof replacement and mechanical works including boiler replacements and lift repairs across the estate of approximately 80 sites.
- 14.22 More recently, the programme has funded essential works to the Civic Suite, Laurence House reception as well as impending emergency repair works to the Broadway Theatre and other key sites and buildings.
- 14.23 Officers are in the process of commissioning a condition survey of the entire operational corporate estate of approximately 105 buildings across the circa 80 sites. The survey will help inform a future corporate capital works programme for the estate.

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

Short Title of Report	Date	Location	Contact
Financial Outturn for 2017/18	7 th July 2018 (M&C)	5 th Floor Laurence House	Selwyn Thompson
2018/19 Budget	21 st February 2018 (Council)	5 th Floor Laurence House	David Austin
Financial Forecast for 2018/19 – Month 2	11 th July 2018 (M&C)	5 th Floor Laurence House	Selwyn Thompson
Financial Forecast for 2018/19 – Month 4	10 th October 2018 (M&C)	5 th Floor Laurence House	Selwyn Thompson

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