

MAYOR & CABINET			
REPORT TITLE	Financial Forecasts 2019/20		
KEY DECISION	No	Item No.	
WARD	N/A		
CONTRIBUTORS	Executive Director for Corporate Services		
CLASS	Part 1	Date	10 th October 2019

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the financial forecasts for 2019/20 as at 31st July 2019, noting any exceptional items to the end of August 2019. The key areas to note are as follows:
- i. There is a forecast overspend of 4.0m against the directorates' net general fund revenue budget. This is set out in more detail in sections five to nine of this report. The main budget pressures are in the Children's & Young People and the Housing, Regeneration & Environment directorates.
 - ii. The Dedicated Schools Grant (DSG) is expected to balance at the year end. There are nine schools with loans totaling £2.4m. This is set out in more detail in section 10 of this report.
 - iii. The Housing Revenue Account (HRA) is currently projecting a balanced budget position. This is set out in more detail in section 11 of this report.
 - iv. As at 31st July 2019, some 35.1% of council tax due and 45.7% of business rates due had been collected. At this point last year, 35.0% of council tax due and 47.5% of business rates due had been collected. This is set out in more detail in section 12 of this report.
 - v. The Capital Programme spend as at 31st August 2019 is £50.1m, which is 25% of the revised 2019/20 budget of £197.3m. At this point last year, 19% of the revised budget had been spent, with the final outturn being 82% (£71.1m) of the revised budget of £87.0m. This has been set out in more detail in section 13 of this report and the appended documents.

2. PURPOSE

- 2.1 The purpose of this report is set out the financial forecasts for 2019/20 as at the end of July 2019, noting any exceptional items to the end of August 2019, and projected to the year end.

3. RECOMMENDATIONS

- 3.1 The Mayor & Cabinet is asked to:

- 3.3.1 Note the current financial forecasts for the year ending 31 March 2020 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.
- 3.3.2 Note the current position on the Oracle Cloud implementation as set out in Section 9 of this report.

4. POLICY CONTEXT

- 4.1 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, despite the increasing demand to deliver services to the borough's residents.
- 4.2 The information set out in the body of this report is consistent with the delivery of the Council's corporate priorities (contained within the new Corporate Strategy 2018-22), and is particularly relevant to 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.

5. DIRECTORATE FORECAST OUTTURN

- 5.1 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £4.0m is being reported as at the end of July 2019. At the same time last year, an overspend of some £11.4m was forecast.

Table 1 – Overall Directorate position for 2019/20

Directorate	Gross budgeted spend	Gross budgeted income	Net budget 2019/20	Forecast over/ (under) spend July 2019	Forecast over/ (under) spend May 2019
	£m	£m	£m	£m	£m
Children & Young People (1) (3)	68.7	(9.8)	58.9	3.2	3.0
Community Services	177.6	(85.9)	91.7	(2.2)	(2.1)
Housing, Regeneration & Environment	119.8	(85.1)	34.6	2.1	2.7
Corporate Services (2)	61.8	(27.7)	34.1	0.9	1.0
Directorate Totals	427.9	(208.5)	219.4	4.0	4.6
Corporate Items	23.6	(0.0)	23.6	0.0	0.0
Net Revenue Budget	451.5	(208.5)	243.0	4.0	4.6

(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) – includes £5.4m of once-off funding for 2019/20 to be reviewed in 2020/21

- 5.2 Since the last report the budget has been amended to reflect the Council's new directorate structure. The Customer Services directorate has been re-named the 'Housing, Regeneration & Environment' directorate and the Resources & Regeneration directorate has been re-named 'Corporate Services'.

5.3 Within these directorates, the Regeneration & Place and Planning divisions have moved from Corporate Services to Housing, Regeneration & Environment. The Public Services and IT & Digital Services divisions have moved the other way. For ease of explanation, the following tables provide a reconciliation of the Council's revised structure following the divisional movements between directorates for the previously reported position to the end of May 2019.

Table 2a – Reconciliation of Council structure changes: Housing, Regeneration & Environment directorate

	Gross budgeted spend	Gross budgeted income	Net budget 2019/20	Forecast over/ (under) spend May 2019
	£m	£m	£m	£m
Customer Services May 2019 budget	102.4	(59.6)	42.8	3.7
<i>plus:</i>				
Regeneration & Place division	50.0	(42.1)	7.9	0.4
Planning division	2.7	(2.0)	0.7	0.0
<i>less:</i>				
Public Services division	29.6	(18.6)	11.0	0.6
IT & Digital Services division	5.7	0.0	5.7	0.8
Housing, Regeneration & Environment July 2019 budget	119.8	(85.1)	34.6	2.7

Table 2b – Reconciliation of Council structure changes: Corporate Services directorate

	Gross budgeted spend	Gross budgeted income	Net budget 2019/20	Forecast over/ (under) spend May 2019
	£m	£m	£m	£m
Resources & Regeneration May 2019 budget	79.2	(53.2)	26.0	0.0
<i>plus:</i>				
Public Services division	29.6	(18.6)	11.0	0.6
IT & Digital Services division	5.7	0.0	5.7	0.8
<i>less:</i>				
Regeneration & Place division	50.0	(42.1)	7.9	0.4
Planning division	2.7	(2.0)	0.7	0.0
Corporate Services July 2019 budget	61.8	(27.7)	34.1	1.0

5.4 It should also be noted that for this annual reporting cycle, a couple of divisional names have changed from those which had been used in reporting the divisional financial positions in previous years. These are as follows:

- Targeted Services and Joint Commissioning *is now* Joint Commissioning and Early Help
- Technology and Change *is now* IT and Digital Services

6. CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 Based on the July 2019 financial position, there is an anticipated overspend of £3.2m for the Children and Young People's Directorate. This is a continuation of the pressures identified in 2018/19 supporting Special Educational Needs (SEN) Transport, Early Help (Troubled Families), Section 17 and the Youth Service.

Table 3 – Children & Young People Directorate

Service Area	Gross budgeted Spend	Gross budgeted income – including grants*	Net budget	Forecast Outturn for 2019/20	Forecast over/ (under) spend July 2019	Forecast Outturn as at the end of May 2019
	£m	£m	£m	£m	£m	£m
Children's Social Care	43.7	(0.9)	42.8	44.0	1.2	1.0
No Recourse to Public Funds	4.0	(0.0)	4.0	3.0	(1.0)	(1.0)
Education, Standards and Inclusion	11.2	(1.7)	9.5	11.4	1.9	1.9
Joint Commissioning and Early Help	9.8	(5.5)	4.3	5.4	1.1	1.1
Schools	0.0	(1.7)	(1.7)	(1.7)	0.0	0.0
Total	68.7	(9.8)	58.9	62.1	3.2	3.0

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

- 6.2 The most significant pressures in the current financial year relate to transport for SEN pupils of £1.9m and Early Help of £1.1m.

6.3 Children's Social Care

- 6.3.1 In 2018/19, the *Children Social Care* division reported pressures of £6.9m. The pressures, net of savings, have been funded from corporate resources for 2019/20. The directorate is progressing a placements strategy that reviews all aspects of placements and strategy. The strategy sets out how changes in demand and in client needs will be met, and how resources will be managed. Members will receive regular updates on this as the programme progresses.
- 6.3.2 A staffing reorganisation is also underway, with an interim structure imminent, while progress is made towards a long term review.
- 6.3.3 The *No Recourse to Public Funds* service has significantly reduced the number of households that are being provided with support from 100 cases in April 2018, to 78 at the end of the last financial year. The vast majority of cases closed are because households have regularised their immigration status which provides them with recourse to public funds. This has resulted in an underspend of approximately £1m as at the end of the last financial year, 2018/19. Indications for this finance report of following the new directorate structure for 2019/20, suggests that this level of underspend is expected to continue. The underspend is expected to partially offset the overspends in the following areas, these being Section 17 of £0.3m, Legal Fees of £0.2m and Looked After Children 'additional extras' of £0.7m resulting in a forecast net children's social care overspend of £0.2m. This was also the position reported as at the end of June 2019.

- 6.3.4 It should be noted that the majority of the children’s social care budget relates to non-staffing spend committed in the main to fund children’s placements. The table below shows placement numbers for four months, i.e. the last one month of 2018/19 and the latest three months of the new financial year, 2019/20. The information is based on figures obtained from the Commissioning and Performance teams and is under continuous review to improve accuracy and consistency.

Table 4 – Looked After Children

Looked After Children Numbers (Average)				
	March 2019	May 2019	June 2019	July 2019
LA Fostering (including kinship)	197	170	164	167
Agency Fostering	196	207	206	197
Residential Children's Homes	45	43	44	46
Semi-Independent placements	36	33	41	39
Leaving Care 18+	397	311	313	333
Special Guardianship Orders	209	213	214	219
Total	1,080	977	982	1,001

6.4 Education Services

- 6.4.1 The main cost pressure within the *Education Services* division relates to SEN transport with a projected overspend of £1.9m. The overspend is consistent with the position for the previous two financial years. This is a demand led budget. Consistent with the national position, the Council has experienced an increase in the numbers of pupils with Education, Health and Care Plans (EHCPs). Officers are closely monitoring the impact of this. The Education Psychology (EP) and Specific Learning Difficulties (SPLD) team has pressure on the salary budget of £0.26m due to demand in the service, but this is alleviated by underspends in Young People Relate service of £0.15m and Business Support recruitment lag of £0.11m.
- 6.4.2 Officers continue to progress work to manage demand. A review into the Council’s use of transport is being undertaken this year, but it is still too early to anticipate the full benefits in this financial year.

6.5 Joint Commissioning and Early Help

- 6.5.1 The *Joint Commissioning and Early Help* Division is reporting a budget pressure of some £1.1m for 2019/20. The early help offer for families is funded exclusively from the Troubled Families (TF) grant (attachment fees and payment by results). Although the Council’s TF claims are at the level expected by the Ministry of Housing, Communities and Local Government (MHCLG), an unachievable savings income target set up in 2015/16, means that the service is again reporting a pressure of circa £0.9m. The TF grant may come to an end later this year and consideration will need to be given to future funding of this service.
- 6.5.2 A budget shortfall of £0.5m for the Youth Service contract, partially offset by an underspend in the Children’s Centres budget of £0.3m accounts for the balance of the overspend. The contract is being reviewed as part of Early Help review which is currently underway.

6.6 Progress on Savings for 2019/20

6.6.1 The progress on revenue budget savings for the directorate have been set out in the table below. Saving proposals of £1.575m were agreed in setting 2019/20 budget. At the stage of the financial year it is expected that these savings are on track to be delivered in full. Work continues to monitor the impact of each of the individual proposals.

Table 5 – CYP Savings Tracker for 2019/20

Ref	Description	Division	£k	Comment
CYP01	More efficient use of residential placements	CSC	500	On track
CYP02	Improved placement process and more efficient systems with rigorous control through operating model and IT	CSC	250	On track
CYP03	More systematic and proactive management of the market for independent fostering	CSC	350	On track
CYP04	Commission semi-independent accommodation for care leavers	CSC	250	On track
CYP05	Residential framework for young people - Joint South East London Commissioning Programme	CSC	200	On track
CYP06	Cease funding for former CYP funded post in Voluntary Action Lewisham	Joint Commissioning/ Early Help	25	On track
	Total		1,575	

7. COMMUNITY SERVICES

7.1 As at the end of July 2019, the Community Services directorate is forecasting an underspend of £2.3m which represents an increase of £0.2m on the underspend position reported at the end of May 2019. At the same time last year, the year-end forecast was an overspend of £0.3m, with the actual year-end outturn being an underspend of £2.8m.

Table 6 – Community Services Directorate

Service Area	Gross budgeted Spend	Gross budgeted income	Net budget	Forecast Outturn for 2019/20	Forecast over/ (under) spend July 2019	Forecast over/ (under) spend May 2019
	£m	£m	£m		£m	£m
Adult Social Care	127.3	(54.8)	72.5	70.4	(2.0)	(2.1)
Cultural and Community Development	16.1	(7.8)	8.3	8.6	0.3	0.3
Public Health	14.9	(15.2)	(0.3)	(0.2)	0.0	0.1
Crime Reduction & Supporting People	18.2	(8.3)	9.9	9.4	(0.5)	(0.4)
Strategy & Performance	1.3	0	1.3	1.3	0.0	0.0
Total	177.8	(86.1)	91.7	89.5	(2.2)	(2.1)

7.2 The most significant cost variances for the directorate fall within the *Adult Social Care division*. The following sections provide a summary of the revenue forecast by division. It provides an explanation of the cause of the variance and any movements from the previous period. It also makes clear what the impact of any management

action or other intervention will have on the forecast projected to the year-end. Where any variance is impacted upon by demand driven activity, then these are also set out and made clear in this section.

7.3 Adult Social Care Services

- 7.3.1 An underspend of £2.0m is projected in the *Adult Social Care* division. The budget has been increased in 2019/20 by the precept of £2m to fund the rise in London Living Wage costs and a rise in the improved Better Care Fund grant of £2.8m. There are cost pressures arising from transition and other demographic effects and from increased costs of care arising from London and National Living Wage. However, the effects of these is less than the new level of resource available for 2019/20.
- 7.3.2 The variance is a £0.1m reduction from the previous reporting position with increased projected spend on packages and placements and enablement largely offset by reduced projections on mental health. This appears to be at least in part because of increased demand to speed up flow from UHL. In order improve the performance of Lewisham hospital, LGT are in receipt of support from the National Director of Urgent and Emergency Care and there is pressure on the community system, particularly adult social care. The impact of this has increased the cost of care and support as people discharged often require more intense and costly care and support.
- 7.3.3 Most of the revenue budget savings have been achieved. There has been improved management of enquiries and how these can be resolved by the staff who handle them. Such new approaches to demand management have reduced the numbers of older service users, particularly smaller care packages. An updated position of the progress of delivering the revenue savings has been set out in the table below.

Table 7 – Community Services Savings Tracker for 2019/20

Ref	Description	£k	Comment
COM01	Managing demand at the point of access to adult social care services	122	On track
COM02	Ensuring support plans optimise value for money	250	On track
COM03	Increase revenue from charging Adult Social Care clients	159	Saving now fully achieved despite auto charging and configuration still not complete – prospect to improve charging in 20/21
COM04	Reduce costs for Learning Disability and Transitions	900	Work in progress – partial achievement expected in 2019/20
COM05	Increased focus of personalisation	260	On track
COM06	Reduction in Mental Health Residential care costs	300	On track
COM07	Reduction in Adult Social Care contribution to Mental Health Integrated Community Services	100	On track
COM09	Cut to intensive housing advice and support service	300	On track
COM10	Crime, Enforcement & Regulation reorganisation	255	On track

COM12	Cut to Main Grants budget	600	On track for full year; part year effect in 2019/20
COM13	Reduction in Arts, Development and Events Funding	85	On track
COM14	Reduce Local Assemblies funds	225	On track
COM16	Cultural and Community Development Service Staffing	75	On track
COM17	Ending the Small & Faith Fund	50	On track
	Total	3,681	

- 7.3.4 Consultation on a new staffing structure that is designed to increase the levels and skills mix of staff at the front door is currently in progress. This along with more effective use of short term interventions, such as enablement has contributed to some delay or reductions in the need for longer term care is being scoped. Work to improve systems with projected costs of £400k have been delayed. Once this is in place, further revenue savings on package and placement budgets will be possible through better demand management. These are difficult to quantify at this stage, and have currently not been reflected in the projections for this period.
- 7.3.5 Officers from within the services of Joint Commissioning and Adult Social Care are working proactively to identify appropriate and cost effective solutions that will reduce some of the costs associated with long term care and support. These reductions are work in progress and have not been factored into the projections.
- 7.3.6 The service is dealing with more complex levels of need from cases that are referred from the acute hospitals due to a reduced length of stay. In addition, the young people with special educational needs and/or disabilities that transition from children's services to adults' social care, tend to be more complex.
- 7.3.7 Additionally, there has been an unexpected increase in the number of residential and nursing placements for service users aged 18 to 65. Transition was expected to increase learning disabilities numbers, but there has been an increase of 20 placements (28%) on other client groups also. Officers are investigating the reasons for this and will consider whether they could be avoided.

7.4 Cultural and Community Development

- 7.4.1 The *Cultural and Community Development* service is currently projecting an overspend of £0.3m. This represents no material change to the position reported at May 2019.
- 7.4.2 The community sector grants programme is showing an overspend of £0.2m. This was highlighted in the Main Grants Programme 2019-22 report to Mayor & Cabinet on 24th April 2019. A revenue budget saving of £600k was taken against the 2019/20 grants budget. However, the new 3-year programme came into effect on 1st August 2019 meaning that the existing programme was extended for four months resulting in the £0.2m budget pressure. The full £0.6m saving will be achieved in a full year for 2020/21 onwards.
- 7.4.3 The Culture and Community Development core staffing team is currently in the process of being restructured in order to deliver a full year saving of £150k per annum. There may be currently unquantified statutory redundancy costs arising from this restructure which ER/VR panel have indicated will need to be covered from the

service budget. This could result in a budget pressure for 2019/20 which will impact on the deliverability of the 2019/20 element of the saving.

- 7.4.4 There is a potential overspend of £55k on the community centres budget which is resulting primarily from the resolution of outstanding commercial rent agreements on several of the community hub buildings where voluntary sector organisations are in occupation. The negotiations with these organisations are ongoing and progress has been made with the completion of some leases - once these negotiations are completed, outstanding lease amounts are back dated to reflect prior occupation. This potential pressure is either partially or totally mitigated moving forward.
- 7.4.5 There is a projected overspend on the Broadway Theatre budget of £35k due to additional staffing costs on marketing and promotion which is not expected to be covered from additional income generation. The pantomime agreement for 2019/20 is on a 'hire only' arrangement with the promoter excepting the risk and the hire fee fully covering our costs to prevent the risk of any potential overspend. There is a potential overspend of £13k on the Blackheath Firework event due to a shortfall in potential contributions to the event. However, there are ongoing discussions with the Royal Borough of Greenwich with regard to their contribution to the event in an attempt to alleviate this pressure. There is a projected underspend of £40k on the Libraries staffing budget resulting from staff turnover and vacancies.
- 7.4.6 The Adult Learning Lewisham (ALL) service has gross expenditure of £4m which it is anticipated will be fully covered for 19/20 from a combination of grant funding from the Education and Skills Funding Agency and the GLA of £3.4m and Student fee/other income of £0.6m.

7.5 Public Health

- 7.5.1 The *Public Health* division has a planned revenue budget saving on staffing which has not yet been delivered in full and therefore an overspend of £0.1m is projected. This is offset by an underspend on sexual health budgets.

7.6 Crime Reduction and Supporting People

- 7.6.1 The *Crime Reduction and Supporting People* service is currently projecting an underspend of £0.5m. This represents an increase of £0.1m in the underspend reported as at the end of May 2019. The primary changes are an increase in the underspend on Secure Remand placements of £40k due to falling activity and an increase of £40k in the underspend on Environmental Health staffing due to staff turnover and a problem recruiting and retaining suitable agency staff.
- 7.6.2 There is a projected underspend of £240k on the budget for secure remand placements in the Youth Offending Service. This in part is due to better demand management, the level of remand activity has continued to be relatively low based on numbers for the April to July 2019 period. This budget can be volatile as placements are at the discretion of the court based on the age/vulnerability of the young person and the nature of the offence. However, based on a combination of the reduced bed night numbers and an increase in annual grant funding received from the Youth Custody Service, a similar level of underspend is projected to last year.
- 7.6.3 There are a range of smaller variances across the division which total to a net underspend of £300k. These are as follows: environmental health staffing is projected to underspend by £90k due to increased staff turnover and the difficulty of

recruiting suitable agency staff in the Food Safety Team; the Youth Offending core staffing budget is projected to underspend by £40k due to recruitment lag in filling new and vacant posts within the service; crime, enforcement and regulation budget is projected to underspend by £60k from a combination of staffing, operational budgets and additional income generation; prevention & inclusion staffing budget is expected to underspend by £60k due to the part year impact of a staff secondment; and there is also expected to be an underspend of £50k on the supporting people service resulting from contract savings.

7.7 Strategy and Performance

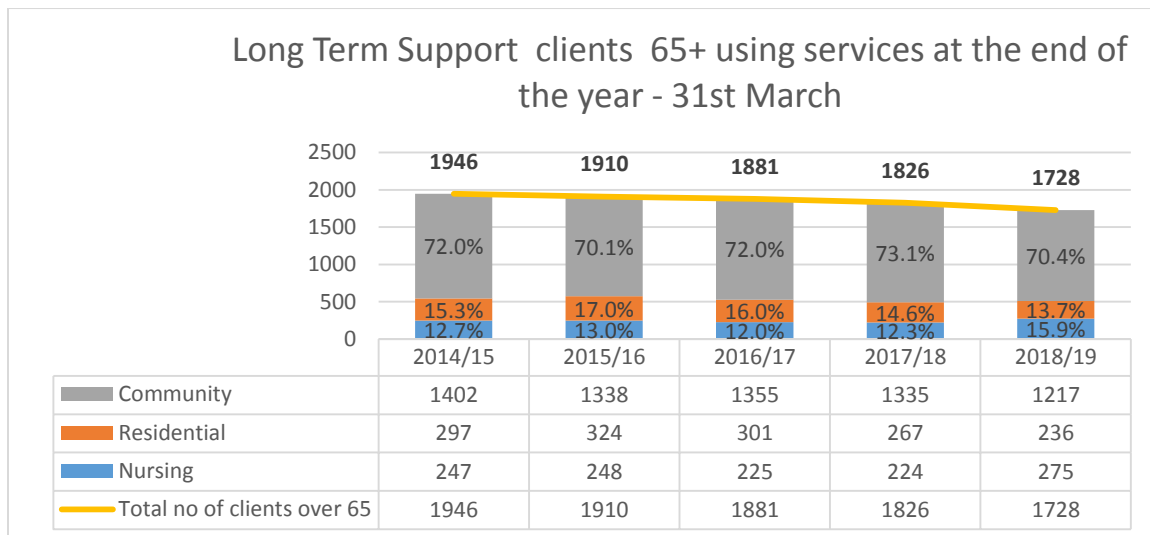
7.7.1 The *Strategy and Performance* division is projected to spend to budget.

7.8 Trends in activity

7.8.1 The following paragraphs show trends in activity in adult social care.

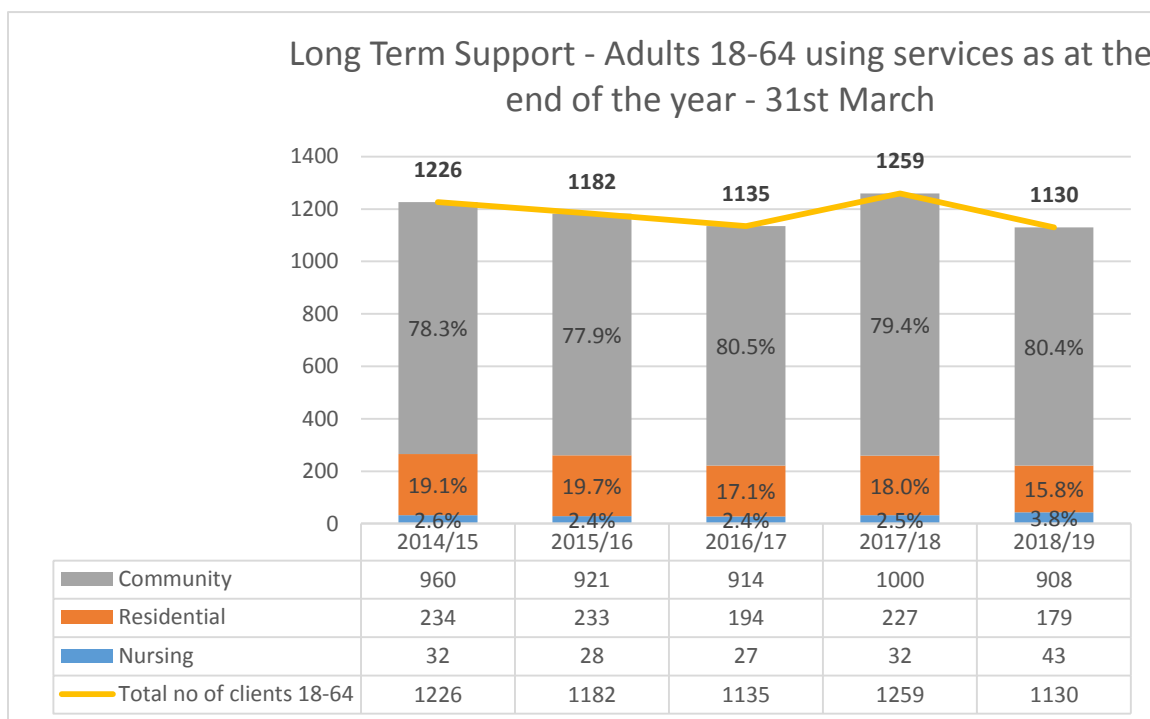
Overall Service Users

Table 8 – Adults 65+ in long term placements as at 31 March 2019



- The overall number of clients in receipt of a service at the end of the year decreased from 1,946 in 2014/15 to 1,728 in 2018/19, (an 11% decrease)
- The number of clients in residential placements decreased from 297 in 2014/15 to 263 in 2018/19, (an 11.4% decrease)
- However, the number of clients in nursing care placements increased by 23% over the period from 224 in 2017/18 to 275 in 2018/19

Table 9 – Adults 18-64 that received long term support as at 31 March



- The number of clients receiving a service at the end of the year decreased from 1,226 in 2014/15 to 1,130 in 2018/19, (an 8% decrease)
- However, the number of clients in nursing care placements at the end of the year increased by 34% over the period
- Residential placements showed 16% decrease over the period, typically the more complicated and expensive placements.

Table 10 – Increase in number of Personal Assistants (PAs)

Date	Employers	In-Year Employee Numbers	In-Year Hours	In-Year Increase in Hours	Annual Saving Compared to Agency Cost
Apr 2017	385		454,582		
Apr 2018	419	889	498,969	44,387	£197,523
Apr 2019	417	906	527,895	28,926	£131,902

7.8.2 Although the number of employers is not increasing as quickly as would be desired, there is a significant amount of work that goes in to recruitment to keep the numbers up as client's Direct Payments (DP) cease, and/or employment ends. On average, 125 employees left DP employment each year in 2017/18 and 2018/19. Additionally, our In-Year PA hours have increased year on year. If those increased hours were provided by care agencies this would have increased costs by £197,523 in 2017/18 and £131,902 in 2018/19.

Table 11 – Increase in use of Shared Lives

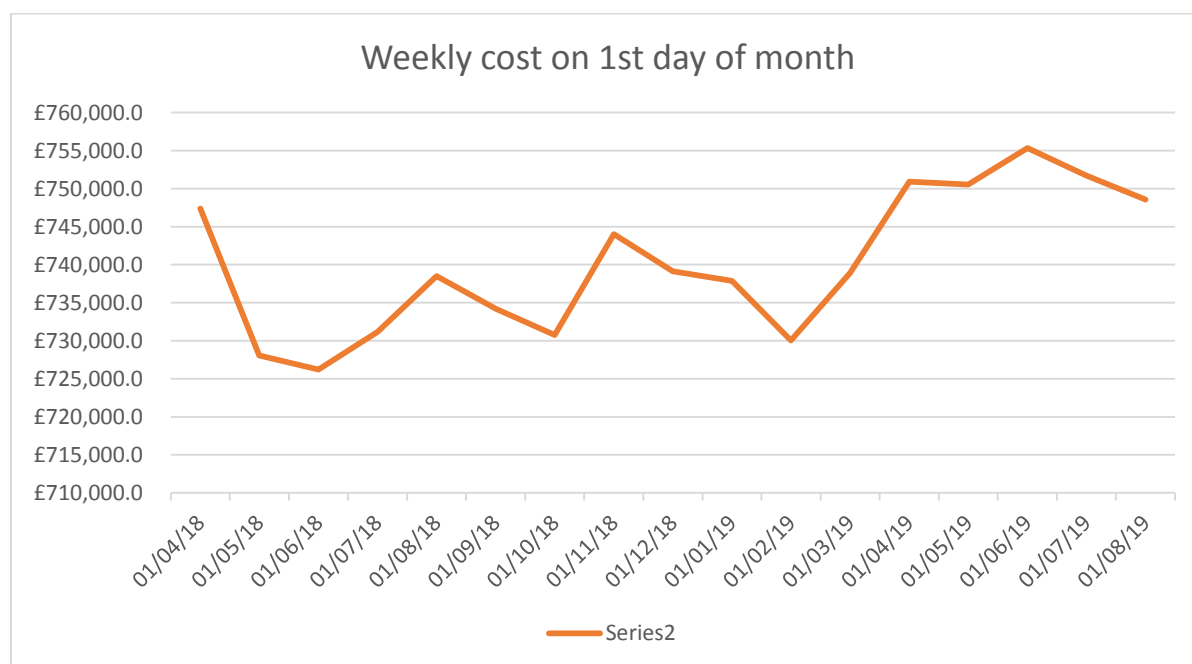
Date	Number of Shared Lives carers	Number of long term service users
April 2016	15	16
April 2017	15	17
April 2018	20	18
April 2019	25	20

7.8.3 Lewisham has increased the numbers of Shared Lives carers by 10 since 2017, officers are planning a further recruitment campaign in September 2019 to further increase the number of carers. Currently, an additional four service users are going through their induction prior to becoming long term.

7.8.4 Learning disability division - the service has been working on various areas of care costs, they have focused their work where they felt they can purchase more cost effective solutions. Working collaboratively with services users and families on assessed care and support needs. Between April 2019 and mid July 2019, there has been a reduction of £273,092 in care costs.

7.8.5 Gross service costs – 18 to 65

The graph below shows weekly costs of services for service users aged 18 – 65. Costs only include inflationary increases agreed and recorded on Controcc.



7.8.6 Gross service costs – 65+

The graph below shows weekly costs of services for service users aged over 65. Costs only include inflationary increases agreed and recorded on the Controcc system.



8. Housing, Regeneration & Environment Directorate

8.1 As at the end of July 2019, the Housing, Regeneration & Environment directorate is forecasting an overspend of £2.1m, an improvement of £0.6m on the position to the end of May.

Table 12 – Housing, Regeneration & Environment Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast Outturn 2019/20	Forecast over/ (under) spend July 2019	Forecast over/ (under) spend May 2019
	£m	£m	£m	£m	£m	£m
Strategic Housing	28.7	(23.2)	5.5	5.5	0.0	0.0
Environment	37.4	(17.5)	19.9	22.2	2.3	2.3
Regeneration & Place	49.9	(42.1)	7.8	8.2	0.4	0.4
Planning	2.7	(2.0)	0.7	0.5	(0.2)	0.0
Reserves & Provisions	1.3	(0.6)	0.7	0.3	(0.4)	0.0
Total	120.0	(85.5)	34.6	36.7	2.1	2.7

8.2 The most significant cost pressures for the directorate fall within the *Environment* division. The following sections provide a summary of the revenue forecast by division. It provides an explanation of the cause of the variance and any movements from the previous period. It also makes clear what the impact of any management action or other intervention will have on the forecast projected to the year-end. Where any variance is impacted upon by demand driven activity, then these are set out and made clear in this section also. This section also provides a directorate summary of the progress being made on delivering agreed savings for

2019/20 and what impact if any, slippage on those savings is having on the overall directorate position.

8.3 **Strategic Housing**

- 8.3.1 The net budget for *Strategic Housing* in 2019/20 is £5.5m. The forecast position for July 2019 is for spend to budget. However, pressures are developing with regards to the private sector leasing scheme through the provision of incentive payments, in that the identified budgets having been depleted. This is under review and will be expected to be addressed for future budgets.
- 8.3.2 The budget for bed & breakfast (B&B) is forecast to spend to budget after the use of grants given specifically for this purpose (covering the HB limitation recharge). Throughout the year, new units will continue to come on line in our own stock and be complemented by the Hyde Acquisition properties, and the use of Privately Managed Accommodation (PMA). These will all contribute to reducing the requirement for additional B&B spend.
- 8.3.3 Actual numbers in B&B are at 693 tenancies at the end of July 2019 (704 in May). This number has been kept relatively stable over the last few months due to the continuation of incentive payments to landlords and clients (finding their own accommodation to rent). In 2018/19, a total of 593 preventions were made using this resource. If this resource was not available and these clients had to be housed in nightly paid accommodation, then this would have cost an additional £3.558m to the service.
- 8.3.4 PMA as a product is a cost to the council and will contribute to the pressure in the Housing division, but at a lesser extent than if B&B accommodation was used. PMA is currently forecast to under-spend by £57.6k (£149k underspend in May). Again, this is after the use of specific grant given for this purpose (covering HB limitation recharge). The total number of PMA stock at the start of the financial year is 359 units.
- 8.3.5 The forecast overspend in the Housing Needs Group is mainly due to salaries cost overruns. This is being discussed with the service group managers to identify potential posts which should be funded via specific new burdens and flexible homelessness support grant funding.
- 8.3.6 The Housing, Partnership and Development division is forecast to overspend by £213k (over spend £131k in May). The over-spend is a result of additional repairs costs on the PLACE Ladywell scheme as well as additional costs being incurred by the Strategic Housing and Development teams. This area is currently being updated to separately show the costs associated with the strategic housing management service and the new build and development service which is to be located under the Regeneration & Place service. This is now shown as separate units in the monitoring statement.

8.4 **Environment**

- 8.4.1 The *Environment* division is forecasting a net overspend of £2.3m, which is at the level previously reported. This is set against an overspend of £1.9m in 2018/19 and £0.8m agreed revenue budget savings for 2019/20. A more detailed report on the Environment division's spending position is considered elsewhere on this agenda.

- 8.4.2 The refuse collection services is forecast to be £1.5m overspent, accounting for almost two thirds of the total overspend in Environment. As seen in previous years, the overspends on vehicle costs for refuse services are reducing following the purchase of a number of new vehicles in 2018/19. However, there are still eleven hired in vehicles in use, which is expected to create an overspend position for this year of £0.6m, down from £0.7m last year. Mayor & Cabinet recently approved a report for the acquisition of a fleet of new Euro Low Emission Zone compliant vehicles. Once these vehicles have arrived, it will avoid the need to hire refuse vehicles.
- 8.4.3 There is also a shortfall of income projected for *trade refuse* of £0.3m, which is in line with the income shortfall in 2018/19. Work is being undertaken to analyse the customer base and develop more streamlined marketing contract and debt collection processes to increase the income stream from trade waste and in line with the recommendations of the APSE review. The staff costs are anticipated to exceed the budget by £0.6m, similar to 2018/19. An extra collection round was introduced at the beginning of 2018/19 to improve operational effectiveness with the expectation that this would not be required from 2019/20. However, this has not proved to be the case and is estimated to cost £0.2m per annum.
- 8.4.4 For strategic waste management services, the forecast overspend of £0.2m is being reported, an improvement of £0.1m since May. The pressures are due to claims by the Royal Borough of Greenwich for arrangements pertaining to the SELCHP contract in refuse disposal, unachievable income recharge budget, and overspends on staffing and supplies and services in civic amenities. A one year contract for the disposal of dry recyclables commenced on 1st July 2019 as an interim position. The existing contract expired as the current contractor does not wish to extend so this will allow sufficient time for a thorough procurement process. The cost is estimated at £1.3m, an increase of £0.4m on 2018/19, with the expectation this will be funded from corporate reserves as in previous years.
- 8.4.5 Whilst total waste collection volumes have decreased by 8% over the last five years, the contractual costs of disposal have increased at a greater rate. This has been magnified by the change in the mix, where volumes of incineration waste has declined by 14,000 tonnes (14%) whilst composting volumes have increased by 10,400 tonnes (576%) over the same period. The former is currently charged at £63.52 per tonne for disposal whilst the latter costs up to £78 per tonne. Recycled tonnages has actually decreased by almost 2,000 tonnes (10%) over the same period but the cost is forecast to increase by £0.4m this year as the unit cost has increased by £6.17 (8.4%) pursuant to a new dry recycling contract. It is difficult to quantify the costs of this service early in the year as tonnages and cost per tonne vary. These rising costs described above, faced with a 8% fall in volumes over five years require further analysis. The service will work on getting a better understanding of waste disposal volumes and how this drives costs both in terms of disposal and collection rounds needed. The table below sets out waste disposal volumes for the last five years.

Table 13 – Waste Disposal Volumes

Waste Type	2014/15	2015/16	2016/17	2017/18	2018/19	April - July 2019/20	2019/20 Forecast
Total waste sent for incineration	99,829	99,573	99,835	94,930	85,558	28,807	86,000

Total waste sent to landfill	372	856	958	499	362	46	100
Total waste sent for recycling	18,863	19,231	17,329	16,091	15,801	5,595	17,000
Total waste for composting	1,804	1,372	2,626	7,597	12,138	4,399	12,200
Total waste sent for re-use	725	992	1,303	1,050	811	274	790
Total waste sent for RDF	7,668	8,030	2,003	2,284	2,982	832	2,800
Total waste collected (tonnes)	129,260	130,055	124,055	122,451	117,653	39,953	118,890

- 8.4.6 A detailed review has been undertaken over the last few months by both the service and finance colleagues working in conjunction to identify and understand the reasons behind the ongoing budgetary pressures across the Environment Division. Particular focus on the refuse collection and disposal service.
- 8.4.7 The street management service is forecasting a £0.3m overspend, the same as 2018/19. Most of this overspend is due to staffing, with a small element of residual spend for public conveniences which should be centrally funded. Management are undertaking a detailed analysis of this staffing pressure to have a better understanding of the cost drivers.
- 8.4.8 *The green scene service is forecasting an overspend of £0.1m, the same level reported to the end of May 2019, partly in relation to the parks contract which expires on 1st March 2020. A balanced view has been taken on the likely contract cost for the year as there can be a significant degree of price volatility each month. There are shortfalls on the increased income budget of £0.1m and grounds maintenance costs in the arborists' service add £0.1m pressures. These pressures partially offset by £0.1m additional income in pest control.*
- 8.4.9 The passenger services budget is currently showing no net variance pending agreement on the impact of the implementation of the new Travel and Transport Programme. The cost of passenger services for 2019/20 is currently projected at £4.0m and under the current arrangements, it is anticipated that £3.9m of this cost will be recharged to directorates, predominately CYP (for SEN transport) and Community Services. The overall cost of the service is expected to be £0.2m higher than 2018/19 costs of £3.8m. Part of the costs increase is accounted for by the impact of April 2019 pay award on staffing costs and an inflation allowance of £0.1m was added to the Passenger Services budget in to account for this cost increase.
- 8.4.10 The fleet service is showing a net overspend of £0.1m in line with 2018/19 and 2017/18. Fleet hire rates are set at the beginning of the year to recover the costs of routine maintenance on the core fleet vehicles – the charges are expected to cover the cost of fleet staffing, external maintenance services and, parts. The costs of non-routine maintenance, fuel and hired in vehicles are all charged out to users at cost. The increasing age of the fleet has meant that the costs of routine maintenance are increasing each year and will not be fully recovered through the hire charges, resulting in a potential £0.1m variance.

8.4.11 Bereavement services is forecasting a net overspend of £0.2m, up from £0.1m projected overspend as at end of May 2019, due to increased charges for the coroners court service with the London Borough of Southwark and staffing costs overspend. LB Lewisham's contribution to the Coroners Consortium this year is £476k, an increase of £66k on last year and £86k more than budgeted. Forecast staffing costs have increased by £96k since May due to seasonal agency costs and overtime expected in the service and is showing an adverse variance of £99k against budget. With the increase in cost of burials from 1st April 2019, the expectation is a rise in income which is reflected by the £41k reduction in the net income budget to £396k. However, due to the nature of the service and the difficulty in predicting 'take-up' the service has projected a slight overspend in the 1st quarter and expect to review position in the 2nd quarter. The current numbers of deaths and resultant burials and cremations are significantly less than last year, suggesting that there will be a significant shortfall against the income budget which will be reflected next month once further analyses are completed. The service will incur additional expenditure in the year resulting from work to create four new burial plots at Hither Green and Grove Park Cemeteries; the cost of creating the plots is in the region of £27k and work has started. Cremation charges were reduced by 7.5% from 1st April 2019 with the aim of making services more affordable. Table 11 below sets out the numbers of burials, cremations undertaken by the service since 2011 and compares that to the total deaths in the Borough.

Table 14 – Burials and Cremations

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019 Estimate
Burials	554	542	529	505	494	529	499	589	498
Cremations	1,303	1,203	1,249	1,141	1,257	1,223	1,235	1,340	1,149
Our Services	1,857	1,745	1,778	1,646	1,751	1,752	1,734	1,929	1,647
Deaths	1,607	1,500	1,494	1,536	1,599	1,467	1,906	1,743	1,661
Cremations %	81.08%	80.20%	83.60%	74.28%	78.61%	83.37%	64.80%	76.88%	69.18%
Burials %	34.47%	36.13%	35.41%	32.88%	30.89%	36.06%	26.18%	33.79%	29.98%
Total %	115.56 %	116.33 %	119.01 %	107.16 %	109.51 %	119.43 %	90.98%	110.67%	99.16%
Cremations % Services	70.17%	68.94%	70.25%	69.32%	71.79%	69.81%	71.22%	69.47%	69.76%

8.5. **Regeneration & Place**

8.5.1 The Regeneration and Place division is forecasting a £367k overspend, (£74k improvement on May). Income from commercial rents is projected to underachieve the budget by £88k, partly due to void rent loss and limited rent review opportunities this year. Utility costs are forecast to exceed the budget by £173k due to rising prices. Business rates have also increased across the corporate estate as a whole, resulting in a budget pressure of £106k, but this will be funded corporately. The Building Control service is forecasting a £82k overspend due to re-absorption of two Customer Services staff (but without a budget transfer) and the recruitment of a third in order to maintain service delivery. A number of minor underspends across other service areas bring the forecast overspend down to £0.4m overall.

8.5.2 The breakdown of the forecast year-end position is set out in the following paragraphs. Note that the tables show service areas forecasting variances; they do

not include all service areas including those currently forecasting to spend to budget for the 2019/20 financial year.

8.5.3 Commercial Investment and Delivery: £1k underspend

Description	July Variance	May variance
Employee / Agency costs	(54)	(57)
Large format advertising	50	50
Total	(4)	(7)

There is a staffing underspend of £54k due to a vacancy.

Large format advertising: the Canadian Avenue and Molesworth Street car park income budget £50k is unachievable for 2019/20 as this has been unsuccessful at the planning stage and will no longer be taken forward.

8.5.4 Capital Programme Delivery: nil variance

Description	July Variance	May variance
Employee / Agency costs	670	712
Income fees	(670)	(712)
Total	0	0

All staffing costs for the CPD team have been recharged to the relevant projects and external grants.

8.5.5 Estate Compliance: nil variance

Description	July Variance	May variance
Corporate Estate:		
- Health & Safety	(50)	(50)
- Security	25	25
- Building Cleaning	25	25
Total	0	0

Corporate Estate:

- Health & Safety: underspend of £50k due to a delay in the risk tender process.
- Security – the forecast overspend of £25k is due to the 2019/20 increase in the London Living Wage.
- Building Cleaning – the forecast overspend of £25k is due to the 2019/20 increase in the London Living Wage.

8.5.6 Property Strategy: £302k overspend

Description	July Variance	May variance
Income from commercial rents	88	91
Utilities	173	173
Rates	0	106
Ex HRA properties	(40)	(38)
Building Control	82	78
Lewisham Town Hall	(1)	38
Total	302	448

Income Commercial Properties – there is an income shortfall of £88k forecast due to void rent loss and a limited number of rent reviews in this financial year to potentially increase rental income streams this financial year. Note that the 2018/19 outturn was a £99k overspend.

Utilities – overspend of £173k. Utility prices have risen; this has not been matched by a budgetary increase. In addition, there is an outstanding debt of £80k which is still in query with British Gas. Note that the 2018/19 outturn was a £292k overspend.

Rates – The overspend of the previous month of £106k for business rates will be funded corporately.

Ex HRA Properties – this is forecast to over-achieve the income budget by £40k as a result of a better than projected completion in lease renewals and rent reviews.

Building Control – overspend forecast of £82k. This is due to re-absorption of two Customer Services staff (but without a budget transfer) and the recruitment of a third in order to maintain service delivery.

Lewisham Town Hall – an increase in rent income from Lewisham Homes, in line with the lease conditions, has reduced the previous forecast overspend of £38k to £1k underspend.

8.5.7 Highways & Transport: £69k overspend (nil variance in May)

Description	July Variance
Income :Capital Fees	46
Income: Other	(37)
Employee/Agency Costs	60
Total	69

Income Capital Fees: Underachievement of capital fees is forecast at £46k due to the challenges of generating sufficient fees through the capital programme to meet the income target.

Income Other: Additional income for S278 and S106 is projected to bring in an extra £37k

Employee/Agency: The staffing costs for this service area is currently projecting to overspend by £60k due to providing temporary cover for staff for scheme delivery.

8.6. **Planning**

8.6.1 The Planning Service are forecasting a £218k underspend, £170k improvement on May's position.

8.6.2 Development Management are forecast to be underspent by £207k. This is a change of £203k since last month and is due to a substantial amount of planning fee income received in the last month. There was concern in the first few months of the year that fee income may not be as high as in previous years; however current forecasts show we should achieve similar levels to last year. Resourcing within the enforcement team is also being reviewed and may impact on the budget position.

- 8.6.3 Land Charges are forecasting a £11k underspend due to potential reduced staffing and supplies and services costs.
- 8.6.4 Strategic Planning are currently forecast to spend to budget. Corporate funding has been awarded to cover costs incurred in preparing the affordable housing supplementary planning document.
- 8.6.5 It should, however, be noted that the Council is in the process of preparing a new Local Plan, a statutory planning document setting out the council strategy and policies for future growth and change in the borough over a 15 year plan period; this has the potential to increase expenditure as a number of studies will need to be commissioned to contribute to the evidence base of the plan. This expenditure is likely to be incurred over 2019/20 and 2020/21. The Service are also managing greater demands for planning guidance where costs are unrecoverable. The implications of additional workstreams on budgets and resources are being kept under review.

8.7 **Reserves and Provisions**

- 8.7.1 Reserves and Provisions constitutes the costs of the directorate management team and provisions for pay and non-pay inflation. This has been shown separately and not aggregated with Public Services as in previous reports. During the month there was an agreed £300k funding transfer from corporate reserves to IT & Digital to pay for ongoing staffing pressures. The current underspend of £350k will be allocated to services within the directorate with underlying pressures in the autumn when there is greater clarity.

8.8 **Progress on Savings for 2019/20**

Table 15 - Housing, Regeneration & Environment Progress on Savings

Ref	Proposal	Division	19/20 Savings £'000	19/20 Forecast £'000	Comments
CUS02	Income Generation – increase of Garden Waste Subscription	Environment	278	228	Based on current subscription of 9,500 customers @ 80 per annum. Subscribers increasing (70 per week), likely to average 50 per week until autumn. Likely to be closer to achieve income target.
CUS03	Income Generation – Events in Parks	Environment	200	150	Based on current events planned
CUS04	Income Generation – increase in Commercial Waste Charges	Environment	150	0	Ongoing review of potential and existing trade customers and improved operational processes
CUS05	Increase charge for the collection of Domestic Lumbar from households	Environment	30	0	Agreed proposal is based on four items per visit which differs from original proposal based on 3 items per visit

CUS06	Bereavement Services – increase income targets	Environment	67	67	Income difficult to forecast dependant on death rate and uptake of services. Based on lower numbers of deaths, cremations and burials to date than last year, target not likely to be achieved – analysis underway to inform next month's reporting
CUS08	Close the four remaining Automated Public Toilets	Environment	92	92	Any overspend to be met by corporate as per proposal. Full closure expected July 2019.
CUS09	Cost reductions in homelessness provision – income generation and net	Strategic Housing	405	405	Risk remains the numbers in bed & breakfast will not reduce as planned
RES11	Increase in pre-application fees	Planning	100	100	On-track
RES14	Corporate Estate Facilities Management Contract Insourcing	Regeneration & Place	100	100	FM advised 20/21 not achievable, should only be £100k in total
RES17	Beckenham Place Park – income generation	Regeneration & Place	28	28	On-track
RES18	Electric Vehicle charging points	Regeneration & Place	50	0	Delayed, awaiting contract sign off
Total			1,500	1,170	

9. CORPORATE SERVICES

9.1 As at the end of July 2019, the Corporate Services directorate is forecasting an overspend of £0.9m. The overall position has been set out in Table 14.

Table 16 – Corporate Services Directorate

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast Outturn for 2019/20	Forecast over/ (under) spend July 2019	Forecast over/ (under) spend May 2019
	£m	£m	£m		£m	£m
Corporate Resources	5.7	(3.2)	2.5	2.5	0.0	0.0
Corporate Policy & Governance	5.1	(0.3)	4.8	4.4	(0.4)	(0.4)
Financial Services	4.5	(1.4)	3.1	3.3	0.2	0.2
OD & Human Resources	2.7	(0.2)	2.5	2.3	(0.2)	(0.2)
Legal Services	3.4	(0.5)	2.9	2.9	0.0	0.0
Strategy	5.1	(2.8)	2.3	2.3	0.0	0.0
IT & Digital Services	5.7	0.0	5.7	6.5	0.8	0.8
Public Services	29.6	(18.6)	11.0	11.5	0.5	0.6
Reserves	0	(0.7)	(0.7)	(0.7)	0.0	0.0
Total	61.8	(27.7)	34.1	35.0	0.9	1.0

- 9.2 The *Corporate Resources* division is forecasting a balanced budget position at year end.
- 9.3 The *Corporate Policy and Governance* division is forecasting an underspend of £0.4m. This is mainly on staffing budgets, including the vacant Chief Executive's post.
- 9.4 The *Financial Services* division is forecasting a £0.2m overspend primarily on the staffing budget. This partly relates to a delayed budget saving as per the savings tracker below this section.
- 9.5 The *Organisational Development and HR* division is forecasting a £0.2m underspend. There is an underspend on staffing budgets due to vacancies and also higher than budgeted income is being forecast in relation to Occupational Health and Learning & Development.
- 9.6 The *Legal Services* division is currently forecasting a balanced budget position at year-end.
- 9.7 The *Strategy* division is currently forecasting a balanced budget position at year-end.
- 9.8 The *IT & Digital Services* division is currently forecast to end the year with an overspend of £0.8m due to anticipated additional costs of the Shared ICT Service (£0.6m). Following a licence review, settlement for Microsoft licensing of £0.4m is being funded as a once-off from corporate resources for this year, however there is an ongoing annual pressure of £0.3m that will need to be accommodated. There is also additional pressure within the Finance and HR systems (£0.2m) due to the introduction of Oracle Fusion. The current service delivery and costs for the shared service remain under review as the required performance standards are not currently being met.

Public Services

- 9.9 The *Public Services* division is forecasting an overspend position of £0.5m at the year-end, the main areas of budget variance are set out below:

Service Area	Net budget	Forecast over/ (under) spend July 2019
	£m	£m
Revenue Services	2.6	0.2
Housing Benefits	11.3	0.0
Emergency Planning & Admin	0.9	0.2
Service Point	2.0	0.3
Corporate Information Management	0.0	0.0
Parking Services	(5.8)	(0.2)
Total	11.0	0.5

- 9.10 For the *Revenue* services area, an overspend of £0.2m is anticipated, with £0.3m in the central debtors team, primarily due to staffing and agency overspends. The Integrated Financial Transactions Team are also forecasting an overspend of £0.1m mainly due to agency staff, but this is under review whilst it is clarified whether any

staff should be charged to the Oracle Project. A shortfall income of £0.1m is also anticipated for the enforcement service. Forecast underspends of £0.3m exist in the revenues operation and business rates support & development teams mainly due to staffing. The service is in the final phase of a restructure and recruitment process, with continued realignment of the budgets. Whilst there is little change to the overall variance for the service, there continues to be significant movement in the forecast for individual teams. This situation will continue for a few months until the restructure and consequent recruitment are complete.

- 9.11 The *Housing Benefits Service* is projecting a balanced budget. The overall variance is due to a combination of a £0.4m forecast staffing overspend in the Housing benefit admin team (the budgets need review and realignment) and a £0.3m forecast underspend in concessionary fares; the latter is due to lower settlement figures from TfL based on the number of Freedom Pass holders. The local support scheme provides small loans and grants to at risk individuals in the case of a crisis or emergency. The service is funded from one off grant income received in previous years from the DWP. This funding is due to run out this year and officers are working to conclude the scheme. There is a risk that the funding will run out before the service has been concluded.
- 9.12 Housing Benefits Subsidy is forecasting a £0.5m overspend. The reductions in overpayment income and bad debt requirement are the main drivers for the ongoing budget pressure within Housing Benefit Subsidy. This budget pressure is likely to increase and be reflected in future months, and will be managed corporately. A full review of the budget related to housing benefits and universal credit will be undertaken once the announcement around funding arrangements are known.
- 9.13 An overspend of £0.2m is forecast for the *Emergency Planning & Administration* service mainly due to a £0.2m overspend in the Complaints, Casework and Information Governance team. Overspend on agency staff of £0.3m is partially offset by schools buy back income £0.1m more than budgeted and small underspends on supplies and services; within the same service the Emergency Planning team has a very small overspend on permanent staff.
- 9.14 *Service Point* is projecting a £0.3m overspend, mostly due to £0.4m staffing pressures in the Customer Service Centre team (partially offset by £0.2m overachievement on license and permit income) and £0.2m underachievement of recharge income in the in-house printing service. The Front of House team is forecasting a small underspend of £0.1m, although this has reduced slightly this month. Re-alignment of the staffing budgets for the Customer Service Centre and Front of House teams will be actioned next month following completion of the review of outstanding budgetary disaggregation issues of the former Business Support team; this will inevitably lead to significant swings in variances across these two teams.
- 9.15 The gross costs of the *Parking* service are forecast at £0.2m above budget, due to the increase in bank charges arising from the rise in cashless parking charge payments. Legal costs and business rates are also overspent by £0.1m, partially offset by a small staffing underspend in the team. This is expected to be offset by a favourable variance of £0.5m from fixed penalty notices and pay and display charges, creating a £0.2m surplus for the service. Management are confident that this position will improve by the end of the financial year. However, it is too early to project what this sum will be as there are too many variants including the reliance on motorists' behaviour.

9.16 The table below summarises the progress on delivering budget savings agreed for 2019/20:

Table 17 – Corporate Services Savings Tracker for 2019/20

Ref	Description	Division	Amount	Comment
CUS01	Printing reduction	IT & Digital	£100k	Part of shared service contract
CUS10	Invest to save – create revenues protection team	Public Services	£806k	Work in progress
CUS12	Invest to save – Housing Benefit overpayment recovery improved	Public Services	£480k	Work in progress
CUS14	Parking Service revenue review	Public Services	£500k	On-track
RES01	Benefits Realisation of Oracle Cloud	Finance	£90k	Delayed
RES02	Legal fees increase	Legal	£50k	On-track
RES05	Withdrawal of Councillor Car Run Delivery Service	Policy & Governance	£10k	Car run ended – saving delivered. Alternative arrangements for those not signed up to electronic copies
RES06	Increase income supporting the Funding Officer post and review the Economy and Partnerships Function	Strategy	£30k	On-track
RES08	Insurance costs – premium reduction	Corporate Resources	£30k	On-track
RES09	Insurance costs – self-insurance reserves	Corporate Resources	£200k	On-track
RES10	Cease graduate programme	OD & HR	£78k	On-track
RES16	Commercial Property Investment Acquisitions	Corporate Provisions	£140k	On-track
Total			£2,514k	

Corporate Provisions and Use of Reserves

9.17 The following are examples of activity in 2019/20 that will draw on corporate reserves and provisions for 2019/20, the impact of which has already been reflected in the latest financial forecasts position. These include:

- IT licences, specifically for Microsoft software. The equates to £425k of which £300k has been put into the base for 2019/20 and 2020/21, with a once-off allocation of £125k for 2019/20
- Deprivation of Liberty Safeguards (DoLS). Additional staffing to support Adult Social Care work – £90k on-going
- Sanctuary Borough - £30k ongoing to 2022, then to be reviewed, to support a coordination post in line with this corporate priority
- Borough of Culture - Once off project management support of £35k, with the possibility of once-off underwriting of £1m income target
- Transformation feasibility and development
 - New homes programme - £700k in Regeneration team pending arrangements to charge to developments / capital
 - Business Rates increase for Regeneration and Place - £160k
 - Controcc upgrade for adults and children business case - £50k

9.18 A further update will be provided for the reports being presented to the Public Accounts Select Committee and Mayor & Cabinet on 24th September and 10th October, respectively.

Oracle Cloud Update

9.19 The existing budget for the Oracle Cloud Programme was established and formally agreed at £4.975m by Mayor & Cabinet at the start of the programme in the spring of 2017. This budgetary allocation has enabled the Council to deliver the first phase of the integrated solution which broadly includes, the developments of the business case and options appraisal; the procurement exercise to acquire the services of a systems integrator and the purchase of the software solution itself.

9.20 The Council successfully went live in May 2018 with core HR, finance and e-procurement, budget management and the recruitment module in May 2018. In addition, the Council has delivered the council-wide budget monitoring tool (PBCS) and the new recruitment platform, Taleo. Officers continue to work through resolving some remedial issues.

9.21 The second phase of the Oracle programme which broadly includes the elements for the payroll function, employee self-service and manager self-service has continued to progress since April last year. Although the implementation for this element of the programme was expected to go-live in April 2019, significant delays have occurred, mainly around ensuring the validity of data migration activity. The revised re-phasing of the overall programme has been working towards a go-live date in the autumn of 2019. This phase of the programme also includes the training offer for staff across the organisation and the acquisition of a perpetual read only licence for the Council's legacy system. This is all subject to additional resources being secured and a formal

recommendation will be put forward to Mayor & Cabinet in October to secure the additional resources for this phase and that's expected to be up to a once-off cost of £2.5m.

- 9.22 It is important to recognise that there are revenue budget savings which have been made through the implementation of Oracle through negating the need to purchase subscriptions for a number of other third party solutions. There have also been overall licence fee reductions through no longer using Oracle R12 and where the Council will soon no longer need to use ResourceLink for payroll and HR activity. However, the real benefits will be realised over time. The overall benefits which have already been realised and those benefits to be realised in full is subject to an 'insight' review which will take place in the autumn.

10. DEDICATED SCHOOLS' GRANT

- 10.1 The Dedicated Schools Grant (DSG) for 2019/20 has provisionally been set by the Department for Education at £291.1m, a change of £110k net has occurred in July and this is due to a small amount decrease in the HNB of £108k and an increase of £322k in the Early years amount. Update in pupil numbers could result in changes to the grant. Of this, £24m relates to Early Years. This is a provisional figure which will be confirmed later in the year.
- 10.2 Further grants are given to schools and routed through the local authority. These include the pupil premium (£12.9m), post 16 funding (£5.7m) and the universal free school meals grant (£3.8m) making total funds of £313.3m. This figures are based on last year's allocation and have yet to be formally approved.

Schools

- 10.3 It should be noted that schools are continuing to use surpluses to balance budgets which indicates that the situation could potentially worsen in time subject to the outcome of the spending review. A clearer picture of the expected position at the end of this financial year will be available when the deadline for submitting school budget plans has passed at the end of June.
- 10.4 There are nine schools with loans with a total balance of £2.4m. Of these, six are secondary schools and two are Primary schools and one all through. Work in the coming year will focus on ensuring schools with deficits have a sustainable budget recovery plan.
- 10.5 The central side of the DSG is expected to end the year in balanced budget position.
- 10.6 The Dedicated Schools Grant (DSG) for 2019/20 has provisionally been set by the Department for Education at £291.1m, although this will change during the year to reflect updated pupil numbers. Of this, £24m relates to Early Years. This is a provisional figure which will be confirmed later in the year.
- 10.7 Further grants are given to schools and routed through the local authority. These include the pupil premium (£12.9m), post 16 funding (£5.7m) and the universal free school meals grant (£3.8m) making total funds of £313.5m. This figures are based on last year's allocation and have yet to be formally approved.

High Needs Support

- 10.8 To date Lewisham has successfully managed to provide its High Needs Support within the allocated DSG high needs budget. This has been a result of partnership working with Schools (and schools forum) and where possible Lewisham approach to place pupils in our own provision.
- 10.9 The funding for High Needs is based on a baseline that was determined in 2012/13, which was prior to the changes established as part of the SEND reforms. For example the LA liability is now 0 to 25 age. The baseline was determined when the scope was from 5 to 19 age. This is just an example. Overall the number of Education Health Care plans is continuing to increase coupled with increase in severity and price. A paper was presented to Schools forum in January noting the potential pressures on the High Needs Block. Schools Forum has agreed to support the High Needs Block with funds of circa £1m for 2019/20. We are continuing to work with Forum to review practices with a view to working within budget.
- 10.10 It is important to emphasise that this is a national issue and several meetings have now taken place with London councils as part of a lobby process.

11. HOUSING REVENUE ACCOUNT

- 11.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2019/20. The balanced HRA budget seen in the table includes a budgeted surplus of £3.0m, which is to be transferred to reserves at year end as a part of the 30 year HRA business plan. At this relatively early stage of the new financial year, no variation is being reported.
- 11.2 Repairs & Maintenance (R&M) is forecasting spend to budget. There was an overspend in this area in 2018/19. This area will be closely monitored in 2019/20 to ensure that this does not re-occur and costs contained within overall allocations.
- 11.3 The current 30 year HRA financial model has been recently refreshed, with the final outturn for 2018/19 as well as the latest updates for the new build programme and general capital programme incorporated into the plans. Budgets will be updated to reflect starting stock numbers from 1st April 2019 to reflect the latest position.

Table 18 – Housing Revenue Account

Service Area	Expenditure Budget	Income Budget	2019/20 budget	Forecast over/ (under) spend July 2019	Forecast over/ (under) spend May 2019
	£m	£m	£m	£m	£m
Customer Services – Housing	17.3	(3.5)	13.8	0	0
Lewisham Homes & R&M	37.9	0	37.9	0	0
Resources	1.5	0	1.5	0	0
Centrally Managed Budgets	48.3	(101.5)	(53.2)	0	0
Total	105.0	(105.0)	0	0	0

12. COLLECTION FUND

- 12.1 As at 31st July 2019, some £51,343,776 of council tax had been collected. This represents 35.1% of the total amount due for the year. This is below the profiled collection rate of 35.5% 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 35.05%.
- 12.2 Business rates collection is at 45.7%, a decrease of 1.84% compared to the same period last year, and 0.13% higher than the profiled collection rate if the overall target rate for the year of 99% is to be achieved.
- 12.3 The tables below shows the council tax and business rates collection rates and values for 2019/20:

Table 19 Council Tax Collection 2019-20 (Actual against profiled)

Cash needed to meet 100% (monthly)	Cash Collected (cumulative)	Cash Collected (monthly)	Cash needed to meet 96% Profile	difference between collected and 96% profile	Current Year Collection Rate%	Previous Year Collection Rate (2018-2019)	Difference	Required Collection Rate to reach 96%	Difference
16,489,010	15,924,058	15,924,058	15,995,627	-71,569	10.94%	10.79%	0.14%	10.95%	-0.01%
29,316,827	27,849,342	11,925,284	28,186,667	-337,326	19.15%	19.10%	0.05%	19.30%	-0.14%
41,600,619	39,235,018	11,385,676	39,882,273	-647,254	26.91%	26.90%	0.01%	27.30%	-0.39%
54,247,209	51,343,776	12,108,757	51,924,909	-581,133	35.15%	35.05%	0.10%	35.55%	-0.40%

Table 20 Business Rates Collection 2019-20

	Previous Year (%)		Current Year (%)			Difference From Prev Year (%)	
	Excluding Credits	Including Credits	Excluding Credits	Including Credits	Profile	Excluding Credits	Including Credits
April	18.85	18.91	22.35	22.39	11.87%	3.50	3.48
May	31.49	31.61	31.00	31.09	26.28%	-0.49	-0.52
June	40.31	40.47	37.82	37.96	36.54%	-2.49	-2.51
July	47.44	47.58	45.55	45.74	45.61%	-1.89	-1.84

13. CAPITAL EXPENDITURE

- 13.1 The Capital Programme spend as at 31st August 2019 is £50.1m, which is 25% of the revised 2019/20 budget of £197.3m. At this point last year, 19% of the revised budget had been spent, with the final outturn being 82% (£71.1m) of the revised budget of £87.0m.
- 13.2 The table below shows the current position on the major projects in the 2019/20 Capital programme (i.e. those over £1m in 2019/20).

Table 21 – Capital Programme 2019/20 (Major Projects)

2018/19 Capital Programme	Budget Report (February 2019)	Revised Budget	Spend to 31 Aug 2019	Spent to Date (Revised Budget)
	£m	£m	£m	%
GENERAL FUND				

Schools - School Places Programme	11.0	11.1	1.5	14%
Schools - Other (inc. Minor) Capital Works	1.4	5.9	1.4	23%
Highways & Bridges - LBL	3.5	3.5	1.4	40%
Highways & Bridges - TfL	0.0	2.2	0.0	0%
Highways & Bridges - Others	0.0	2.1	0.4	19%
Catford town centre	5.5	5.1	0.7	14%
Asset Management Programme	2.5	2.0	0.6	30%
Smart Working Programme	0.9	2.3	1.9	83%
Beckenham Place Park	2.5	2.4	1.5	63%
Heathside & Lethbridge Regeneration	0.0	0.6	0.0	0%
Excalibur Regeneration	0.0	1.7	0.3	18%
Lewisham Homes – Property Acquisition	6.0	3.0	0.0	0%
Private Sector Grants and Loans (inc. DFG)	1.3	3.8	0.4	11%
Achilles St. Development	0.0	7.3	0.0	0%
Ladywell Leisure Centre Development Site	0.0	1.0	0.0	0%
Edward St. Development	9.1	9.1	0.0	0%
Residential Portfolio Acquisition – Hyde Housing Association	0.0	45.7	32.6	71%
Travellers Site Relocation	1.1	1.1	0.0	0%
Fleet Replacement Programme	0.0	7.8	0.0	0%
Other General Fund schemes	2.2	5.6	0.2	4%
TOTAL GENERAL FUND	47.0	123.3	42.8	35%
HOUSING REVENUE ACCOUNT				
Housing Matters Programme	37.3	21.0	0.7	3%
Decent Homes Programme	57.1	51.4	6.5	13%
Other HRA schemes	0.8	1.6	0.1	6%
TOTAL HOUSING REVENUE ACCOUNT	95.2	74.0	7.3	10%
TOTAL CAPITAL PROGRAMME	142.2	197.3	50.1	25%

13.3 The main sources of financing the programme are grants and contributions, and capital receipts from the sale of property assets. Some £16.3m has been received so far this year, comprising £14.6m (net) from Housing Right to buy sales and other capital receipts and £1.7m of grants and contributions.

13.4 The paragraphs below set out further detail regarding the major capital programmes:

13.5 Schools – School Places Programme

Primary place demand has levelled off recently across London and the priority for school place delivery has shifted mainly to Special Educational Need and Disability provision. Four schemes are currently in development and delivery over the next 3 years to 2021. They include:

- Works to Ashmead Primary in Brockley to expand from one to two forms of entry. Works have commenced in April this year and are due to be completed by summer next year. The project will deliver a new standalone block adjacent to Lewisham Way, improved landscaping within the site and a new entrance and enhanced public realm area to the South of the site.
- Greenvale School, in Whitefoot ward, is Lewisham’s community special school for children and young people between the ages of 11 and 19 years who have significant learning difficulties. A new satellite facility to accommodate an additional 93 students will be constructed on the site of the former Brent Knoll building in Perry Vale. The design stage is currently underway, and works are expected to commence on site in January 2020.

- New Woodlands, in Downham Ward, is a special school which supports children from 5 to 16 who have Social, Emotional and Mental Health (SEMH) special educational needs. The school recently began admitting Key Stage 4 students, and some works have taken place over the summer holidays year to ensure there are adequate facilities onsite to provide a full curriculum from September 2020. This will include minor remodelling and refurbishment of the existing building, provision of a new food technology practical room, and improvements to existing landscaping and external play areas.
- Watergate is Lewisham's primary special school for children between the ages of three and eleven years who have severe learning difficulties, located in Bellingham Ward. Approval has been granted to expand the school by 59 places through the construction of a new teaching block on the existing site. A feasibility has been conducted and is currently being reviewed with a view to commencing design work shortly.

13.6 Schools – Minor Works Capital Programme

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.

13.7 Highways & Bridges

The Council continues to invest resources in maintaining its 392km of highway borough roads, most notably through its £3.5m programme of carriageway and footway resurfacing works. The budget for carriageways allows for around 70 roads (or part of a road) 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 2018/19 we carried out resurfacing to around 22km of roads from the Council's Capital programme and other external funding sources. As a result of the resurfacing programme, over the last few years the focus has moved to works to roads classified with the Condition Index of “Amber” – lengths of road which, without a planned early intervention could result in 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 results in better value for money. From a survey in May 2019 there are around 54km of roads where the condition of part of these roads are classified as either “Red” or “Amber” and will require resurfacing works. There is also, however, an ongoing resurfacing maintenance commitment because the condition of the carriageway deteriorates through wear, age, excavations and failures.

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%.

As progress continues on the condition of carriageways, the balance of focus is also moving towards the footways programme where there are approximately 70 roads categorised as “Red” and a further 220 roads classified as “Amber” based on a

condition survey in 2017. The proposal is to carry out essential footway replacement works in at least 10 roads from 2019/20 and increasing this number in future years.

13.8 Catford Town Centre

Architect's Studio Egret West has been appointed to develop a master plan to guide the regeneration of the Town Centre. The plan will be completed in Spring 2020 and will form the basis of any future plan for the Town Centre. It will be used as an evidence base for the emerging Local Plan. Work is also continuing with TfL on the agreed proposal to realign the South Circular A205 through the Town Centre and work is expected to start in 2021. Meanwhile, the engagement activity of Team Catford has continued to build on the programme of social engagement started in 2016. The Team's work is expected to continue through the development of the master plan and beyond.

13.9 Asset Management Programme

Funding from the Asset Management Programme (AMP) has continued to support reactive and much needed capital works across the operational corporate estate. This has included fabric works such as roof replacement and mechanical works including boiler replacements and lift repairs across the estate of approximately 90 buildings and sites. More recently, the programme has funded works to the Civic Suite, Registry Office and some essential works as part of the main Laurence House refurbishment programme. A full condition survey of the corporate estate is currently under way. The results will help define the future investment need of the estate and also underpin the use of the AMP capital programme funding for future years.

13.10 Smart Working Programme

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 was refurbished last year to provide a modern, welcoming and better functioning reception for the council. Refurbishment work is nearing completion on floors 1 to 5, to improve and extend welfare 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 is due to complete in October 2019.

13.11 Beckenham Place Park

The restoration of Beckenham Place Park (to the western side of the railway) has now been completed. The listed stable block is now home to the new park café and environmental education centre, and the long anticipated restored landscape, with its reinstated lake, is being enjoyed by thousands of local people.

The stable yard itself will become an arrival and visitor's hub, as new tenants take up occupation of the cottages over the next year.

The new play facilities are being much loved, as part of the restored pleasure grounds, and the previously derelict Gardener's cottage is now fully restored and re-purposed as a hub for volunteer activity in the park, in the midst of the new community garden.

Open water swimming and boating now takes place on the lake, and visitors will be encouraged to explore the breadth and nature of Lewisham's largest park on new paths and trails.

13.12 Lewisham Homes – Property Acquisition

This funding supports the delivery of the Lewisham Homes acquisitions programme that secures properties for temporary accommodation for homeless households, making a saving on the Council's spend on bed & breakfast accommodation.

13.13 Achilles Street

Work is underway to prepare a residents ballot on the Achilles Street Estate in New Cross to determine if the estate should be redeveloped to provide additional new homes.

13.14 Edward Street

Edward St will provide 34 new high-quality temporary accommodation homes for local families in housing need. Start on site planned early 2020 following tender and contractor appointment.

13.15 Residential Portfolio Acquisition – Hyde Housing Association

The acquisition of a portfolio currently comprising 120 residential properties from Hyde Housing Association, as per a report to Mayor & Cabinet on 13 March 2019.

13.16 Fleet vehicle replacement

This budget will finance the replacement of 75 vehicles in the Council's fleet in order to meet the approaching Low Emissions Zone (LEZ) changes in October 2020.

13.17 Housing Matters Programmes update

The majority of spend in 2019/20 will relate to feasibility and planning application preparation for the new homes programme and delivery of a number of schemes by Lewisham Homes on site. Around 27 sites including 376 homes for social rent, are forecast to achieve planning permission by early 2020. 5 schemes delivering 85 homes are currently on site and a further 14 sites delivering 122 homes are forecast to start on site between April and January 2020.

13.18 Decent Homes Programme

Lewisham Homes are responsible for ensuring council owned stock under their management is brought up to and maintained to a decent homes level, covering both internal and external enveloping works. Lewisham Homes are leading on the delivery of the decent homes programme (under delegated powers) in consultation / agreement with the Council.

14. FINANCIAL IMPLICATIONS

- 14.1 This report concerns the financial forecasts for the 2019/20 financial year. However, there are no direct financial implications in noting these.

15. LEGAL IMPLICATIONS

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

16. CRIME AND DISORDER ACT IMPLICATIONS

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

17. EQUALITIES AND ENVIRONMENTAL IMPLICATIONS

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

18. CONCLUSION

- 18.1 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 challenging. Strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2019/20 and beyond.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Financial Forecasts for 2019/20	10 th July 2019 (M&C)	1 st Floor Laurence House	Selwyn Thompson
Financial Outturn for 2018/19	26 th June 2019 (M&C)	1 st Floor Laurence House	Selwyn Thompson
2019/20 Budget	27 th February 2019 (Council)	1 st Floor Laurence House	David Austin

For further information on this report, please contact:
Selwyn Thompson, Director of Financial Services on 020 8314 6932