

MAYOR & CABINET

Report Title	Revenue Budget Monitoring 2009/10		
Key Decision	Yes	Item No.	3
Ward	All		
Contributors	Executive Director for Resources		
Class	Part 1	Date	15 July 2009

1 PURPOSE

- 1.1. This report presents the Council's overall projected revenue year-end financial position for 2009/10. It is based on Directorate budget monitoring reports to the end of May 2009.

2 EXECUTIVE SUMMARY

- 2.1 The report summarises the key budget issues currently facing Lewisham for 2009/10 and seeks to assess their impact on the Council's finances. The key budget pressures for each Directorate, and the management action being taken by Executive Directors to address these pressures, have been set out in the body of the report. The overall Council-wide position shows a projected year-end overspend of £2.336m, after the implementation of management action. Table 1 below provides an overall summary.

Table 1 – Overall Council-wide position for 2009/10

DIRECTORATE	Controllable Budget for 2009/10	Projected year-end variance at 31st May 2009	Projected variance as % of controllable budget
	£m	£m	%
Children & Young People	52.448	0.559	1.07
Community Services	92.018	0.023	0.03
Customer Services	39.313	0.667	1.70
Regeneration	17.469	0.990	5.67
Resources	29.035	0.097	0.33
Total – All Directorates	230.283	2.336	1.02

- 2.2 This report also provides a financial summary of the Council's performance on the recovery of sundry debts and of budget issues and pressures identified by Lewisham's key strategic partners. These issues have been set out in paragraphs 13 and 14 respectively.

3 RECOMMENDATIONS

The Mayor is asked to:

- 3.1 Note the latest projected year-end position on the 2009/10 revenue budget, and agree that Executive Directors continue with existing measures and take further and more stringent steps to contain the projected overspend of £2.336m by the year end.

- 3.2 Agree that Executive Directors report back in the autumn on further action being taken to contain expenditure within budget by the year end.

4 POLICY CONTEXT & BACKGROUND

- 4.1 The Council must by law set and maintain a balanced budget. The annual budget is the financial expression of the Council's policies. The Council is committed to the Sustainable Community Strategy and Corporate Priorities to deliver services efficiently, effectively and equitably. The Council regularly maintains oversight of the revenue budget and reports as appropriate on the Council's performance of the management of the Council's budget.
- 4.2 On 2 March 2009, the meeting of full Council agreed a General Fund net budget of £268.251m for the 2009/10 financial year. Based on monitoring information for the period ended 31 May 2009, there is a projected year-end overspend of £2.336m. This represents a projected outturn of £270.587m, which is set out in Appendix 1. The key budget issues for each Directorate have been set out in sections 5 to 9 of this report.

5 CHILDREN & YOUNG PEOPLE DIRECTORATE

- 5.1 The Children & Young People Directorate has a net controllable budget of £52.448m for 2009/10. As at 31 May 2009, it is forecast to overspend by £0.559m, which is 1.07% of its net controllable budget. Table 2 provides a summary of the Directorate's projected year-end variance.

Table 2 – Children & Young People Directorate – Projected Year End Variance

DIVISION	Projected year-end variance at May 2009
	£m
Children's Social Care	0.379
Access & Support Services For Children Resources	0.214
Standards and Achievements	(0.034)
Education Development	0
Commissioning, Performance & Strategy	0
Schools	0
Total – Children & Young People Directorate	0.559

- 5.2 The underlying issues and assumptions behind the forecast, and the actions that the Directorate plans to take to bring its net expenditure back into line with budget, are set out in the following paragraphs.
- 5.3 For Children's Social Care, the budget is projected to overspend by £0.985m. After applying management action of £0.606m, this will leave a net forecast overspend of £0.379m for Children's Social Care.
- 5.3.1 Additional employee costs of £0.514m are forecast as recruitment within social work has been undertaken for the provision of work within Referral & Assessments, Children in Need, the replacement of the SWIFT system, and to ensure that the Directorate addresses all issues raised by the Baby Peter case. Within the performance data collected for June 2009, indicator NI059 showed a downward trend (Percentage of initial assessments for children's social care carried out in less than 7 working days). Indicator

NI064: showed an upward trend which would indicate an increase in demand (Child protection plans lasting 2 years or more).

- 5.3.2 The supplies and services budgets, which includes costs for S17 placements and training are currently forecast to be overspent by £0.471m.
- 5.3.3 The forecast overspend will be partially alleviated by the early implementation of the 2009/10 budget reduction proposals, to change the balance between residential placements and fostering, and a reduction in the cost of contact and other payments associated with the placement of Looked After Children. This will generate £0.552m. An additional underspend of £0.054m is forecast following a reduction in the number of payments to people with no recourse to public funds.
- 5.4 The Access & Support Services for Children Division is reporting total budget pressures of £0.348m, offset by management action of £0.134m.
- 5.4.1 The Transport budget is forecast to be overspent by £0.25m on both non-SLA services and on the use of taxis. The over spend relating to SEN transport is a continuation of the end of year position for 2008/09. That position is currently being investigated by officers so that appropriate management action can be identified to bring spend and budgetary provision back into balance. It would not be appropriate at this stage to apply the contingency to the projected over spend.
- 5.4.2 The Early Years service is projecting an overspend of £0.098m due to both salaries and agency costs being predicted to be above budget.
- 5.4.3 These pressures are partially alleviated through forecast additional income and also the closure of the early years centre at Louise House in 2008/09, totalling £0.067m. There is also a forecast underspend in the Special Needs outreach and training salary budget of approximately £0.067m.
- 5.5 Other net underspends of £0.034m has been recognised for the Resources Division.

6 COMMUNITY SERVICES DIRECTORATE

- 6.1 The Community Services Directorate has a net controllable budget of £92.018m for 2009/10. As at 31 May 2009, it is forecast to overspend by £0.023m, or by 0.03%. Table 3 provides a summary of the Directorate's projected year-end variance.

Table 3 – Community Services Directorate – Projected Year End Variance

DIVISION	Projected year-end variance at May 2009
	£m
Adult Social Care	0.332
Community & Neighbourhood Development	(0.012)
Crime Reduction & Supporting People	0
Cultural Services	(0.085)
Policy, Strategy & Performance	(0.125)
Resources	(0.087)
Total – Community Service Directorate	0.023

- 6.2 There are a number of inherent risks in this position, and it is important to set out the budget more fully.
- 6.3 The Directorate's gross expenditure budget (excluding non controllable items such as capital financing charges and recharges) is £156.853m. This includes £53.996m of specific grant income and health funding and £10.776m of fees and charges for services. Specific grant income does not provide particular risks during the year, but reductions in such grants in the future translates to a £ for £ reduction in services or otherwise creates a direct financial pressure.
- 6.4 On Adult Social Care, the budget is currently forecast to overspend by £0.332m, or 0.5% of the net controllable budget of £67.492m. This includes a number of under and over spends within different client groups, and work is underway to ensure that the budgets are aligned as accurately as possible. Management actions to contain the forecast are assumed within these estimates, without which, the forecast overspend would be nearly £0.8m, most significantly:
- That once the Single Point of Access project is fully embedded it will be possible to reduce staff numbers
 - That agency staff will continue to be replaced with permanent staff throughout the year
 - That increases in Fairer Charging income collected can be achieved
- 6.5 There are two key risks to the Adult Social Care budget.
- 6.5.1 There is the possibility that more clients will come into the system, requiring care packages. Control over assessment against eligibility criteria mitigates this risk, but projections remain sensitive to variations in client numbers. Continuation of last year's rate of increase in new younger adults receiving a direct payment would add £0.150m per annum to projections and one new unforeseen high cost learning disability placement could add over £0.100m per annum.
- 6.5.2 Placement costs are the other side of this risk, and some providers have been seeking significant annual price increases. Some of these have been related to contractual entitlements to index-lined inflationary increases. However, in other cases the requests from providers appear to be more a response to economic circumstances. The care home sector has in some cases based its business model on borrowing to finance property acquisition. The fall in property prices has challenged this model, and to some extent, this is being reflected in requests for additional price increases from suppliers.
- 6.6 To date, the Directorate has settled contractual index linked price increases averaging 2% and totalling £0.703m. The Directorate has assumed that matching funding will be provided, but that this will be offset by inflation of £0.403m on income budgets. Otherwise this will show as an overspend which the Directorate will have to manage. Contracts with an annual value of some £29m have not yet been inflated, pending agreement.
- 6.7 The Adult Social Care gross overspend includes £0.389m for clients with no recourse to public funds, in the younger adults and mental health client groups. These are clients whose claims for asylum or residence have been denied, and who have social care needs which the Council is legally obliged to meet, and for whom Central Government funding cannot be claimed.
- 6.8 Client income for Adult Social Care is budgeted at £8.663m (80% of £10.776m income for Directorate). To date this is forecast to budget, but officers are monitoring this

closely, given the risks associated with the recession, i.e. that less clients may be required to pay for their service and that those who are required to pay, may face other financial pressures.

6.9 A total of 3,655 people per 100,000 population are supported to live independently through Adult Social Services (NI136), compared to 3,187 in May 2008.

6.10 The Directorate's other service areas are forecast to spend to within £0.1m of their budgets, with net underspends in Culture, Training and Strategy, Policy and Performance. There are no specific or unusual risks that need to be brought to Members' attention in these areas at this stage, but officers continue to monitor the position.

7 CUSTOMER SERVICES DIRECTORATE

7.1 The Customer Services Directorate has a net controllable revenue budget of £39.313m. As at 31 May 2009, an overspend of £0.667m is forecast, which is 1.7% of the net controllable budget. Table 4 provides a summary of the Directorate's projected year-end variance.

Table 4 – Customer Services Directorate – Projected Year End Variance

DIVISION	Projected year-end variance at May 2009
	£m
Housing Services	0
Public Services	0.038
Environment	0.580
Strategic Housing	0.023
Strategy & Performance	0.026
Total – Customer Services Directorate	0.667

7.2 This section of the report sets out the underlying issues and assumptions behind this forecast, and the actions that the directorate plans to take to bring its net expenditure back to the budget.

7.3 Within the Environment Division there are three principal factors leading to the forecast overspend. These are:

- Beckenham Park Place, where a combination of reduced income and increased running costs has led to a forecast overspend of £0.070m
- The cost of running the environment fleet, where a combination of fixed vehicle charges and other salary costs is leading to a forecast overspend of £0.25m
- The cost of collecting bulky refuse from housing estates is under review. The current position is that these costs will fall to the general fund, for which there is no budget; hence the forecast overspend of £0.24m

7.4 Other net overspends of £0.107m have been recognised across the Directorate. All of these are the result of aggregating small variances on salary and other factors.

- 7.5 Other inflationary pressures within the Directorate may emerge, but to date the only amount specifically identified as unavoidable is £0.35m for the escalating costs of landfill taxes, up 32% in the last two years.
- 7.6 The Directorate is monitoring this position closely. Negotiations are ongoing with Lewisham Homes as regards the cost of bulky waste collection, but officers have, quite properly and prudently, assumed that no additional contribution will be forthcoming during 2009/10, in order to keep the worst-case under review.
- 7.7 Additional income above budget may be received in respect of court summonses issued for Council Tax defaults, and collection costs may also rise if arrears volumes go up. The potential impact of this on the directorate's financial position has not yet been quantified. However, Council Tax collection rates (BV009) are down to 91% as at 31 May 2009 as against 94% at the same time last year. This would imply that significantly more arrears proceedings may need to be issued, with consequent financial implications for the directorate's income and expenditure. This position is being monitored carefully, as are the implications for the Council's Collection Fund. NNDR collection rates (BV010) have improved over the last year, up by 17%. This is due to the transfer of advance payments at the start of the year.
- 7.8 By September, the Directorate will be in a position to assess the impact of these risks on its forecast, and so make firm proposals to manage any residual overspend.

8 REGENERATION DIRECTORATE

- 8.1 The Regeneration Directorate has a net controllable budget is £17.469m. As at 31 May 2009, the forecast overspend against this is £0.990m, or 5.6% of the budget. This section of the report sets out the principal underlying causes and assumptions, and the risks being managed. It then goes on to set out the actions being taken and planned to be taken to manage this position. Table 5 provides a summary of the Directorate's projected year-end variance.

Table 5 – Regeneration Directorate – Projected Year End Variance

DIVISION	Projected year-end variance at May 2009
	£m
New Deal for Communities	0.095
Planning / Economic Development	0.300
Programme Management & Property	0.200
Strategy & Performance	0.080
Transport	0.315
Total – Regeneration Directorate	0.990

- 8.2 The Directorate has a gross controllable budget of £37.38m. It generates external income of £9.58m. A relatively high proportion of its budget, 26% is therefore dependent on generating external income. Two sources of income are under significant pressure in 2009/10, at least partly as a result of the economic recession. These are:
- Development Control, where the number of householder applications is down 15% on 2008/09, reflecting market conditions. To date income of £0.052m has been received for householder applications, and £0.048m income has been received for major applications against a budget of £0.168m. As a result the service is forecast

to achieve £0.4m less income than budgeted, being offset by savings in running costs of £0.120m. Staffing levels are being kept under constant review to see if further economies can be made. The percentage of major planning applications processed within 13 weeks (NI157a) is, as at April 2009, 50%. This is 10% less than target. However, only two major applications were processed in April 2009 and one was outside the 13 weeks target. The percentage of minor applications processed within 8 weeks (NI157b) exceeded target by 3.75%.

- Parking income, where 10,500 Penalty Charge Notices (PCNs) have been issued to date in 2009/10, against 12,338 and 8,981 at the same time in 2007/08 and 2008/09 respectively. Assuming that current activity levels continue income for the year will be £0.29m below its target.

- 8.3 In addition to this under recovery of budgeted income of £0.69m the Directorate is forecasting an overspend of £0.2m within its Property Division. This is made up of an overspend of £0.44m on repairs & maintenance and feasibility works, offset by staffing vacancies being held and capitalisation. The Property Division is reviewing its control procedures and preparing a set of options that could be implemented in 2009/10 to manage the existing projected overspend.
- 8.4 In setting the 2009/10 budget, inflation adjustments were not initially allocated to directorates. Excluding salary costs, where the 2009/10 settlement has not yet been determined, the Directorate has identified pressures of £0.799m directly as a result of inflationary factors. These consist of:
- Gas charges for heating the corporate estate – £0.51m. The contract was re-let in October 2008 for 2 years, with the expiry of the council's excellent value for money supply contract, which had run since October 2007. Wholesale energy prices had risen 110% in the intervening year, leading to the significant increase. The re-tender in October 2009 could potentially affect the cost position significantly.
 - Electricity increases of £0.165m, for street lighting, where the index linked contract resulted in a 70% price increase from October 2008, for the reasons given above.
 - Rates and rent for the corporate estate – £0.124m. Most of this relates to the 2% increase in non-domestic rates, which the council is liable for on business premises it owns.
 - Other contracts due to be re-let in 2009/10 are being assessed, and may add to this pressure. It has again been assumed, that these will be financed corporately.
- 8.5 Furthermore, there are forecasts overspends of £0.095m related to potential costs associated with the winding down of the New Cross New Deal for Communities (NDC), which it is not possible to charge against the NDC grant.
- 8.6 Other net overspends of £0.125m have been recognised across the Directorate. All of these are the result of aggregating small variances on salary and other factors.
- 8.7 The Directorate recognises that it must take all available steps to contain its net expenditure within the resources available to it. Controls over expenditure are in place, for example to require additional authorisation to recruit to vacant posts on a permanent or temporary basis.
- 8.8 Key fee areas, such as for PCNs and development control have fixed prices which are not set by Lewisham, and so the opportunity to enhance income during the year is limited. Demand for services such as development control is also highly dependent on market conditions.

- 8.9 Officers are reviewing the performance of the parking contractor to ensure that PCN targets are being met or exceeded where this is possible. The performance in the first two months of 2009/10 indicates a significant increase from that delivered in the same two months of last year. There is no doubt that a combination of contractor performance and greater compliance has led to the drop in PCN income in much of last year. The Head of Transport has instituted increasingly rigorous contract monitoring to ensure all available PCN income is secured.
- 8.10 The Directorate is therefore reviewing the effectiveness of its expenditure controls, and preparing a list of other more difficult options that could be progressed during 2009/10 to manage the budget. These may have service consequences.

9 RESOURCES DIRECTORATE

- 9.1 The Resources Directorate has a net controllable budget for 2009/10 of £29.035m. As at 31 May 2009, it is forecast to overspend by £0.097m against its budget, or by 0.3%.
- 9.2 The forecast overspend is the aggregate of small variances across each of the service areas, none of which exceed £0.1m. The aggregate forecast overspend arises on staffing costs, including cover for long-term absence and savings built into the budget but not yet achieved as necessary staffing reorganisations are underway but have not yet been completed. The Directorate is reviewing its expenditure controls in order to find ways to stay within its budget for 2009/10.
- 9.3 There are two principal risks to this forecast. Firstly, the actuarial review of the insurance fund is due in October 2009. The fund has been managed prudently, but it is possible that the actuarial review will result in the level of contributions required increasing. In addition the recent Court of Appeal judgement against the London Authorities Mutual Limited (LAML), of which Lewisham was not a member, may impact negatively on the insurance market. Secondly, there are financial risks associated with the Payroll Human Resources Information System (PHRIS) project and with some software licensing costs. These risks are not reflected in the forecast, but may be later in the year if they crystallise.

10 HOUSING REVENUE ACCOUNT

- 10.1 The current forecast on the Housing Revenue Account (HRA) is for a balanced budget by year-end. There is currently a review being undertaken on Leaseholders service charge income. The 2009/10 rent increase takes effect from Monday 6 July 2009. The initial shortfall in rental income for the period 6 April to 5 July, will be covered by use of HRA working Balances, as set out in the rent setting report. Currently, rental income is below target (not relating to rent increases). As at May 2009, the percentage of rent collected (BV066a) stood at 94.60%. Although it is below the 97% target, it represents an improvement on the 93.58% of rent collected to the same period last year.
- 10.2 A further update will be provided in the budget monitoring report covering the second quarter of the financial year.

11 DEDICATED SCHOOLS GRANT

- 11.1 The 2009/10 Dedicated Schools Grant (DSG) allocation for Lewisham is £179.1m. Of this amount, £150.8m has been delegated to schools by way of Lewisham's funding formula. The balance of £28.3m is used to fund the provision of centrally managed school and pupil related services, such as: Special Educational Needs; financial support for the education of three and four year olds in the private; voluntary and independent sector; independent school fees and recoupment costs. A year-end balanced position is projected against these budgets.

12 CORPORATE FINANCIAL PROVISIONS

- 12.1 Corporate Financial Provisions are budgets that are held centrally for corporate purposes, which do not form part of the controllable expenditure for service directorates. They include Capital Expenditure charged to Revenue Account (CERA), Interest on Revenue Balances (IRB), and Corporate Working Balances. Although they are not expected to overspend, greater certainty on the outturn on these provisions will only become more apparent towards the end of the financial year.

13 SUNDRY DEBTORS

- 13.1 The Debtors Team is responsible for collecting debts: Community; Trade refuse; Transport trade; Transport client; Resources; Pest control; Environment (other) and; Children & Young People.
- 13.2 The Team has focussed on improving the overall level and timing of debt collection. New and improved procedures for billing, collection, recovery and write offs were introduced and new measures have been taken against long term outstanding debt.
- 13.4 In 2008/09, the overall number of invoices collected by the team within 90 days was 88.9%, 0.1% less than the 89% target and 1.9% more than 2007/08. However, it should be noted that the value of disputed invoices has increased by 5% from 2007/08, and by definition reduces the potential collectable debit.
- 13.5 The Team's overall performance in clearing the number of invoices within 90 days has improved by 7.9% from 2007/08 and now stands at 85.9% for 2008/09 as shown in Appendix 2. The monetary value of invoices collected for Trade Refuse in particular has increased by 9% when compared to the same point last year, and a 7% increase of those cleared within 90 days.
- 13.6 Further details and a table showing the breakdown of debt collected has been attached at Appendix 2.

Housing Benefit overpayment recovery

- 13.7 Housing benefit overpayments occur when a claimant has received more benefit than they were entitled to. The Authority may exercise discretion on whether it is appropriate to recover, taking into account the reason for the overpayment, the claimant's age and personal circumstances. However, this discretion must be balanced with the requirement to protect public funds and the fact that the overpayment will be borne by Lewisham.
- 13.8 Information on methods of recovery and debt recovery performance has been attached at Appendix 3.

14 STRATEGIC PARTNERSHIPS

- 14.1 Partnership working plays a critical role in achieving the Council's vision. The Council has a number of key strategic partners, which include: Lewisham Primary Care Trust (PCT); The Lewisham Hospital NHS Trust; Lewisham Police; Lewisham College, and Goldsmiths College. These organisations and others are members of the Lewisham Strategic Partnership (LSP). The following paragraphs present an update on budget issues and pressures currently being experienced by Lewisham's strategic partners.

14.2 Lewisham PCT

- 14.2.1 The PCT met all its financial targets for 2008/09, including achieving a small surplus of £0.210m when comparing its expenditure to available resources. This small surplus is in line with the control figure set for the PCT by NHS London.
- 14.2.2 This surplus was achieved against a background of a significant overspend on acute services of some £10.8m when compared to budget. The PCT was able to cover this overspend as it set a significant reserve against the risk of an acute overspend, achieved underspends in other areas of its operations, and delayed certain planned investments in other areas.
- 14.2.3 For 2009/10, the PCT received a recurring increase of £24.1m to its budget (5.22%), and as a result the PCT's revenue resource limit has increased to £505.927m. The PCT has set a balanced budget but it does include a number of significant risks, in particular the level of acute hospital spend, which will be closely monitored and managed in year. In addition the level of reserves that the PCT has been able to establish is much less than in 2008/09.

14.3 The Lewisham Hospital NHS Trust

- 14.3.1 Lewisham Hospital Trust received an overall expenditure budget of £155m for 2009/10. During 2008/09, the Trust was able to improve its Healthcare Commission rating for use of resources from 'Weak' to 'Fair' in the previous year 2007/08. This was supported by delivery of a £3.8m surplus for 2007/08 and projection of a £0.300m surplus for 2008/09, together with significant improvements in other aspects of the assessment process.
- 14.3.2 The Trust has agreed with the Strategic Health Authority (SHA) that it will generate a deficit of £2.55m in 2009/10. However, the Trust is hoping to access about £4m from the Challenge Trust Board, which controls a pool of funding from all London PCTs. If successful, the Trust would then be able to forecast a small surplus for the year.
- 14.3.3 As at the end of April, the Trust is £127k ahead of its financial plan for the year. This is due to higher than expected levels of income. The Trust has an efficiency target of £13.96m for the year and has identified specific schemes totalling £10.2m. The planned efficiencies for April were £0.570m, however this was underachieved by £0.088m in the month. Of the savings schemes that have been identified for the year, the phasing of these schemes leans heavily towards the final 6 months of the financial year and potentially leaves the Trust at risk from October 2009.

14.4 Lewisham Police

- 14.4.1 Lewisham Police have received an overall budget for 2009/10 of £44.4m. This budget is split into two distinct sections, called fixed and disposable.
- 14.4.2 The fixed part of the budget totals £38m and covers Police Officer and Police Community Support Officer (PCSO) pay. The remaining £6m part covers Police Staff pay, police overtime, transport and premises costs, and Lewisham Police have the ability to change the make up of this part of the budget to ensure the Borough operations are managed effectively. Police Officer and PCSO pay is a notional budget based on the number of officers allocated to the Borough. Lewisham is currently over strength and therefore overspending this part of the budget. This over strength position is mainly as a result of increased student constables in training although they do support operational activity.
- 14.4.3 The disposable budget is where concerns are focused in that any reductions in budget directly affect the ability to employ support staff and allow officers to stay on after their

shift to process prisoners etc. Reductions therefore limit the operational activity undertaken by officers.

- 14.4.4 Over the last 2 years, savings have had to be made on the disposable budget which have mainly fallen on the police staff pay line. Support staff have been cut and centralised to maintain operational integrity. More projected savings will, if required, fall on police staff working in operational units.
- 14.4.5 Lewisham Police has, over the last 2 years, been able to achieve the majority of its policing objectives and balance its disposable budget to within 1% of the total. In 2008/09, the disposable budget was overspent by only 1.3% in spite of the required savings.

14.5 **Lewisham College**

- 14.5.1 The College's financial year runs from 1 August to 31 July. For their 2009/10 financial year, draft budgets are being finalised at present for consideration by Governors. The key features of the draft 2009/10 budget are set out in the paragraphs below.
- 14.5.2 Overall income is expected to be broadly similar to 2008/09 at £37m. However, within this total, the College's Learner Responsive allocations from the Learning & Skills Council are reduced by £1.3m (5.4%) but this is compensated for by an increase in Employer Responsive allocations and special contracts for addressing the recession and the unemployed. Hence, in overall terms the College will have the same income but will be a slightly smaller operation as regards on-site provision.
- 14.5.3 These funding allocations make no provision for inflation or growth in provision, and hence the College's expenditure budgets will be very tightly focussed. The Learning & Skills Council assume that fees charged to students who do not receive fee remission should increase by about 12%. As in recent years, the limited budgets will be focussed upon delivery staff and the need to ensure that teaching and support to learners is maintained at the highest quality.
- 14.5.4 In the past year, considerable attention has been given to the ambitious project for redevelopment of the Deptford campus into a 21st century college, however, it is now clear that the Learning & Skills Council are withdrawing their financial support from this and many other projects across the country. Consequently, the future medium term investment strategy will need to be rethought and there is a considerable need for review of capital funding for future developments.

14.6 **Goldsmith's College**

- 14.6.1 As with all Higher Education Institutes (HEIs), Goldsmith's financial year runs from August to July. For 2007/08, Goldsmith's income was £71.9m and an operating surplus of £2.8m was achieved. In 2006/07, the corresponding figures were an income of £64.4m and a deficit of £0.1m.
- 14.6.2 The College is chiefly dependent on Funding Council (HEFCE) grant funding and student tuition fees. The funding decisions for 2009/10 announced in March 2009 was disappointing for the College. In turn, the recent announcement by the Chancellor and the consequential reduction in higher education funding in the short-term, place additional pressures on the recruitment of additional overseas student income, research income and income from consultancy and short courses to minimise the effects of the current economic downturn. The biggest pressures on expenditure relate to the staffing budget, which accounts for over 60% of total expenditure.

- 14.6.3 In terms of student numbers, the College met its overall target last year (2008 entry), and figures remain buoyant for this year. However, as the result of an edict from the Funding Council the College is unable to increase Home and EU student numbers for 2009 entry. The focus of the College's activity will therefore concentrate on the recruitment of overseas students which do not fall within this restriction.

14.7 **Total Place**

- 14.7.1 Members should note the Council's involvement in Total Place. Announced as part of the 2009 Budget in April, Total Place aims to examine public spending and local leadership in thirteen pilot areas, of which Lewisham is one, to identify how public agencies can work better and more efficiently to help deliver local services. The pilots are a chance to examine how public money comes into an area and how it is spent. It seeks to identify how an increase in collaborative and joined up working could contribute to improved outcomes and greater efficiency and what the savings might be delivered through this process.

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 and must take steps to deal with any projected overspends and identify savings or other management action to bring budget pressures under control.

16 **CRIME AND DISORDER IMPLICATIONS**

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

17 **EQUALITIES IMPLICATIONS**

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

18 **ENVIRONMENTAL IMPLICATIONS**

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

19 **CONCLUSION**

- 19.1 The latest projected year-end net overspend on the Council's revenue budget for 2009/10 is £2.336m. In the coming months, officers' detailed projections will become more refined, with improving accuracy on projected outturns being reported as the financial year progresses. However, specific and detailed action is required by officers to bring projected spend in line with resources.
- 19.2 In the next Budget Monitoring report, Executive Directors are being asked to set out the detailed action that they will be taking to bring the Council's expenditure back into line with the overall budget.

BACKGROUND PAPERS

<u>Short Title of Document</u>	<u>Date</u>	<u>File Location</u>	<u>Contact Officer</u>
Directorate Budget Monitoring Reports	May 2009	1 st Floor, Town Hall, Corporate Resources	Selwyn Thompson

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APPENDIX 1 - Council-Wide Projected Budget Variance for 2009/10 as at end of May 2009

Directorate/Division	2009/10 Controllable Budget	Projected variance before management action at 31 May 2009	Effect of management action	Projected variance after management action as at 31 May 2009	Projected year- end outturn as at 31 May 2009
	1	2	3	4 (2+3)	5 (1+4)
	£'000	£'000	£'000	£'000	£'000
Children & Young People					
Access & Support Services	7,821	348	(134)	214	8,035
Commissioning, Performance & Strategy	1,232	32	(32)	0	1,232
Education Development	381	0	0	0	381
Resources	(610)	46	(80)	(34)	(644)
Schools	734	0	0	0	734
Social Care	40,896	985	(606)	379	41,275
Standards and Achievement	1,994	0	0	0	1,994
Children & Young People total	52,448	1,411	(852)	559	53,007
Community Services					
Adult Social Care	68,187	2,237	(1,954)	283	68,470
Community & Neighbourhood Development	7,588	(12)	0	(12)	7,576
Crime Reduction & Supporting People	4,756	0	0	0	4,756
Cultural Services	8,913	(36)	0	(36)	8,877
Policy, Strategy & Performance	2,214	(125)	0	(125)	2,089
Resources	360	(87)	0	(87)	273
Community Services total	92,018	1,977	(1,954)	23	92,041
Customer Services					
Environment	23,634	580	0	580	24,214
Housing Services	12	0	0	0	12
Public Services	11,040	155	(117)	38	11,078
Resources	115	0	0	0	115
Strategic Housing & Regulatory Services	3,445	23	0	23	3,468
Strategy & Performance	1,067	94	(68)	26	1,093
Customer Services total	39,313	852	(185)	667	39,980

Regeneration					
New Deal for Communities	0	95	0	95	95
Performance & Strategy	901	80	0	80	981
Planning	2,544	300	0	300	2,844
Programme Management & Property	10,653	200	0	200	10,853
Resources	38	0	0	0	38
Transport	3,333	315	0	315	3,648
Regeneration total	17,469	990	0	990	18,459
Resources					
Audit & Risk	3,609	(31)	0	(31)	3,578
Corporate Policy & Governance	3,602	(27)	0	(27)	3,575
Finance	6,172	0	0	0	6,172
Executive Office	415	(20)	0	(20)	395
Procurement	399	(23)	0	(23)	376
Personnel & Development	1,869	88	0	88	1,957
Legal Services	2,555	54	0	54	2,609
Strategy	2,737	14	0	14	2,751
Technology & Transformation	7,887	42	0	42	7,929
Reserves	(210)	0	0	0	(210)
Resources total	29,035	97	0	97	29,132
Capital Charges	15,847	0	0	0	15,847
Corporate Provisions	22,121	0	0	0	22,121
Council-wide total	268,251	5,327	(2,991)	2,336	270,587

NB The revised aggregate budget shown for directorates are the controllable totals

The budget total exclude Support Services recharges and capital charges

APPENDIX 2**Centralised debtors team targets and performance 2008/09**

Description	Performance 2007/2008	Target 2008/2009	Actual 2008/2009
Invoices Cleared within 90 Days (Value)	87%	89%	88.9%
Invoices Cleared within 90 Days (Number)	78%	80%	85.9%

Percentage of invoices cleared within 90 days of due date

Percentage of invoices cleared within 90 days of due date by value	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Total
Community Services	92.5	77.2	76.9	83.0	81.9	78	79.6	80.8	89.1	93.9	79.4	89.1	88.53
Customer Services ex regeneration	0.	100	23.4	88.4	100	16	98.4	91.3	55.7	91.6	64.0	87.4	87.64
Transport Client	65.2	73.5	80.6	100	84.3	36	45.6	79.6	75.8	79.5	83.3	79.8	67.00
Transport Trade	100	10.6	82.7	95.0	96.8	96	91.6	99.5	60.8	99.1	78.1	70.3	89.66
Children & young People	81.1	100	99.8	73	90.6	72	55	99.2	83.4	94.6	93.2	95.8	87.52
Resources	97.5	98.9	94.34	19	72.7	86	99.3	98.8	94.9	98.3	96.2	96.8	91.40
Trade Refuse	83.8	91.7	90.5	91.1	91.5	94	88.4	97.4	96.3	94	82.6	91.8	88.06
Total	91.5	85.2	81.1	81.2	80.2	72.4	91.3	92.4	90.5	94.8	85.6	90.4	88.9

Percentage of Invoices Cleared within 90 Days of Due date By number	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Total
Community Services	80.9	80.5	80.1	85.3	85.7	85.9	86.2	85.6	87.4	87.7	88.7	88.00	85.15
Customer Services ex regeneration	0	100	42.9	80	100	55	92.9	75	69.2	70	73.3	80.00	72.41
Transport Client	57.7	44.4	66.7	100	50	45.8	33.3	82.4	50	54.5	75	28.6	57.83
Transport Trade	100	71.4	87.5	81.8	95.7	90.9	76.9	90.6	79.5	90.5	90.6	91.7	87.73
Children & young People	85.4	100	90.9	90.3	86	73	83.9	92.3	85.5	88	70.6	92.3	86.29
Resources	87.5	91.9	91.8	90.3	88.8	84.1	87.1	92.6	87.2	85.5	80.5	91.3	88.20
Trade Refuse	86.4	90.8	86.8	88.4	93.00	86.9	88.9	82.7	87.5	90.00	69.8	87.3	88.37
Total	83.6	81.3	80.5	86.8	86.1	85.1	87.4	86.1	86.7	88.8	87.6	88.1	85.9

The tables above show the breakdown of invoices cleared by service area, by volume and by value and depict the trend over the whole year.

When a debt is not paid by the due date the team takes recovery action. The action starts with reminder notices but now includes enforcement action. Some examples of the enforcement action taken are:

- Issued 54 County Court claims
- Instructing bailiffs to recover unpaid commercial rent
- 153 cases referred to Debt Collection Agents

The team is now reviewing Social Care debt and has piloted a range of extra steps to deal with vulnerable debtors. These steps include a case review, a visit where appropriate and an officer panel to determine what future action, if any, should be taken.

Methods of Recovery

Debt is recovered through the following methods:

- Weekly deductions from any on going benefit, that is payable to the claimant. DWP set the maximum deduction which is £9.75 per week for the financial year 2009/2010. The authority has no power to increase this amount.
- Instalment plans arranged with the customer, taking into account their personal circumstances.
- 3rd party deductions where the customer is in receipt of another state benefit.
- Recovery through the County Courts using the civil debt process. Once a judgement is obtained, the authority can use a range of recovery methods including:
 - Attachment of Earnings.
 - Charging order against a property owned by the debtor.

Age Debt analysis

The breakdown of debt by age

Age (Days)	Value
<30	£444k
31-60	£295k
61-90	£293k
91-180	£828k
181-360	£1,721k
>360	**£4,105k
	£7,686k

** Of the debt over 360 days, £2.1m is in recovery via deductions from ongoing housing benefit or instalment arrangements.

Debt Status

The Table below shows the breakdown of debt by status (i.e. the value of debt at each stage of the recovery cycle):

The breakdown of debt by status

Stage	Secure Debt	Value	% of O/S Debt
Secure Debt	In recovery via deductions from ongoing benefit, instalment arrangements, charging orders and DWP 3 rd party deductions.	£4,567k	59%
	Debt Status		
1	New Invoices issued between 10.5.09 to 31.5.09 – these debts do not move into the recovery cycle until 21 days after invoice is issued.	£246k	3%
2	Reminders Issued – 1 st reminder is issued 21 days after invoice, if there is no contact a 2 nd reminder is issued 28 days after invoice. No contact after 2 nd reminder a 7 day warning letter is issued.	£328k	4%

3	Recovery Action on Hold - pending appeal (internal or Tribunal), agreement to write off, new claim pending or customer enquiry or other reason, for example, we have one overpayment of £95k which is pending a confiscation of assets hearing. The hearing is scheduled for July 09.	£632k	8%
4	Tracing Activity - Checks are carried out to trace the debtor's current address, using a range of sources.	£70k	2%
5	Pending Agreement to Write Debt Off	£5k	
6	<p>Court Pre-List – Debts appear on the court pre-list when there is a 'no response' to reminders. Where a telephone number is held, the team attempt to make contact and either obtain payment in full or make an arrangement. If this is not possible, checks are carried out to determine the next action.</p> <p>1. CIS checks are carried out to establish if the deductions can be made by DWP through the 3rd party deduction process.</p> <p>2. Tracing activity is carried out using LoCTA and NAFAN systems to identify the debtor's current address. Current value awaiting response from NAFAN is £70,472.84 as at 3 above.</p> <p>3. Writing the debt off is considered where the debtor cannot be traced or the value of the debt is below £200 as it is not cost effective to proceed to county court stage.</p>	£1,312k	17%
7	<p>County Court action – County Court judgements are sought where all other recovery activity fails. Taking cases to the County Court is expensive and is an ineffective method of recovery and we are considering alternatives to the Court process.</p> <p>Court action commenced - Summons issued and customer is advised of the need to either repay in full or make an arrangement to prevent further costs being added to the debt.</p> <p>Court Warrant Obtained – Warrant issued to the County Court Bailiff who will attempt to recover the debt either by making an arrangement with the debtor or seizing goods.</p>	<p>£505k</p> <p>£21k</p>	<p>6%</p> <p>0.2%</p>