

OVERVIEW AND SCRUTINY COMMITTEE 13 DECEMBER 2018
CHILDREN'S SERVICE SCRUTINY SUB COMMITTEE 19 DECEMBER 2018

Report title: December Financial Planning and Medium Term Strategy Report 2018-2023

Wards: All

Portfolio: Cabinet Member for Finance: Councillor Andrew Wilson

Report Authorised by: Jackie Belton: Strategic Director for Corporate Resources

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Report summary

This report introduces the December Financial Planning and Medium Term Strategy Report for the period 2018 through 2023, including the funding gap and proposed mitigations. The report also provides responses to other financial planning matters raised by the Overview and Scrutiny Committee.

Finance summary

There are no direct financial implications arising as Overview and Scrutiny and Children's Service Scrutiny Sub-Committee is not making binding decisions but considering the proposals and providing comments and recommendations. The Cabinet will then consider the overall budget in the context of available resources taking into account all comments and recommendations received.

Recommendations

1. That the Committee considers the Financial Planning and Medium Term Financial Strategy and the proposals for closing the funding gap, forwarding any formal recommendations to Cabinet in respect of Children's Services.
2. That the Committee notes the updates on other financial matters previously raised by Overview and Scrutiny Committee.

1. CONTEXT

- 1.1 The Council reported in the July Financial Planning Report an updated position on the MTFS since the Budget Report in February 2018. This saw a revised funding gap of £43.2m over the four year planning period 2019/20 to 2022/23.
- 1.2 We are revising our Medium Term Financial Strategy (MTFS) in a period of unprecedented uncertainty; setting a four-year plan 2019/20 to 2022/23 when we have one year left of the Government's previous four-year Comprehensive Spending Review (CSR). The new CSR is promised for the four years 2020/21 to 2023/24 and is due at the end of 2019. The CSR will include the outcome from the Local Government Fair Funding Review, due out next summer as well as the national business rates retention deal. In addition, we still await the Green Paper on Adult Social Care now promised for this December.
- 1.3 The Council will continue to be part of the London Business Rates Pilot Pool, albeit with some changes from the Ministry for Housing, Communities and Local Government (MHCLG), namely a reduction from 100% retention of growth in the business rates base to 75% and the removal of the safety net to guarantee no detriment in funding. This brings it closer to the proposed national scheme.
- 1.4 In his Budget in October, the Chancellor announced a number of measures, many of them one-off, which impact on Local Government funding. The announcements regarding adult and children's social care in particular, whilst welcome to help the short term budget pressures, are not long term funding solutions. We expect to receive final confirmation of our 2019/20 funding in the Local Government Finance Settlement due now after the Brexit vote. This is after this report is due to be ready for publication and therefore we will make any necessary changes to our MTFS as a result of the announcement in the Budget Report to Cabinet in February 2019.

2. PROPOSAL AND REASONS

- 2.1 The December Financial Planning and Medium Term Financial Strategy are set out in the attached report and Committee is asked to consider the strategy and proposals and forward any formal recommendations to Cabinet.
- 2.2 This report also updates Committee on their previous recommendations which have not been addressed within the December Financial Planning Report.
- 2.3 **Update on previous recommendations raised by Committee are set out below in sections 2.4 through to 2.15;**
- 2.4 SEN Transport - Request for future updates to reassure members that expected savings are being realised and services levels are being met following the commencement of the new transport contract.
 - Delivery of expected savings is being monitored through the budget monitoring processes. Expenditure at quarter 1 is £3.472m against a budget of £3.472m. We recommend that future updates on savings realisation and service levels is provided by Children Services at the Children Services Scrutiny Sub Committee.
- 2.5 More focus is need on the pipeline of increasing demand with regard to children with Special Education Needs and Disabilities (SEND) who will require Education, Health and Care (EHC)

plans and that central government be lobbied regarding the need for a funding system which better responds to the demand.

- The Council is working with partners, London Councils and Local Government association, and the Society of London treasurers and County Treasurers to lobby central government.
- This is an item on the Children Services Scrutiny Sub Committee agenda 19 December 2018.

2.6 Strengthening the Council's balances;

- Following on from the commitment in the July Financial Planning report, the December 2018 Financial Planning report and Medium Term Strategy reaffirms the commitment to strengthen the General Fund Balances.

2.7 Commercial Strategy

- The Committee will be kept updated with regard to the development of the commercial strategy and this will be shared with Committee during 2019.

2.8 That the reporting of fees and charges in the budget report be enhanced in future to give more detail regarding how levels are set, such as benchmarking and criteria used.

- The Council has a Fees and Charges policy which sets the framework for setting and reviewing fees and charges; and actively promotes regular review of existing fees and charges as well as exploring new opportunities. In particular where we offer discretionary services, the charges are market tested to ensure that we are maximising our income opportunities.
- The Fees and Charges appendix to the budget report to cabinet in February 2019 will be revised to incorporate how levels are set and reference any benchmarking used and budget proposals which recommend new charges or increasing current charges, will include relevant criteria and benchmarking information.

2.9 That The Council does not make cuts additional to the 26% cut already being made to public health by central government. Any efficiencies made in public health should be reinvested directly in public health to prevent illness and treat people with addiction and sexual health conditions. Preventing and treating illness early saves lives and money.

- The Council reviews its expenditure plans as a whole on an annual basis and seeks to ensure that resources are used in the most efficient way possible and considers the impact on the health of residents as part of this.

2.10 Urge the authority to continue to ring fence an appropriate portion of its income to be spent on Public Health once the dedicated Public Health Grant is rolled into the Business Rates Retention scheme

- The final position on the ring fenced Public Health Grant being rolled into the Business Rates retention scheme has not been agreed. However, the Council reviews its expenditure plans as a whole on an annual basis and seeks to ensure that resources are used in the most efficient way possible.

2.11 Encourage officers to explore the concept of a voluntary top rate of council tax as a means of raising extra income and request that financial modelling be carried out in an attempt to ascertain how much this may contribute to the council's finances.

- Officers have modelled a number of scenarios, and expect to undertake consultation shortly on the Council's plan to introduce a voluntary top rate of council tax.

- 2.12 Request details of the methodology used to benchmark expenditure against other authorities (such as payroll [per head] and costs per invoice settled)
- The Council uses a number of sources such as CIPFA benchmarking clubs, Grant Thornton Analytics, LG Futures to benchmark income and expenditure against other authorities, and has on occasion commissioned subject specific benchmarking.
 - Generally available benchmarking information from the above sources tends to be based on the annual Revenue Outturn returns submitted by all authorities to the Ministry of Housing, Communities and local Government.
 - Detailed benchmarking such as cost per invoice or payroll per head is available through specific benchmarking clubs or has to be specially commissioned. The Council has recently subscribed to these benchmarking clubs and is collating the information required for CIPFA to undertake the analysis and benchmarking. The output from this exercise is expected to be available in April 2019.
- 2.13 Urge officers to seek to widen procurement pooling arrangements where these can be shown to achieve savings and/or social value.
- The Council continues to explore every opportunity for collaboration, information sharing and undertake joint procurement where appropriate.
- 2.14 The number of consultants/agency staff in the Council (and associated spend) and what plans are in place to reduce this (e.g. could savings be achieved by moving people onto fixed term contracts on standard Lambeth terms and conditions?).
- There are currently 509 agency workers and the cost to end of November is £33.2m.
 - The opportunity to convert agency workers to Lambeth workers is considered regularly on a case by case basis.
- 2.15 Implications of HRA borrowing cap being lifted.
- Lifting of the HRA Borrowing Cap by Central Government gives the Council the opportunity to review its capital expenditure funded from the HRA in future years. However, it should be noted that as any additional borrowing would increase the capital financing costs within the HRA both now and in the future, the recent reductions in rent imposed by Central Government have reduced the ability to fund additional borrowing for expenditure on maintenance of the existing stock from the rental income. Borrowing from the HRA could be seen as an option for increasing the level of new build council housing, however the Council will need to evaluate the risks and rewards of this delivery method compared to the option of using Homes for Lambeth as currently envisaged.

3. FINANCE

- 3.1 There are no direct financial implications of this report. Overview and Scrutiny Committee and Children's Service Scrutiny Sub-Committee is asked to consider the proposals including in the December Financial Planning report and forward and formal recommendations to Cabinet.

4. LEGAL AND DEMOCRACY

- 4.1 There are no legal comments arising. Legal advice will be provided on specific work streams as they arise.
- 4.2 No further comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 In making decisions and co-producing services, engagement is key. This section enables the consultation that has been undertaken to be highlighted. Include a summary of the views received from external consultation.

6. RISK MANAGEMENT

- 6.1 There are no risks arising from this report.

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 There are no EIA implications arising from the recommendations of this report.
- 7.2 The December Financial Planning Report includes equalities impact assessment on the proposals which will be further developed as the proposals progress.

8. COMMUNITY SAFETY

- 8.1 There are no community safety implications arising from the recommendations.

9. ORGANISATIONAL IMPLICATIONS

Environmental

- 9.1 There are no environmental implications arising from the recommendations contained in this report.

Staffing and accommodation

- 9.2 There are no environmental implications arising from the recommendations contained in this report.

Procurement

- 9.3 There are no environmental implications arising from the recommendations contained in this report.

Health

- 9.4 There are no environmental implications arising from the recommendations contained in this report.

10. TIMETABLE FOR IMPLEMENTATION

- 10.1 Committee sends any observations and comments to Cabinet for consideration at the December Meeting of Cabinet.

AUDIT TRAIL

Consultation				
Name/Position	Lambeth directorate / department or partner	Date Sent	Date Received	Comments in paragraph:
Councillor Andrew Wilson Cabinet Member for Finance	Cabinet Member	06.12.18	06.12.18	Through out
Jackie Belton, Strategic Director	<i>Corporate Resources</i>	06.12.18	06.12.18	Through out
Christina Thompson, Director Finance and Property	Corporate Resources Finance	06.12.18	06.12.18	Through out
Alison Mckane, Director Legal Services	Corporate Resources Legal Affairs	06.12.18	06.12.18	Through out
Wayne Chandai Democratic Services	Corporate Resources Democratic Services	06.12.18	06.12.18	Through out

REPORT HISTORY

Original discussion with Cabinet Member	06.12.18
Report deadline	07.12.18
Date final report sent	07.12.18
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	XX.XX.18
Key decision reasons	Not applicable
Background information	July 2018 Financial Planning and Medium Term Strategy Report
Appendices	Appendix A – December 2018 Financial Planning and Medium Term Strategy Report