Lambeth

Cabinet 04 February 2019

Report Title: Revenue & Capital Budget 2019/20 to 2022/23

Wards: All

Portfolio: Cabinet Member for Finance, Councillor Andrew Wilson

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Report summary

Since the December Finance Planning Report, reported to Cabinet in December, the future of local government funding has become even more uncertain. This is due to the failure of the government to reach a Brexit deal and the resulting knock-on impact of the failure to confirm our 2019/20 funding in the Local Government Settlement. At a time of poor economic performance in the UK, the significant uncertainties of the UK leaving the EU without a deal in only 2 months' time and a changing landscape of local government funding, the only certainty for local authorities is that austerity is not over. This budget is the first of a four year period in which this council will have to save over £37m, on top of over £230m saved since 2010.

That has profound implications for the services that Lambeth residents care about. To ensure that residents are involved in the decisions that affect them, this budget has been produced following significant budget consultation involving thousands of Lambeth residents. Over 4,000 people responded to this consultation, the largest consultation of its kind that Lambeth council has undertaken on the budget before. By pluralities, residents expressed broad support for the council's budget proposals and the priorities that they expressed. There was support for the introduction of a voluntary tax and clear expression of interest towards directing the proceeds, and additional council spending where possible, into services for young people and tackling serious youth violence. As a result, this budget includes an additional £0.5m for youth violence in 2019/20, and plans to spend an additional £1m on preventing youth violence by 2020. In addition, the council has recognised resident's support for protecting services for vulnerable people by protecting funding for child and adolescent mental health and violence against women and girls, and recognised residents' concerns about cuts to the libraries budget by reversing the cuts that were included in the December proposals.

While the council will continue to seek to protect such vital services, we are setting our budget 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 Spending Review (SR). The new SR is due at the end of 2019. The SR will include the outcome from the Local Government Fair Funding Review due out next summer as well as the national business rates retention deal. The Fair Funding Review consultation published in December, proposes to focus core funding for local authorities solely around population, without taking into account

factors such as deprivation. This is likely to significantly disadvantage urban councils like Lambeth and creates further uncertainty about funding for our services. The council will make representations to government as part of the consultation.

In addition to the Fair Funding Review, we still await the Green Paper on adult social care, now promised for early 2019. The council will continue to be part of the London Business Rates Pilot Pool for 2019/20, albeit with some changes from the Ministry of 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.

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 necessary changes to our MTFS as a result of the announcement in the Finance Planning Report to Cabinet in July 2019.

This report presents:

- The General Fund budget for 2019/20 and planning totals for the following three years;
- The Medium Term Financial Strategy;
- The Financial Management Strategy;
- A summary of the draft capital investment proposals for 2019/20 to 2020/21; and,
- The Housing Revenue Account (HRA) budget is set in a separate HRA Rent and Budget Setting Report, which was agreed by Cabinet on 14 January 2019.

Finance summary 2019/20

It commits the Council to a new revenue budget for 2019/20 – with a 2.99% increase in the Lambeth element of the Council Tax (resulting in the Lambeth element of Band D increasing to £1,124.69) – and a revised Capital Programme of £337.1m for the years 2018/19 to 2020/21.

Recommendations

Cabinet

(1) To recommend Council to note or adopt the recommendations listed below.
(2) To approve the disposal of the properties identified as 'new disposals' in Appendix 7B.

Council

(1) To adopt the General Fund (GF) revenue budget for 2019/20 as set out in this report, which, for the avoidance of doubt, includes:
  - The Council Tax model set out in Appendix 2; and
  - The cash limits arising from the above, as set out in paragraph 2.10, a total cash limit of £287.747m.

(2) To adopt a 2.99% increase to the Lambeth element of the Council Tax for 2019/20.
(3) To adopt the Reserves and Balances Strategy detailed in Appendix 1.
(4) To note the current General Fund budget forecasts for 2018/19 in Section 5.
(5) To note the proposed increases to fees and charges as set out in Appendix 3.

(6) To note the revised total of £337.1m for the three year Capital Investment Programme 2018/19 to 2020/21 as described in section 6, and summarised in Appendix 5, and how the programme is financed within Appendix 6.

(7) To adopt the statement of Minimum Revenue Provision policy as detailed in Appendix 8.

(8) To adopt the Treasury Management Strategy (incorporating the debt and investment strategies) proposed for 2019/20 to 2021/22, as set out in Appendix 9.

(9) To adopt the prudential indicators and limits, and the investment thresholds and limits for 2019/20 – 2021/22 set out in Appendix 9.

(10) To note the formal advice of the Director of Finance, as the Council's statutory officer for the purposes of s151 of the Local Government Act 1972, pursuant to s25 of the Local Government Act 2003, as set out in section 7 of this report.

(11) To note the financial risks set out throughout this report.

(12) To note that, at its meeting of 24 January 2019, Corporate Committee agreed the amount of 109,258 as the Council Tax Base for the year 2019/20 in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, Article 3 of the Localism Act 2011 (Commencement No 1 and Transitional Provisions) Order 2011 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

(13) That the following amounts be now calculated for 2019/20 in accordance with sections 31A and 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011:

(a) Aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) thereof:
£907,460,301

(b) Aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) thereof:
£784,579,000

(c) The Council's Council Tax Requirement under Section 31A(4), being the amount by which the aggregate at 17(a) above exceeds the aggregate at 17(b) above:
£122,881,301

(d) The amount at 17(c) above divided by the Council's tax base in 16 above, in accordance with Section 31B(1) of the Act, as the basic Band D amount of its Council Tax for the year:
£1,445.20

(e) The amounts given by multiplying the amount at 17(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of dwellings listed in different valuation bands.

Band A	**Band B**	**Band C**	**Band D**
£749.80	£874.76	£999.72	£1,124.69
Band E	**Band F**	**Band G**	**Band H**
£1,374.62	£1,624.55	£1,874.48	£2,249.37

(14) To note that for the year 2019/20 the Greater London Authority and its functional and predecessor bodies have provisional precepts (i.e. still to be formally adopted as at dispatch of this report), in

accordance with Sections 88 and 89 of the Greater London Authority Act (1999) as amended by section 77 of the Localism Act 2011, for each of the categories of dwellings shown below:

Band A	**Band B**	**Band C**	**Band D**
£213.67	£249.29	£284.90	£320.51
Band E	**Band F**	**Band G**	**Band H**
£391.73	£462.96	£534.18	£641.02

(15) That having calculated the aggregate in each case of the amounts at 17(e) and 18 above, the Council approves the amounts of Council Tax for the year 2019/20 for each of the categories of dwellings as shown below:

Band A	**Band B**	**Band C**	**Band D**
£963.47	£1,124.05	£1,284.62	£1,445.20
Band E	**Band F**	**Band G**	**Band H**
£1,766.35	£2,087.51	£2,408.66	£2,890.39

(16) To delegate authority to the Director of Finance in consultation with the Deputy Leader (Finance & Resources) to change the Council Tax amounts set out in recommendation (19) if necessitated by changes to the precept amounts as set out in recommendation (18).

(17) To note that, at its meeting of 24 January 2019, Corporate Committee agreed the amount of £168,000,557 as the National Non-Domestic Rates Base (the business rates tax base) in accordance with Section 59A of The Local Government Finance Act 1988, as amended by The Local Government Finance Act 2012.

1. CONTEXT- LOCAL GOVERNMENT FUNDING

1.1 The broad economic outlook from the Office of Budget Responsibility (OBR) is one of low growth in the gross domestic product (GDP) to 1.5%, the lowest forecast in history as no previous forecasts have been below 2%. Whilst public finance funding is due to grow by 1.6%, the NHS, International Aid and Defence are protected. Between 2010 and 2020 central government funding to local government is due to reduce by 63% in real terms. Brexit is occupying the full capacity of the government and will continue to do so, leaving little scope for the public sector challenges facing local government. Some short-term fixes have been announced, but the reform required has not been given the attention it deserves.

1.2 The new Spending Review (SR) was promised for the four years 2020/21 to 2023/24 and is due at the end of 2019. It is now more likely that this will be a one year settlement. The SR will include the outcome from the Local Government Fair Funding Review, due out in the summer as well as the national business rates retention deal which sees increased reliance on local taxation. In addition we still await the Green Paper on Adult Social Care, now promised for early this year.

1.3 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 have now received the provisional finance settlement, which was made on 13 December 2018, and we expect to receive final confirmation of our 2019/20 funding in the Local Government Finance Settlement due in early February 2019. This will be 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 final settlement in the Finance Planning Report to Cabinet in July 2019.

1.4 With 2019/20 being the final year of the current settlement, there remains uncertainty around our funding position, however, we need a prudent and realistic basis to work from, so in our current MTFS we have modelled future Government funding on a 7% reduction over our MTFS period (this is supported by the Institute for Fiscal Studies' view that Local Government funding will fall by 7% over the period 2018/19 to 2022/23).

1.5 As the Council's Medium Term Financial Strategy (MTFS) develops, we will ensure that it aligns with our Borough Plan.

2. MEDIUM TERM FINANCIAL STRATEGY

Financial Position and Local Government Finance Settlement 2018/19 to 2020/21

2.1 The Council's financial position as outlined in the December Financial Planning Report showed a total funding gap over the period 2019/20 – 2022/23 of £43.232m, and presented a suite of savings which totalled £43.676m, resulting in a surplus position of £0.444m over the MTFS. Since those figures were calculated, there have been a number of further announcements, primarily the Provisional Local Government Finance Settlement 2019/20. Alongside this we have also calculated our final Council Tax and Business Rates baseline figures which were agreed by Corporate Committee on 24 January 2019.

2.2 The funding figures for 2019/20 are now provisional, and we expect the final Financial Settlement to be confirmed in February 2019, which will be after this report has been published. Any changes to our funding position will be reported to Cabinet through the 2019 July Finance Planning Report.

2.3 Through analysing the provisional settlement figures released on 13 December 2018, and consequently updating the MTFS, we will receive £0.753m less in funding in 2019/20 than we had predicted. This has been caused by a reduction in New Homes Bonus funding of £0.832m, but a small gain of £0.079m in our Business Rates Baseline. However, through validating the adjustments to the Council Tax and NNDR base for 2019/20, utilising the flexibilities introduced on Council Tax, and updating our growth position, the funding gap over the MTFS has been revised to £37.664m.

2.4 We have listened to feedback from the consultation, and have set up a budget which will fund the preventing youth violence initiative. This will be built up to £1m over 2019/20 to 2020/21. This is possible because the growth initially set aside for adult social care in these years can be off-set by the one-off social care funding, which was announced as part of the Chancellors budget. The underlying pressures within adult social care need to be closely monitored however, because part of the one-off funding also needs to support children social care, and as such this position will be reviewed throughout next year and the year after.

2.5 We have also listened to the feedback from our saving proposals consultation, and as such we have now removed the Libraries saving from the MTFS, and we are rebasing the libraries budget to operate efficiently.

2.6 The council has a clear commitment to paying the London Living Wage, both for directly employed staff and contractors, and wants to encourage businesses in the borough to pay the London Living Wage. The council will therefore introduce a business rates discount scheme for businesses that achieve accreditation with the Living Wage Foundation, to help businesses to achieve that accreditation and to boost the number of jobs that pay the living wage in the borough.

2.7 As set out in Appendix 1, previous reporting of the funding gap between expenditure and anticipated resources was £43.232m. This included savings brought forward from previous financial planning periods, which were reported for accounting and transparency purposes. This included some items that, following the detailed budget process, cannot be delivered as originally envisaged. These items, which totalled £5.727m and related to Organisational Redesign and commercial income, were also included as growth items in calculating the £43.232m gap due to these delivery concerns. These items have now been removed from both growth and savings and the funding gap, and proposed savings to meet it, revised to £37.664m. This reports does not include the full list of savings, because these were all published in the December Finance Planning Report presented to Cabinet on 17 December 2018.

2.8 In updating the MTFS we have now balanced the budget overall and in both 2019/20 and 2020/21. The position for 2021/22 and 2022/23 is also balanced with a £2.449m gap in 2021/22 offset by a surplus of £2.449m in 2022/23. However, these years are based on the assumptions made in forecasting the settlement into the future years as well as savings with less precise delivery plans and therefore represents a risk within the MTFS. The changes to the MTFS which have occurred throughout this year are captured in Appendix 1.

2019/20 Cash Limit

2.9 Table 1 below shows the cash limit for 2019/20 based on the key output from the provisional Finance Settlement and the Council Tax base set by Corporate Committee on 24 January 2019. The figures are based on the 2019/20 Financial Settlement, and as the London Business Rates Pilot Pool will continue in 2019/20, the Revenue Support Grant (RSG) is now zero, as this grant has been rolled into our Business Rates Retained amount.

Table 1

Funding Source	2019/20 £'m
Notional Revenue Support Grant	0.000
Top-up Payment	66.218
Retained NDR	75.213
Settlement Funding Assessment	**141.431**
New Homes Bonus	8.040
s31 Grant	4.530
Council Tax	122.881
Better Care Fund	10.865
Total Cash Limit	**287.747**

Council Tax

2.10 As part of the settlement the Government increased the level by which Council Tax could increase before requiring a referendum from 1.99% to 2.99%. We have modelled an increase of council tax by 2.99% in 2019/20.

2.11 We have modelled a 1.99% increase in all remaining years of the current MTFS (2020/21 to 2022/23), which is below the level required for a referendum. This has assisted in balancing the Council's budget over the period of the MTFS. This assumption is included in the MTFS figures, but the recommendation to increase council tax in 2020/21, 2021/22 and 2022/23 is subject to decision by Cabinet and Council and will be addressed in future years budget reports.

2.12 The Council Tax base continues to grow, and in 2019/20 the net number of new properties was 1,546. This is the average increase we expect from year-to-year and is therefore what had already been factored into our MTFS, so in 2019/20 we have not been able to increase the council tax budget above prior assumptions. In all future years of the current MTFS we have forecast the increase to be at normal trend levels of 1.4% per annum. Any increases in housing developments above this will see the percentage improve.

Business Rates Retention Scheme

2.13 The introduction of the Business Rates Retention Scheme provided an incentive for authorities to grow their business base by virtue of retaining a proportion of business rates growth achieved, in Lambeth's case it was 30%. The Government's intention to extend the retention scheme increased the incentive for local Council's to encourage development in their area. However, it also means that Councils must manage the down side of changes to the business rate base. Business rates are susceptible to economic downturns, and as our reliance grows in respect of this funding source the future risk also increases.

2.14 The Business Rates London Pilot Pool continues for another year as approved by Cabinet on 17 December 2018 and this is factored within the current MTFS. The pool in 2018/19 was a 100% retention scheme, where Lambeth retained 64% and GLA the remaining 36%. However, the 2019/20 Pool is a 75% scheme, with 25% going to Central Government and with Lambeth and the GLA sharing the remaining 75%. The proportion split of the Business Rates Retained element has now been confirmed on the 2019/20 NNDR1 as 48% for Lambeth and 27% for the GLA.

2.15 Our budgeted Business Rates Retained element in 2019/20 is at the level confirmed within the Financial Settlement. Due to the pooling arrangements, until all London Borough's submit their 2019/20 NNDR1 and NNDR3 forms our net benefit is forecast to be £3.8m, but as this is one off and is unconfirmed, we have decided to take this benefit into an earmarked reserve. It is felt prudent to build this gain into reserves to enable us to manage and mitigate any future risk in respect of Business Rates growth, especially in light of the full Business Rates baseline reset which is due in 2020/21, which is likely to wipe all growth out of the system.

Fees and Charges

2.16 The Council's agreed funding strategy includes increasing income from fees and charges, having due regard to our social and environmental responsibilities. The authority levies fees and charges for a number of activities and services that it provides. These services/activities are provided where statute places a duty on the authority to do so or where they are discretionary services that contribute towards the agreed community plan outcomes. A detailed fees and charges schedule can be found in Appendix 3.

2.17 The summary in Appendix 3 is in response to the request from Overview and Scrutiny Committee (OSC) to see the performance of fees and charges income against past budget periods. The budget for 2017/18 was exceeded by over £1m, whilst income is expected to be on budget for 2018/19. This should give assurance that fees and charges budgets have not been set at unachievable levels.

2.18 The Mayor's Transport Strategy commits, through TfL to investigate proposals for the next generation of road user charging, and specifically references Workplace Parking Levy's (WPL). Lambeth's draft Local Implementation Plan, which is currently out to consultation until 17 December also makes reference to WPL's. Whilst it is considered that a WPL is better suited to an outer London context within an easily defined and managed zone with multiple large employers, low levels of access to public transport and associated levels of car parking, work will be undertaken to investigate the potential for Lambeth.

London Borough's Grant Scheme

2.19 The financial year 2019/20 represents to second year of the four-year programme of commissions provided by the Grants Committee under S.48 of the Local Government Act 1985, as recommended by the Grants Committee and approved by the Leaders' Committee in March 2016. Constituent Councils are required to contribute to any London Boroughs Grants Scheme expenditure, which has been incurred with the approval of at least two-thirds of the constituent Councils. Contributions are, under Regulation 6(8) of the Levying Bodies (General) Regulations 1992, to be proportionate to constituent Councils' populations. For 2019/20, the apportionment is based on the ONS mid-year estimates for June 2017 in accordance with Section 48 (4) Local Government Act 1985, which states that "the population of any areas shall be taken to be the number estimated by the Registrar General and certified by him to the Secretary of State by reference to such date as the Secretary of State may from time to time determine." The total contribution required from Lambeth is already captured within our MTFS, so this does not in any way increase the forecast expenditure of the Council.

3. CONTEXT & ECONOMIC OUTLOOK- KEY RISKS

Risk to our Funding

Adults Social Care

3.1 Adults Social Care has been managing a number of significant financial risks which have arisen from a population that have increasingly complex care needs and cost pressures relating to the amount that the Council is charged for the provision of services. This is the experience nationally and local government bodies have been successful in putting forward the case for increased funding in Adult Social Care with the provision of increased funding in the 2017 spring budget announcement, winter pressures funding and other non-recurrent funding. Although welcome, the extra funding does not provide a financially sustainable care system and the longer term response to the issues that social care faces.

3.2 A Green Paper is promised during 2019 on how the government proposes to improve care and support for older people and tackle the challenge of an ageing population. As social care is a significant part of the Council's budget, proposals on how any new funding system will be sustainable and responsive to increases in costs will be critical for the financial sustainability of the Council as a whole. The Green Paper, when published, is likely to look at the funding that individuals contribute to their own care and any significant changes are likely to be complex and result in large costs nationally that require the use of mechanisms to increase funding locally that result in cost pressures for individual local authorities.

Public Health

3.3 Lambeth, along with other upper tier authorities receives an annual ring fenced Public Health Grant to fulfil its duty to improve the health of people in the area and specifically to deliver its public health duties. The ring-fenced Public Health Grant is based on historic funding in the NHS which transferred to Councils. Following the 2015 election, the Government announced in-year cuts of 6.2% to Public Health which totalled a reduction of £1.9m for Lambeth in 2015/16 and £0.7m in 2016/17. In the period 2017/18 to 2019/20 the grant is being further reduced by £2.5m, approximately £0.8m per year. In addition opportunities have been taken to widen the scope of the Public Health Grant to fund appropriate General Fund services that have been identified as falling within the definition of Public Health expenditure. A range of saving proposals are being implemented to remain within the grant allocation and provide savings to the General Fund.

Fair Funding Review

3.4 The Fair Funding Review is due to take effect from 2020/21, and this will also be the first year of 75% Business Rates Retention outside of current pilot pooling arrangements. This will mean that in that year RSG and possibly the Public Health grant will get rolled into Business Rates Retention, and Council's will be able to retain 75% of growth in the base. The intention of this is to increase local control over local income without the need for primary legislation, whilst having more accurate funding forecasts due to the improvements in the way the funding is allocated.

3.5 In 2020/21 the Business Rates baseline will be reset as part of the Fair Funding Review, and this will result in winners and losers, however, until the Fair Funding Review is finalised we just don't know what this will mean to Lambeth. The Fair Funding Review is still in the early stages of discussion and consultation, but there is commitment to ensure the system of allocation is simplified, is transparent, based on the most up to date data, responds to both current and future demand, takes account of the best possible objective analysis and is in line with the multi-year Settlements including transitional arrangements.

3.6 The underlying level of need has not been updated since 2013/14, so our funding allocation in 2019/20 is based on a needs assessment which will be six years old, and with the significant demographic changes that have been experienced across inner London in that period, it is no surprise that the needs allocation and indicators require review and update. We will not know the impact of the Fair Funding Review until the 2019 Spending Review due late this year. We had hoped that this would be at least a four year settlement, however, current indications suggest it may be for one year only.

New Homes Bonus

3.7 The NHB payments reduced as planned to four years in 2018/19. However, as 2019/20 tax base is expected to grow less than we have seen in the last few years and new NHB payments are worth less than historic year payments, our 2019/20 NHB allocation is £8.040m, which is £0.832m less than we had factored into our MTFS. The planned changes to NHB of the threshold increase and the adjustment for homes approved by the Planning Directorate have still not taken place, and no date as to when these may be implemented has been confirmed. The baseline of 0.4% is still applicable, but this is not a concern for Lambeth, as our tax base continues to increase well above this baseline.

Dedicated Schools Grant

3.8 The provisional allocation of DSG for 2019/20 is £285.3m, which is an increase of £1.2m (0.4%) over the previous year. In 2018/19 the Government introduced a new National Funding Formula for both schools and for High Needs and created the new Central School Services block (CSSB), the DSG therefore now comprises four blocks: Schools, High Needs, Early Years and the new CSSB.

3.9 Within the schools block, the Government have provided for at least 0.5% per pupil increase in 2019/20 through the national funding formula, however, they have also reviewed the way that funding for growing pupil numbers is allocated via the formula and this has led to a decrease in the amount of funding that Lambeth receives of approximately 0.5%.

3.10 The amount of funding that is received is largely linked to the number of pupils. The number of primary pupils on the October Census in 2018 has decreased by 309 and the number of secondary pupils has increased by 204, giving a net decrease of 105 pupils (0.3%), this in turn has an impact on the amount of funding that the schools in these sectors will receive.

3.11 The minimum funding guarantee for schools will continue, in Lambeth this has been set at minus 1.5% per pupil. There are significant cost pressures faced by schools, for example, the requirement to fund teachers' pay rises as well as other cost increases and thus the funding is unlikely to be sufficient to meet these increased costs in real terms in most schools.

3.12 In the Early Years Block there is a requirement to allocate at least 95% of the funding to providers meaning that a maximum of 5% can be kept back centrally. The Early Years Block is also driven by pupil numbers (early year's participation) and is thus also subject to fluctuating pupil numbers.

3.13 The high needs block will increase by 3.41%. There are however, a number of cost pressures in this area due to the rising numbers and complexity of children with special educational needs and the cost of providing for these. Current estimates are that costs in this area will significantly exceed the DSG income allocation and plans to address this are being worked on.

3.14 Following a £1.4m reduction in DSG funding for children centres in 2017, the council has continued to fund these through DSG reserves. DSG reserves have now been fully exhausted. The capacity to move funding between blocks has meant that pressures in any one block is now difficult to manage and with depleted reserves it is not possible to manage ongoing pressures.

Risk to our Debt / Expenditure
Welfare Reform

3.15 The Council still holds £36m debt relating to Housing Benefits Overpayments on its balance sheet which is either recoverable from debtors through reductions in their on-going benefits or reduced by cash collection. The debt position has been impacted by Real-Time Data Matching (RTDM) exercises conducted by the Department for Work and Pensions (DWP) This uses more up to date information on Housing Benefit claimants and applies this to previous year's Housing Benefit Subsidy claims that have already been audited and closed. This has increased the risk to collecting this debt and therefore more resources have been allocated.

3.16 Responsibility for Housing Benefit Payments transfers to the DWP under Universal Credit. Universal Credit was first introduced in Lambeth from December 2017 and has recently expanded to cover all new claims from working age residents for what previously would have been Housing Benefit. The number of Universal Credit claimants in Lambeth has therefore been increasing with the number of Housing Benefit claimants reducing.

3.17 Currently we are able to manage the recovery of over payments by the reduction of current claimants' Housing Benefit payments. This flexibility is removed when the claimants transfer onto Universal Credit. The ultimate risk is the Council will be left with the historic Housing Benefit debt when the service transfers to the DWP. We are having on-going discussions with the DWP through various forums to understand what the DWP future plans are around this historic debt, as to whether the Council will be expected to hold all of the debt and if that is the case how DWP will help us to recover it, given our best means of doing so is normally seeking to reclaim it via current benefit payments, as seeking claimants after they have moved away increases the risk of failure to collect.

Council Tax Support Scheme

3.18 The Council Tax Support (CTS) scheme currently provides statutory protection to pensioners and in Lambeth discretionary protection to all disables people, carers, families affected by the overall benefits cap and war widows and widowers.

3.19 The Council commenced the current CTS scheme in 2018/19, which was presented and agreed by Full Council on 24 January 2018. We are proposing to keep the scheme the same in 2019/20, and this position is outlined in the report presented as Appendix 4.

4. FINANCIAL MANAGEMENT

4.1 The objectives of the MTFS and how we will ensure delivery is captured within Appendix 1. It sets out an overview of our approach to make the best use of our financial resources to help achieve the Council's vision and ambitions for the Borough and maximise sustainable benefits for the people of Lambeth. Three key areas of priority are:

4.2 It also sets out in detail how the delivery of savings will be monitored through the Budget and Performance sub-group of Management Board. This addresses the concerns raised by OSC in their meeting of 04 February 2019.

- Prioritise our resources in-line with the Council's Borough Plan, and to ensure we achieve our core three priorities**;**
- Maintain a balanced budget position, and to always set a MTFS which maintains and strengthens that position; and,

- Provide a robust framework to assist the decision making process within the Council

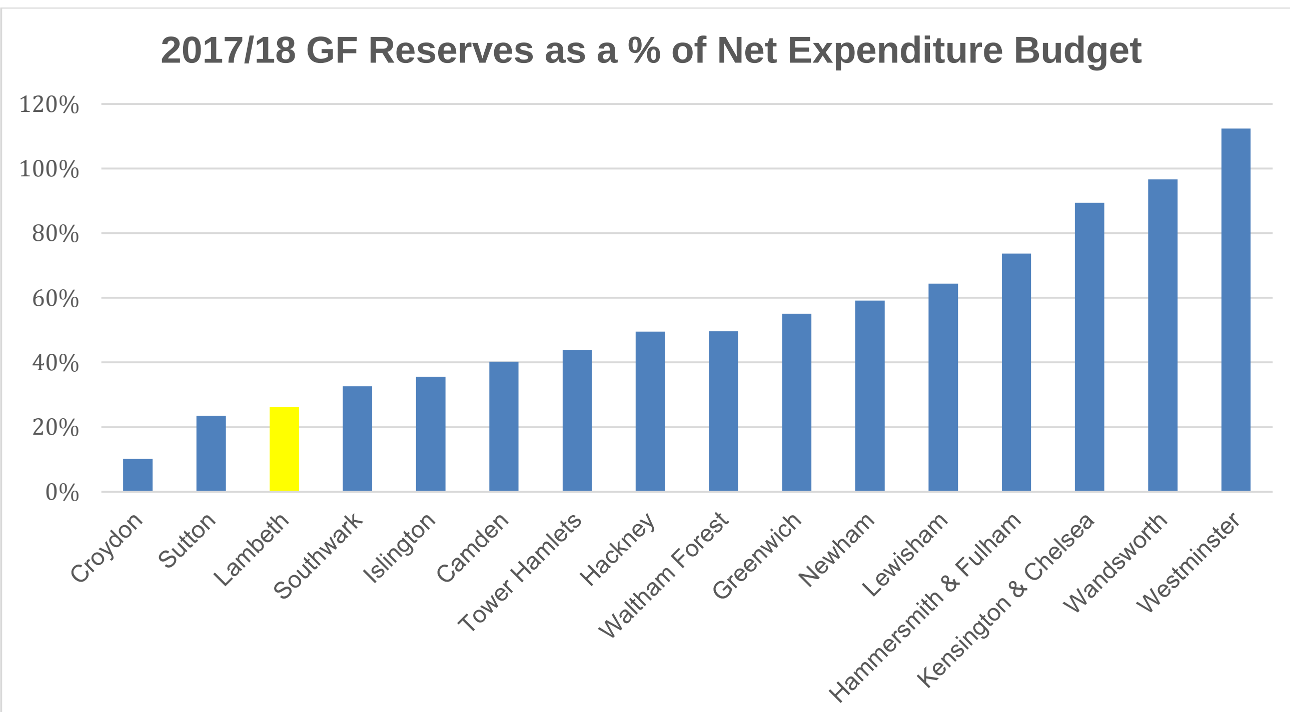
Reserves and Balances: Background

4.3 The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to fund exceptional items or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme. There are also reserves for specific government funding that is carried forward from year to year.

4.4 The council has planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. Not only did this help to protect council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies.

4.5 The level of balances remains subject to the scrutiny of the section 151 officer who must ensure that any one-off contributions to the budget are appropriate and affordable. The budget proposals for 2019/20 do not include a planned release of reserves.

4.6 The graph below shows the relationship between the level of balances and reserves as a percentage of the net revenue expenditure budget for Lambeth and the other London Boroughs at the end of 2017/18.



4.7 Variations among levels of reserve in the London Boroughs are partly a reflection of different spending plans, priorities and local circumstances, but crucially are also a function of differing perceptions of internal and external financial risks. As of 31 March 2018 Lambeth had the third lowest level of reserves in comparison to 2017/18 net revenue expenditure budget of London Boroughs, as our reserves represented 26% of our net revenue expenditure, which is in stark comparison to the Council with the highest level of reserves representing 112% of their net revenue expenditure. OSC requested a comparison of levels of reserves across London boroughs which has been provided and more detail on the rationale for setting reserve levels is provided in section 7 of this report.

4.8 Table 2 below confirms our current reserve forecast position to this financial year-end, whilst also forecasting to 2022/23.

Table 2 2018/19 to 2022/23 Reserve Forecast

	Forecast Y/E 2018/19 (m)	Forecast Y/E 2019/20 (m)	Forecast Y/E 2020/21 (m)	Forecast Y/E 2021/22 (m)	Forecast Y/E 2022/23 (m)
General Fund Balances	23.789	25.228	26.667	28.106	29.545
General Fund Reserves	35.996	34.967	35.233	35.501	35.760
Total GF Balances and Reserves	**59.785**	**60.195**	**61.900**	**63.607**	**65.305**
HRA Reserves	44.141	27.268	24.768	22.268	22.268
Total GF and HRA	**103.926**	**87.464**	**86.668**	**85.875**	**87.573**

Council Tax and NNDR Collection

4.9 Council Tax collection is anticipated to be slightly above last year's collection rate of 95.2% and nearer 95.5%, which is the target. The net collectable debit for 2018/19 is £154m, as at the end of December £130.8m has been collected compared to £114.8m as at 31 December 2017 with a net collectable debt of £141.3m. The Council has been improving on Council Tax collection each year, and over ten years the collection rate has improved by over 3%.

4.10 The collection rate at the end of December 2018 for those residents in receipt of Council Tax Support (CTS) and paying some Council Tax is 61.19% which is a decrease of 0.31% to the position at the same time last year of 61.49%. It should be noted that the overall CTS awarded in 2018/19 is £1.02m less than at the same time in 2017/18.

4.11 For National Non-Domestic Rates (NNDR), the collection rate for 2018/19 is expected to be slightly above last year, at about 99.02% compared to 99% in 2017/19. Cash collected as at the 31 December 2018 was £143.6m against the annual net collectable debit of £166.5m, compared to cash collected of £121.2m as at 31 December 2017, with an annual net collectable debit of £153.3m.

5. CURRENT FINANCIAL POSITION

5.1 This section provides an update on the current financial position of the Council, including General Fund and the Housing Revenue Account.

General Fund Position – End of November 2018

5.2 The November 2018 Finance Monitor reported a £1.532m overspend. The main areas of pressure are:

5.3 Adult services have an underlying forecast overspend of £6.1m, mostly within homecare budgets, which is being off-set by one-off Government funding. Mitigations to reduce expenditure are being developed to ensure that there is sufficient one-off Government funding still available to meet expenditure needs in 2019/20.

5.4 Children's social care are forecasting an overspend of £3.6m with £2.2m on placements and £1.4m on children centres. A £4.6m forecast overspend on Special Education Needs (SEN) will be funded by the Dedicated Schools Grant. Mitigating actions to address £1.3m of the forecast overspend on social care placements include reviewing the highest cost placements, reviewing the purchasing arrangements for emergency placements and transition arrangements. Children services budgets reduced in 2017/18, following the reduction of £1.4m from DSG.

5.5 Corporate Resources are forecasting an overspend of £0.5m which represents a number of variances. There is an overspend on systems and licences of £0.4m, a delay in the achievement of Business Support savings of £0.6m and a shortfall in commercial property rental income of £0.3m. This is offset by underspending in salary budgets and the budgeted top-up to the sundry bad debt provision of £1.05m not required this year.

5.6 Table 3 below summarises the Council's forecast position by directorate.

Table 3	**Full Year Budget £m**	**Full Year Forecast £m**	**Full Year Variance £m**	**Full Year Variance %**
Adults & Public Health	83.875	83.767	(0.106)	0%
Children's Services	71.456	75.025	3.569	5%
Neighbourhoods & Growth	43.143	41.062	(2.081)	(5%)
Corporate Resources	55.001	55.551	0.55	1%
No Recourse to Public Funds	3.354	2.954	(0.4)	(12%)
Corporate Items	30.699	30.699	0	0
TOTAL - General Fund	**287.528**	**289.058**	**1.532**	**1%**

2018/19 Housing Revenue Account Forecast – End of November 2018

5.7 The Housing Revenue Account budget, for 2018/19 is set to breakeven.

5.8 Table 4 below summarises the HRA forecast position.

Table 4	**Full Year Budget £m**	**Full Year Forecast £m**	**Full Year Variance £m**	**Full Year Variance %**
Housing Services (HRA)	62.853	59.316	(3.537)	(6%)
Central HRA Budgets	(79.038)	(76.616)	2.422	3%
Strategic Programmes	16.185	17.3	1.115	7%
TOTAL HRA	**0**	**0**	**0**	

6. CAPITAL

Overview of the Capital Investment Programme for the 4 Years 2014/15 to 2017/18

6.1 The Council undertook a capital investment programme (CIP) totalling £774.9m for the 4 financial years of the previous political administration 2014/15 – 2017/18. The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes and the actual spend per annum is shown in Table 5.

Table 5

Planned Capital Investment	(Actual) 2014/15 £m	(Actual) 2015/16 £m	(Actual) 2016/17 £m	Actual) 2017/18 £m	Total £m
Total CIP	178.3	156.2	221.7	218.7	**774.9**
of which:					
HRA	104.3	85.5	108.1	80.1	**378.0**

6.2 The CIP was supported by non Right to Buy asset disposals for the 4 years period of 2014/15 to 2017/18 has been revised to a total of £62.0m. The detail is summarised in the table below:

Revised Non-RTB Asset Disposals 2014/15 – 2017/18
Table 6

Non RTB Disposals	(Actual) 2014/15 £m	(Actual) 2015/16 £m	(Actual) 2016/17 £m	(Actual) 2017/18 £m	Total £m
Other assets	4.2	0	3.0	2.3	**9.5**
Short life assets	8.1	22.5	21.9	0	**52.5**
Total Forecast	**12.3**	**22.5**	**24.9**	**2.3**	**62.0**

6.3 The Council holds a list of assets surplus to requirements which are suitable for disposal. This list is regularly reviewed as new opportunities are identified, the forecast is summarised in the table 7 below, but is expected that the availability of capital receipts to fund capital projects will be much reduced in years to come and this will impact on the funding of the CIP.

Table 7

Non RTB Disposals	2018/19 £m	2019/20 £m	Total £m
Other assets	2.0	10.0	**12.0**
Shortlife assets	0	1.2	**1.2**
Total Forecast	**2.0**	**11.2**	**13.2**

Future Capital Investment and Financing

6.4 It is expected that the main sources of capital funding in future years will be Section 106 and Community Infrastructure Levy (CIL) contributions from development and prudential borrowing. In developing the CIP for coming years, the Council will need to consider the impact on revenue budgets of borrowing to finance its capital priorities, as borrowing costs represent a pressure on revenue unless the capital project generates an income stream. The Council will continue to seek external funding where possible, however in line with other funding from central government, capital grants are also expected to reduce in coming years, although due to the preoccupation with Brexit, the Government's agenda for local government remains far from clear. CIL receipts remain relatively healthy, although this income cannot be guaranteed it is dependent on the level of development activity within the Borough which will be affected by external factors outside of the Council's control.

6.5 At the time of writing the approved CIP for the next planning cycle, which includes the current year 2018/19, totals £337.1m. It is expected that this figure will continue to increase as projects are brought forward for approval over coming months. The CIP comprises both investment needed to maintain and enhance our existing asset base together with continuing investment in developing new assets through new build, acquisition or alterations to existing assets.

6.6 Over the coming months the working CIP will be extended to incorporate the planned investment for 2021/22, based on Cabinet decisions around the level of investment agreed for that period. However at this point Appendix 5 just shows the analysis of this working CIP for the current year and the next 2 years 2019/20 to 2020/21 totalling £337.1m while Appendix 6 demonstrates how this 3 year CIP will be financed. This planned investment includes £133.2m in relation to the HRA.

6.7 In addition to the agreed CIP, there is another £64.9m of projected expenditure for projects held in the capital pipeline. The pipeline includes projects where the outcome of funding bids is awaited or where more detailed work is underway before a final commitment to include the project in the CIP can be made. Table 8 shows the breakdown over years of the current CIP.

Table 8

Planned Capital Investment	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**Total £m**	**Pipeline Commitment £m**
Total CIP	205.6	78.1	53.4	**337.1**	64.9
of which:					
HRA	47.0	43.1	43.1	**133.2**	0

6.8 As there remains considerable uncertainty around how exactly the country will exit the European Union, there is the potential for a knock-on impact on construction and housing and commercial property markets. As the Council continues to progress a number of significant regeneration projects across the Borough, it will need to be mindful of the risks involved as it develops the CIP further. Despite this uncertainty, it is sensible for the Council to continue to look for opportunities to develop Council owned sites and acquire new assets, as in addition to providing much new housing and employment opportunities for residents, by growing the Council Tax and Business Rates base, additional income can be generated to support wider service provision.

6.9 Where Investment is made in commercial property, the expenditure will appear within the CIP, but adjustments to the revenue budget will be required to allow for borrowing costs and expected income flows. Hence the commercial property budget income target would be expected to increase and virements will be required as each project completes and the site begins to generate income.

6.10 The Council expects most of its Investment in Housing to be made through its wholly owned Housing Company, Homes for Lambeth, and as the funding here will be in the form of loans, it does not directly impact on the CIP. However, it is important that the risks relating to development are monitored in a similar way to projects within the CIP. As the government has recently lifted the HRA Borrowing Cap, the Council will review opportunities for Housing Development within the CIP. However, the opportunities to do so remain constrained by the availability of land and recent imposed cuts in rent levels which make it more difficult for developments to repay borrowing costs.

6.11 In addition to development opportunities the CIP contains significant funding for maintaining existing Housing stock, as well as continuation of investment in roads and parks following on from the funding to upgrade these assets in the previous funding period. The council has been able to use the capital receipt from the development next to Larkhall to provide a revenue income stream for use in this area.

6.12 During 2018, the Council was given approval by the Ministry of Housing, Communities and Local Government (MHCLG) to fund the costs of the Redress Scheme for historic child sex abuse in Lambeth children homes from capital sources. Although this does not directly form part of the CIP, it clearly does impact on the wider availability of capital funding.

Treasury Management

6.13 Treasury Management is inextricably linked to the Council's finances in general and the capital programme in particular. Appendix 9 sets out the proposed Treasury Management Strategy, which has been updated by reference to the CIPFA Code of Practice for Treasury Management and Prudential Borrowing.

6.14 The Council is also required to adopt the Minimum Revenue Provision policy as set out in Appendix 8.

7. STATEMENT OF THE DIRECTOR OF FINANCE (THE COUNCIL'S S151 OFFICER) PURSUANT TO S25 OF THE LOCAL GOVERNMENT ACT 2003

7.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) (in Lambeth's case the Director of Finance) to report to the Authority on two areas:

- The adequacy of the proposed reserves; and,
- The robustness of the estimates made for the purpose of the calculations.

7.2 It also states that the Authority must have regard to this report when the Council Tax is being set. The Director of Finance advises that she considers that the proposed budget is robust and the level of reserves and balances as set out in Appendix 1 in the draft budget is adequate.

7.3 The draft budget proposals have been subject to examination by the Council's members and officers and as a result resources are aligned with service objectives through the budget setting process. The revenue impact of decisions concerning capital spending is considered. The budget does not include a proposed contribution to reserves at 31 March 2019 as they are at an adequate level. Risks have been considered and have been appropriately budgeted for.

7.4 In consideration of this budget overall, members attention is drawn to the fully funded and financed capital programme discussed in section 7 above. The programme was reviewed in 2018/19 in the July and December Financial Planning Reports to ensure its affordability and continued alignment with organisational priorities. Members will therefore have formal opportunities to consider the programme in the same way in 2019/20.

7.5 The levels of unallocated reserves in 2018/19 are at the lower end of the acceptable limits (between 5-10% of the net cash limit) and therefore contribute to the Council's sound financial position. Further detail can be found in the Reserves and Balances Strategy as set out in Appendix 1. It should be noted that the level of balances are forecast to increase during 2018/19 and in each year of the MTFS.

7.6 In determining the target range of balances and by way of a high level initial policy on reserves and balances CIPFA advises the key factors that should be taken into account are:

- Risks inherent in the budget strategy;
- Risk management policies and strategies;
- Part financial performance i.e. spending within budget;
- Current budget projections;
- The robustness of the estimates contained within the budget;
- The adequacy of financial controls and budget monitoring procedures; and,
- Spending pressures.

Emerging and Known Risks

7.7 The Council has a low level of reserves, and there are known spend pressures in Children Services. Whilst we are keen to ensure the estimates in the budget are robust, it is an inherent risk. In light of the Spending review coming to an end in 2019/20, the likelihood of receiving additional information on our funding position post 2019/20 is looking more unlikely. We were initially promised a four year settlement in the next Spending Review, due to in December 2019, however current information suggests it will be for one year only, which will affect our ability to robustly plan for the future. Whilst being confident of the saving proposals and the delivery plans to achieve them in the first couple of years of the MTFS, the savings falling in the last year of the MTFS and the plans to deliver them are inherently more risky. The risks to the economy in light of Brexit are a concern and this may cause a need to identify the use of balances to manage the risk in the short term. This is why we have the current balances strategy in place, which ensures we have mechanisms in place corporately to top up balances. Currently we forecast to top-up balances in each year up to 2022/23.

7.8 Whilst budgets are calculated on a most likely basis they are by definition estimates and are subject to in year price and volume variances; a small percentage variance of only 1% represents a variance of more than £2.9m on our general fund net revenue budget. Despite the risks to the budget, the rigour of the process has enabled the Council to consistently deliver an overall balanced budget. The Council considers key corporate risks via the risk register, which is monitored at Corporate Management Team in addition to Corporate Committee (the Council's audit committee).

Overall Budgetary/Cost Control History

7.9 The evidence of the last four completed financial years, suggests that the authority is capable of containing expenditure within agreed budgets, notwithstanding the pressures forecast this year.

Unexpected Events

7.10 Recent economic events have highlighted the need to hold reserves to create the financial cushion that enables changes to services to be implemented in a structured fashion. To date sound financial management and planning have insulated the authority from such unforeseen events, but with the current levels of economic uncertainty no complete assurances could ever be provided that this will continue to be the case.

8. FINANCE

8.1 This report concerns the Council's overall financial position with a particular focus on 2019/20. It commits the Council to a new revenue budget for 2019/20 – with a 2.99% increase in the Lambeth element of the Council Tax – and a revised Capital Programme of £337.1m for the years 2018/19 to 2020/21.

9. LEGAL AND DEMOCRACY

9.1 The Council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the Council's financial position in accordance with section 28 of the Local Government Act 2003. In considering the Council's financial strategy and the budget for 2019/20, members will need to balance the proposed level of expenditure in discretionary areas of service provision against that required to ensure that the Council complies with its statutory duties.

9.2 By virtue of section 25, Local Government Act 2003, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Director of Finance, as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

9.3 In reaching decisions on these matters, members are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account, and any decision made must not be such that no reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. Monies may not be expended thriftlessly and the full resources available to the Council must be deployed to their best advantage. Members must also act prudently and in a business-like manner at all times.

9.4 In considering the advice of officers, and the weight to be attached to that advice, members should have regard to the personal duties placed upon the Director of Finance as Chief Finance Officer. The Chief Finance Officer is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. In the event that the Council's overall financial position worsens considerably during the course of 2019/20, the Director of Finance will need to have regard to the statutory obligations which are placed on her personally when deciding on any particular actions to be recommended to members to address her concerns.

9.5 Section 106 of the Local Government Finance Act 1992 applies at any time to a Member of a local authority or a Member of a committee or sub-committee of a local authority if, at that time, a sum in respect of community charge, or a sum in respect of Council Tax has become payable by the member and has remained unpaid for at least two months.

9.6 If a Member to whom Section 106 applies is present at a meeting of the authority, the Cabinet, or a committee or sub-committee of the authority or the Cabinet, at which any of the following matters is the subject of consideration:

- any calculation required by Chapters III, IV or IVA of the 1992 Act i.e. budget requirement, tax base and tax, or
- any recommendation, resolution or other decision which might affect the making of any such calculation, or
- the exercise of any functions in relation to the administration, collection and enforcement of community charge or Council Tax.

The Member shall as soon as practicable after its commencement disclose the fact that this section applies to her/him and shall not vote on any question with respect to that matter.

9.7 If or to the extent that any matter listed above is the responsibility of the Cabinet, no member of the Cabinet to whom Section 106 applies shall take any action or discharge any function with respect to that matter.

9.8 If a Member fails to comply with the requirement to disclose the fact that Section 106 applies and accordingly not to vote then they shall be liable to prosecution by the Director of Public Prosecutions which carries a fine not exceeding level 3 on the standard scale.

9.9 In certain circumstances the chair of the meeting may be under an obligation to refuse to count the vote of a Member who has declared that Section 106 applies to him/her, yet still voted. However, the chair would have to be fully satisfied that the declaration was beyond question. In relation to the non-payment of community charge or Council Tax the person most likely to have the best information as to whether the section applies to them is the individual concerned. If a Member declares an interest in terms of Section 106, as is their duty if the Section applies, they will disqualify themselves from voting and any attempted vote cannot be counted.

9.10 In the event of a Member failing to disclose such an interest, and even though the Chair may have good grounds for believing that the Member is disabled by interest, nevertheless the chair should not refuse to accept a vote by that Member. However, the Director of Finance will also be in a position to verify whether any particular Member is under a Section 106 duty and if a situation arises whereby the Member in question fails to declare an interest in terms of Section 106, the Chair is under an obligation to take account of the information provided by the Director of Finance.

9.11 Prior to any meeting at which any of the matters referred above are to be considered, the Director of Finance, or her representative, will contact all Members who are, in her/his opinion, in a position where Section 106 applies. The Director of Finance will carry out a further check on the position prior to the meeting and will ensure that the Chair is informed at or before the commencement of the meeting.

9.12 Once the Chair is in possession of that information the Chair should indicate to the meeting that Section 106 applied to a Member or Members present, based on information provided by the Director of Finance. It will then be for the individual Members concerned to approach officers from the Finance Department to clarify the position, if necessary. If the position as set out in the information provided by the Finance Department remains unchanged, then the Chair is under an obligation to refuse to count the vote of that Member. The fact that a Member who is disabled by interest has taken part in the consideration of the report and voted on it does not render unlawful the decision of the Committee or Council.

9.13 The Budget and Policy Framework Procedure Rules, as reproduced in Part 3 of the Council's Constitution, set out the involvement of the Overview & Scrutiny Committee in the budget-making process and provide, inter alia, that having considered the report of the Overview & Scrutiny Committee, the Cabinet, if it considers it appropriate, may amend their proposals before submitting them to the full Council for consideration. The Cabinet is also required to report to Council on how it has taken into account any recommendations from the Overview and Scrutiny Committee.

9.14 Section 149 of the Equality Act 2010 sets out the public sector equality duty, i.e. that all public bodies are under an obligation to have 'due regard' to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, marriage and civil partnership, race, religion or belief, sex and sexual orientation.

9.15 Section 149 (1)(b) of the Act states that: a public authority must, in the exercise of its functions, have due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. Part of the duty to have "due regard" where there is disproportionate impact will be to take steps to mitigate the impact and the Council must demonstrate that this has been done, and/or justify the decision, on the basis that it is a proportionate means of achieving a legitimate aim. Accordingly, there is an expectation that a decision maker will explore other means which have less of a disproportionate impact.

9.16 The Equality Duty must be complied with before and at the time that a particular policy is under consideration or decision is taken – that is, in the development of policy options, and in making a final decision. A public body cannot satisfy the Equality Duty by justifying a decision after it has been taken.

9.17 Paragraph 10 of this report details the consultation undertaken to date. The following principles of consultation apply. First, a consultation has to be at a time when proposals are still at a formative stage. Second, the proposer has to give sufficient reasons for any proposal to permit of intelligent consideration and response. Third, adequate time has to be given for consideration and response, and finally, the product of consultation has to be conscientiously taken into account in finalising any statutory proposals. The process of consultation has to be effective and looked at as a whole it has to be fair.

9.18 Further guidance on meaningful consultation was given in the decision of the Supreme Court in the case of *R (on the application of Moseley v London Borough of Haringey [2014] UKSC 56*. Where there is a duty to consult imposed by statute, then in addition to a common law duty, there is an additional duty to ensure proper public participation in the local authority's decision-making process. Meaningful participation in these circumstances required that those consulted be provided with an outline of any realistic alternatives. In the absence of a specific statutory provision, reference to alternative options will be required where this is necessary in order for the consultees to express meaningful views on the proposals. The decision in the case of R (Robson) v Salford City Council [2015] EWCA Civ 6 clarified that the requirements for a lawful consultation vary according to the particular circumstances of the proposal under consideration but the general principals of fairness must be applied.

9.19 Section 1 of the Localism Act 2011 provides the Council with what is known as a general power of competence, in short, a power to do anything that individuals generally may do, for the benefit or otherwise of the authority, its area or persons' resident or present in its area and subject to restrictions/limitations imposed by other statutes. The general power of competence includes a power to charge for services provided the requirements of section 3 of the Localism Act are observed, namely: 1) that the service provided is discretionary; 2) that the user agrees to the service being provided; and 3) that there is no other power to charge for the service in question, including that contained at section 93 of the LGA 2003. The exercise of this power is subject to a duty to secure that, taking one financial year with another, the income from charges does not exceed the costs of the service provided.

9.20 This proposed key decision was entered in the Forward Plan on 08 June 2018 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days – the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

10. CONSULTATION AND CO-PRODUCTION

10.1 We are committed to working with our communities so that they can help themselves and be more resilient to the change in local services. Also, we are determined to talk to communities and involve them in the tough decisions we have to take so we can make sure we are making the best use of the declining amount of money we receive from Central Government.

10.2 Between 07 December 2018 and 14 January 2019 we consulted residents on proposals that are contained in the December Finance Planning Report, which was approved on 17 December 2018. We did this in a variety of ways:

- A section in 'Lambeth Talk' which is delivered to all residents;
- Posters in libraries;
- Postcards advertising the online consultation and how to participate in it;
- Targeted email campaigns to residents;
- Social media campaigns on Twitter and Facebook;
- Via Lambeth's vibrant and diverse civic society, including the Lambeth Forum Network;
- Two face to face drop in sessions at the Town Hall; and,
- Street campaigns using advertising hoardings.

10.3 During the consultation, we had over 4,000 responses. The main highlights were:

- 46% of residents agreed/strongly agreed with the council's saving proposals, with 22% disagreed/strongly disagreed
- 40% agreed/strongly agreed, with 23% disagreed/strongly disagreed, that the budget proposals will enable the council to achieve its priorities to (i) enable growth and development in the borough, (ii) ensure that the benefits of growth increase community resilience, and that we target our investment in early help and preventative services to where there is the best return, (iii) reform the way we commission and deliver services with our partners to provide and promote care and independence and (iv) make sure that Lambeth is a place where people want to live, work and invest
- Residents placed Children's Social Care, Tackling Youth Violence, Community Safety, Building New Homes, Environment and Street Cleansing and Violence Against Women and Girls Services as their top six areas that the council should be prioritising.

10.4 The full consultation report can be seen at Appendix 10.

10.5 For 2019/20 we will develop a programme of community engagement, consultation, co-design and research around specific changes in services. This will enable us to: better understand the views (and needs) of local people; target our resources where they are most needed; and achieve our Borough Plan objectives. This will help our decision making on savings proposals identified for 2019/20 and beyond.

11. RISK MANAGEMENT

11.1 The key risks covered in section 3 of the report and those arising from the proposals set out in the plan will be monitored and reviewed corporately as well as at departmental and division level to ensure that the proposals are achieved. Management of the key risks will allow for effective decisions to be taken across the department. In summary the key risks can be categorised as:

- Financial- – failure to contain demand and costs within the overall resources available. Control action includes monthly budget and activity monitoring; and
- Performance Management – proposals may impact on the department's ability to meet key performance measures, which could affect the Council's ability to achieve its priorities and outcomes as set out in the corporate plan. Control action includes monthly performance monitoring to enable the organisation to take prompt remedial action.

11.2 The risks identified in respect of the saving proposals and the associated risk mitigations have been developed and reviewed as part of the decision in bringing the savings forward, and will be monitored throughout the saving delivery programme.

12. EQUALITIES ANALYSIS FOR SAVING PROPOSALS 2019-2023

Our Organisational Approach to Equalities

12.1 Lambeth Council has a firm political and organisation commitment to reducing inequality. 'Achieving fairness for all' is a commitment which is embedded within the current administration's political manifesto. The council's four-year partnership strategy Future Lambeth: Our Borough Plan for 2016-21, also emphasises the council's ambition to make Lambeth a stronger, fairer and more prosperous borough through inclusive growth; reducing inequality; and building strong and sustainable neighbourhoods. It sets out a range of priority outcomes relating to the strategic objective of reducing inequality.

12.2 The Lambeth Equality Commission, which reported in July 2017, also proposed a set of areas that the council needs to focus on to reduce inequality in the borough. These were:

- Tackling education underachievement
- Tackling low pay and poor working conditions
- Council workforce leadership and diversity
- Reducing the impact of crime on Lambeth's young people

12.3 The organisation is in the process of implementing these, with a one year progress report currently being completed.

12.4 The council's decisions about where to make savings; where to invest; and how to transform services are informed by the strategic objectives and priorities set out in the Borough Plan, and by the recommendations set out by the Lambeth Equality Commission . Furthermore, the council has prioritised those areas and functions that will enable us to encourage economic growth, foster resilience, deliver care and foster independence and create positive places and spaces for citizens and residents of Lambeth.

Budget Equality Analysis Approach

12.5 Given the scale of budget cuts being faced by the council it is inevitable that citizens will be impacted. Understanding what the impact might be, and where possible putting in place mitigations to negate or reduce any adverse impacts is important. Our cooperative approach means that we will work closely with citizens to understand possible adverse impacts and put in place mitigations. We will also look to work with communities to build on the strengths that exist and enhance their resilience. By working with communities and building on what is already in place within neighbourhoods we feel better able to mitigate some of the impacts of the changes outlined in this report.

12.6 The council has taken a risk-based approach to analysis of equalities impacts of budget proposals and identified proposals where we think there are groups that may be disproportionately impacted (compared to overall Lambeth population). As the proposals have developed, they have been screened for potential impacts on those with protected characteristics. It also includes an analysis of non-statutory equalities considerations; language, socio-economic and health and social wellbeing which Lambeth includes within its equalities approach.

12.7 Analysis identifying potential risks and mitigations has been shared, discussed and developed with decision-makers and senior officers. Cabinet members have had the opportunity to see and comment on the analysis as it has been developed, and to use it to inform their discussions and decision making as part of the budget development process. Each proposal will have an accompanying Equalities Impact Analysis (EIAs) to provide analysis of the potential equality impacts of the proposed change and where relevant suggest or recommend the appropriate mitigations. These will be published prior to the implementation of any proposed change. Detailed proposals and the analysis will also be reviewed by the Corporate Equalities Panel.

Our Analysis

12.8 The equalities analysis identifies those groups, by protected characteristic, who may experience negative impacts as a result the changes proposed. Based on the analysis of the savings proposals and their predicted impacts, the equality groups most affected are: **socio-economic; age (children and young people and older people); disability; sex; race and ethnicity; and, health and wellbeing.**

12.9 Appendix 5 of the December Cabinet report offers a more detailed overview of this analysis, including a summary of those proposals assessed as having potential impacts on groups sharing protected characteristics. This equalities analysis also sets out mitigating actions that may need to be considered as decisions are being made about the savings proposals.

Next Steps

12.10 It is important to note that the approach for assessing the equalities impact of savings proposals is an on-going process. The analysis included in this report reflects the detail of proposals available in January 2019. At this stage the analysis is indicative and as individual proposals are further developed and implemented, they will be subject to further assessment.

12.11 Full Equalities Impact Assessments will be undertaken for those proposals with identified equalities risks as part of the development and preparation of the saving proposals implementation.

13. COMMUNITY SAFETY

13.1 None for the purpose of this report, although the impact of particular proposals on community safety will be considered as part of the budget process.

14. ORGANISATIONAL IMPLICATIONS

Environmental implications

14.1 None for the purpose of this report, although the environmental impact of particular proposals will be considered as part of the budget process.

Staffing and accommodation implications:

14.2 The Council's policy and procedure on Reorganisation, Redundancy and Redeployment will be used by managers to ensure that any restructuring and organisational redesign changes are made fairly and consistently to enable the timely delivery of savings targets.

14.3 It will be necessary for knowledge transfer to be planned for and for clear handover of tasks and reprioritisation within teams.

15. TIMETABLE FOR IMPLEMENTATION

15.1 Subject to agreement at Cabinet on 04 February 2019 and Council on 20 February 2019 these budget proposals will be implemented for the 2019/20 financial year onwards.

Audit trail				
Consultation				
Name/Position	**Lambeth cluster/division or partner**	**Date Sent**	**Date Received**	**Comments in para:**
Councillor Andrew Wilson	Cabinet Member for Finance	14/01/2019	25/01/2019	Throughout
Andrew Travers, Chief Executive	Chief Executive	15/01/2019	24/01/2019	Throughout
Christina Thompson, Acting Strategic Director; and Director of Finance and Property	Corporate Resources	07/01/2019	22/01/2019	Throughout
Fiona Connolly, Acting Strategic Director	Adults and Public Health	15/01/2019	25/01/2019	Throughout
Annie Hudson, Strategic Director	Children Services	15/01/2019	25/01/2019	Throughout
Sandra Roebuck, Acting Strategic Director	Neighbourhoods & Growth	15/01/2019	25/01/2019	Throughout
Alison McKane, Legal Services	Corporate Resources	15/01/2019	24/01/2019	Section 9
Wayne Chandai, Democratic Services	Corporate Resources	15/01/2019	25/01/2019	

Report history	
Original discussion with Cabinet Member	08.06.2018
Report deadline	25.01.2019 (Cabinet)
Date final report sent	25.01.2019
Part II Exempt from Disclosure/confidential accompanying report?	Yes – Appendix 7B
Key decision report	Yes
Date first appeared on forward plan	08.06.2018
Key decision reasons	1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework
Background information	July Finance Planning Report 2018/19: http://moderngov.lambeth.gov.uk/documents/s96706/2018%20July%20FPR%20-%20FINAL.pdf December Finance Planning Report 2018/19: http://moderngov.lambeth.gov.uk/documents/s100167/Dec%20FPR%20-%20FINAL%20071218.pdf

Appendices	• Appendix 1 - Medium Term Financial Strategy • Appendix 2 - Simplified Council Tax Model • Appendix 3 - Fees and Charges Schedule • Appendix 4 - Council Tax Support Scheme 2019/20 • Appendix 5 - Capital Investment Programme – 2018/19 – 2019/20 • Appendix 6 - Financing the CIP 2018/19 – 2019/20 • Appendix 7A - Disposals Programme and 7B Disposals Programme (Exempt) (Cabinet Only) • Appendix 8 - Minimum Revenue Provision Policy Statement • Appendix 9 - Treasury Management Strategy & Prudential Indicators 2018/19 – 2020/21 • Appendix 10 - Consultation Report • Appendix 11- Cabinet Report OSC and CSSC Budget Recommendations