Lambeth

Cabinet, 03 July 2017

Financial Planning and Medium Term Strategy Report 2017/18 to 2019/20

Wards: All

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Report summary

The Council continues to face the most challenging time for local government in an unprecedented period of reductions in funding, with Lambeth losing over half of its Government funding between 2010 and 2018. In February 2017, the Council reported the deficit in funding of £55.3m and adopted the Council's Medium Term Financial Strategy (MTFS) to address this.

In February 2017, the Government announced the final Local Government Financial Settlement (LGFS) for 2017/18. Lambeth gained very slightly on New Homes Bonus funding, resulting in the cash limit for 2017/18 increasing to £274.461m, which is an increase of £0.035m since last confirmed in February 2017's Budget Report.

Currently we have £46.617m of agreed savings over the period 2017-2020 to help close the funding gap, and we have budgeted to use £8.4m of balances to help balance the 2017/18 budget. Savings have been identified in 2018/19 and 2019/20 that reduces the need for balances to £4.2m over the three year planning period. This report identifies additional pressures which have increased our funding deficit by up to £11.5m. The proposed mitigating actions and further savings proposals to address this increase in the funding gap will be reported in the November Financial Planning Report to Cabinet.

The refreshed 2016-2020 borough plan was agreed in September 2016, and the MTFS has been developed to ensure that it underpins and supports the delivery of the Future Lambeth Our Borough Plan priorities and outcomes of driving inclusive growth, tackling inequality and building strong and sustainable neighbourhoods. We have commenced our Organisational Redesign journey; this is a strategy that the Council has committed to deliver over the planning period, but will be an ongoing change programme, to ensure that as an organisation we are agile and fit for purpose, where we will have a tenacious focus on delivering cost effective services and maximising the opportunity that digitalisation provides.

Finance summary

This whole report concerns the Council's financial position.

Recommendations

Cabinet

(1) To re-affirm the Council's commitment to delivering the agreed revenue savings planned for 2017/18 (£16.861m) and 2018/19 to 2019/20 of (£29.756m), as set out in Table 1.

(2) To approve the revised cash limit for 2017/18 to 2019/20 as set out in paragraph 2.2.

(3) To note the key risks set out in paragraphs 2.23 to 2.49.

(4) To approve the change to the funding deficit as set out in Table 1 and the consequent amendment to the Council's Medium Term Financial Strategy.

(5) To note the update on the Council adopting the arrangements for flexible use of capital receipts to support investment intended to generate savings as detailed in paragraphs 3.20-3.21

(6) To note the 2016/17 General Fund outturn of £281.814m against a budget of £281.902m in Table 3 paragraph 2.59.

(7) To note the 2016/17 outturn for the HRA of a breakeven position in Table 4.

(8) To note the capital investment outturn of £222m against the 2016/17 budget of £287m as detailed in paragraphs 3.1 – 3.2.

(9) To note the proposed three year Capital Investment Programme for the period 2017/18 to 2019/20 of £294.6m as described in paragraphs 3.7 – 3.9 and summarised in Appendix 1.

(10) To note the changes to the Capital Investment Programme for 2017/18 as set out in paragraphs 3.7 – 3.10.

1. Context

1.1 This report seeks to review Lambeth's MTFS which was agreed in February 2017 as part of the Council's budget and Council tax setting report. The Council's cash limit has changed as a result of the final announcement of the Local Government Financial Settlement on 21 February 2017 and the chancellor's Budget statement in March 2017.

1.2 In addition as a result of the outturn of the Council's financial position for 2016/17, a number of pressures have been identified which have ongoing implications in terms of the revenue funding deficit for the budget. These will be fully identified in this report and addressed as part of the MTFS. Further saving plans and mitigating actions will need to be identified and put in place to bridge the gap. Work to address this has started and will continue over the summer and report later in the autumn in the November Financial Planning Report.

1.3 It would take a very brave person to predict the future for local government following the outcome of the General Election on 08 June 2017. The Secretary of State has not changed but it will be harder for the government to bring through Parliament some of the planned legislation. The legislation time required for Brexit will also make legislation related to local government a low priority. Commentators have been quoted as saying 'whilst austerity maybe off the cards for a number of years this is not likely to include local government'.

1.4 The first Queen's Speech of the current Conservative government was delivered on 21 June 2017. The speech proposes a total of 27 Bills and draft Bills which outline the legislative program for the government. The Prime Minister described the Bills as a package that is intended to deliver "a Brexit deal that works for all parts of the United Kingdom".

1.5 The Queen's Speech is as notable for the Bills that it does not contain as those that it does. The Local Government Finance Bill which had been progressing through Parliament until the General Election was not included. The Bill , amongst other things, provided the legislative framework for the introduction of 100% Business Rates Retention; the move from indexing increases in business rates from RPI to CPI from 2020; and enabling the government to set referendum principles for multiple years has not been re-introduced.

1.6 This therefore leaves a number of outstanding questions for business rates retention and wider local government funding reforms. The government has indicated that it will address the financing of two critical areas of funding:

- It will be bringing forward proposals for consultation that will set out options to improve the social care system and to put it on a more secure financial footing;

- the government plans to change the current arrangement for schools funding, arguing that they are unfair. However, the proposed National Funding Formula (consulted on by the Departmenet for Education before the election) would have seen Lambeth lose one of the largest per pupil amounts in the country. The Coucnil has lobbied the government to reconsider this, alongside Lambeth schools, and await further details.

2. Proposals and Reasons

Changes to the Cash Limit 2017/18 to 2019/20

2.1 The Council set its budget in the report to Council on 22 February 2017 for the period 2017/18 to 2019/20. The £46.6m of agreed savings over the period 2017-2020 and the use £8.4m of balances deliver a balanced budget. We do, however, expect further savings to be delivered both in-year and throughout the three-year period, so that the balances accounted for to smooth the delivery of the budget are both reduced this year and replenished in future years. However, announcements made in the Local Government Finance Settlement and the Chancellor’s Budget came too late to be included in our February 2017 budget report and have been included here.

2.2 On 21 February 2017 the final Local Government Finance Settlement was confirmed for 2017/18, whereby Lambeth received a small increase of £0.035m in respect of New Homes Bonus funding, which has now been applied to our spending power, reducing slightly our need for the use of balances and increasing our 2017/18 cash limit to £274.461m.

2.3 The settlement also reconfirmed the provisional funding figures we have been working to within our Medium Term Financial Strategy, so for 2018/19 to 2019/20 the funding figures currently remain the same. However, as we have experienced in the past these figures are likely to change once we get closer to that settlement year.

2.4 The Chancellor announced in the Budget 2017 that an extra £2bn would be made available to support pressures in Adult Social Care, and confirmed that an additional £1bn would be made available in 2017/18. On 27 March 2017, the additional funding allocations were confirmed for Lambeth: 2017/18 £6.901m, 2018/19 £4.305m and 2019/10 £2.133m.

2.5 It is important to note that the funding is made available under the Improved Better Care Fund guidance and as such we require the agreement of our CCG partners in investing and spending the money. The conditions stipulate expenditure on adult social care and relief of bed blocking. As one-off funding it is important that we guard against making on-going commitments in expenditure. Expenditure plans are being developed currently which will need to safeguard the Council’s ongoing financial position.

2.6 The Chancellor also stated in the 2017/18 Budget that due to the 2017 business rates revaluation additional reliefs were required to help support businesses, especially small businesses. In light of this the Chancellor announced additional £300m to help mitigate pressure on businesses. The allocations for the funding for Lambeth are: 2017/18 £2.928m, 2018/19 £1.422m, 2019/20 £0.586m and 2020/21 £0.084m. This is less than 10% of the overall amount that business rates will increase in Lambeth and so will not offset the amount that businesses have to pay.

Revenue Funding Deficit 2017/18 to 2019/20

2.7 The 2016/17 Outturn identified a number of areas of overspend pressures which are expected to continue into at least 2017/18 and possibly longer and will affect the funding levels.

<u>Children Services</u>

2.8 The pressures currently identified within Children’s Services are deemed to be the worst case scenario, because extensive work is underway to review all forecasts within this service area, to better understand the underlying unit costs, client numbers and staffing costs and then put in place appropriate controls. Once the thorough review has taken place Cabinet will be updated on the residual underlying pressure through the November Finance Planning Report.

2.9 Pressure on staffing costs arising through the high levels of agency staffing will continue through 2017/18; based on current staffing levels the resulting pressure is forecast at £3.8m. Work is ongoing to improve the recruitment of permanent staff and reduce reliance on agency workers and any residual overspend will need to be managed within service budgets.

2.10 Special Education Services has underlying pressures of £4.9m. This is made up of a loss of Education Services Grant (ESG) funding of £1.5m, £2.3m in statementing costs and £1.1m in SEN Transport costs. With the latter pressure planned to be mitigated through contract retendering taking place currently. We are hopeful that the underlying pressure in statementing costs will be slightly lower than currently forecast following the detailed review currently underway, so in table 1 this pressure have been captured at £2m.

Adult Services

2.11 There is a slippage on staff savings in day services and social care staffing redesign from 2016/17 and with a further £1.15m to be delivered in 2017/18. There are ongoing pressures within Adult Social Care which will be supported through the improved Better Care Fund allocations.

Corporate Resources

2.12 There is £0.5m of undeliverable savings associated with the Print, Reprographics, Archiving and Mail (PRAM) project as the expenditure and some of the budgets and therefore savings are held within the HRA.

2.13 As part of 2017/18 financial planning a saving of £0.5m was identified which is currently held corporately to reduce bad debt provision within the Council; however, following 2016/17 outturn and a detailed review, we no longer believe this saving to be achievable. Even though debt collection has continued to improve, the value of debt has unfortunately increased, which means that the bad debt provision is still required at its current level with no scope to reduce as originally planned.

2.14 The Bad Debt Provision saving mentioned above in paragraph 2.13 and the PRAM saving mentioned in paragraph 2.12, have been prudently noted as risks to 2017/18 savings. Work is continuing to progress further opportunities to deliver these savings. Any residual non-delivery will be mitigated through corporate items.

2.15 There is an undelivered 2016/17 saving of £0.5m in Valuation & Strategic Asset Services (VASA), where additional income could be generated through commercial property income. This was achieved, but on Housing Revenue Account properties, so there was no gain to the General Fund, and we do not expect this position to change.

2.16 There is a further pressure in VASA and Legal Services of £0.5m relating to budgeted income from disposals, which is no longer achievable as the Council reduces its property sales.

2.17 £2.7m in 2017/18, £0.3m in 2018/19 and £0.2m in 2019/20 in respect of Service Reporting Code of Practice (SeRCOP) budget held in Corporate Items. This budget represents the accounting treatment of recharging the back-office costs to front-line services. Following recent changes to the SeRCOP methodology announced by CIPFA, we are only recognising those recharges which have a real material impact. Also, at the same time as the methodology change the Council has been reducing its back-office costs through the Organisational Redesign process, which has resulted in the budget for recharges being overstated. As part of the HRA business planning and budget setting, the recharge budgets within the HRA have been updated to more accurately reflect operational costs and comply with proper accounting practice.

2.18 These additional pressures will add to the overall funding deficit in 2017/18, and which we have built into our Medium Term Financial Strategy. These are detailed below and currently amount to £11.5m bringing the funding gap from £55.3m to £66.8m.

2.19 Following the valuation of the Pension Fund and the resulting changes to employers' contributions, a further £2.5m reduction in Lambeth Council's contribution was identified after the February Budget setting and has now been included as mitigations towards the funding gap.

2.20 The proposed mitigations to the identified pressures will be developed further throughout the summer, and we will bring to Cabinet a set of saving proposals through the November Finance Planning Report. The table below sets out the changes since February 2017:

Table 1

Position as per Budget Setting 2017/18	**2017/18**	**2018/19**	**2019/20**	**Total**
	£m	**£m**	**£m**	**£m**
Funding Gap	(26.713)	(15.335)	(13.290)	**(55.339)**
Savings Agreed	16.861	14.774	14.982	**46.617**
Adult Social Care pressures (funded)	1.500	1.500	1.500	**4.500**
Use/(top-up) of Balances Required	**8.352**	**(0.939)**	**(3.192)**	**4.222**
BUDGET 2017/18 to 2019/20	**0.000**	**0.000**	**0.000**	**0.000**
New Pressures Identified				
Children's Social Care Staffing Risk	(3.800)	0.000	0.000	**(3.800)**
SEN Statementing Costs	(2.000)	0.000	0.000	**(2.000)**
ESG Funding	(1.500)	0.000	0.000	**(1.500)**
VSPS & Legal Services	(1.000)	0.000	0.000	**(1.000)**
Reduction in SeRCOP	(2.700)	(0.300)	(0.200)	**(3.200)**
TOTAL IDENTIFIED GROWTH	**(11.000)**	**(0.300)**	**(0.200)**	**(11.500)**
Revised Funding Gap	**(11.000)**	**(0.300)**	**(0.200)**	**(11.500)**
Available Mitigations:				
Additional savings from change in pension contributions	2.500	0.000	0.000	2.500
RESIDUAL FUNDING GAP	**(8.500)**	**(0.300)**	**(0.200)**	**(9.000)**

Independent Inquiry into Child Sexual Abuse

2.21 The Independent Inquiry into Child Sexual Abuse is investigating allegations of sexual abuse in children under the care of Councils and other organisations. The inquiry is looking into the allegations made about children's homes run by Lambeth Council. The inquiry is ongoing and there are costs being incurred by the Council for administration and legal services in providing documentation to the inquiry. The Council allocated £2m for legal and insurance costs in 2017/18, and a further £3.5m in 2018/19.

2.22 The Council is also currently facing claims for compensation from an estimated minimum of 1,000 former residents of the Shirley Oaks Children's' Home relating to the period 1948-1983. (Although Lambeth only took over responsibility from London County Council in 1965 for running Shirley Oaks, it has been established that Lambeth inherited the legal liability at this point). The cost of the claims are likely to be substantial based on initial financial projections. There is very little scope for the Council to finance the total cost of the claims form its own resources which are very limited and assigned to other commitements.The Council is in discussion with the Deaprtment for Communities and Local Governmentto explore possible funding options.

Emerging Issues and Risks in Local Government Finance - Risk to our Funding

2.23 **2017 Business Rate Revaluation**- The 2017 business rates revaluation has now happened and was effective from 01 April 2017. Lambeth saw an average increase of 30% compared to London as a whole of 24% and the rest of England 4%. Therefore the additional reliefs announced by the Chancellor as set in the 2017 Budget were welcomed.

2.24 The additional reliefs committed to by the Chancellor were:

- Businesses coming out of Small Business Rates Relief would see no more than a £50 per month increase to their bills in 2017/18.
- Local public houses will have a £1k reduction to their Business Rates bill, and this relief would last for one year only and the Rateable Value must be below £0.070m to be eligible, but the Chancellor did confirm that this makes up 90% of public houses.
- £300m fund would be provided to Councils, which will allow discretionary relief to the hardest hit cases following revaluation.

2.25 In respect of the additional relief for Small Businesses announced, this will capture all small businesses that received part Small Business Rate Relief (SBRR) in 2016/17, but have fallen outside of this entitlement in 2017/18 due to the revaluation. In this instance their increase will be limited to £600 for the year, for example, if their annual charge after SBRR in 2016/17 was £2k, their rates payable for 2017/18 will be £2.6k. An application form will be applicable for this relief once the legislation has been confirmed and received, as State Aid limits also apply.

2.26 With regards to the relief for public houses, State Aid limits are applicable so an application form will be necessary to claim this relief. Regulations have not been passed confirming this, so we are unfortunately unable to award until they are received.

2.27 A few days after the initial announcement, the allocations for the additional £300m funding was confirmed, and the allocations for Lambeth are: 2017/18 £2.928m, 2018/19 £1.422m, 2019/20 £0.586m and 2020/21 £0.084m.

2.28 Central government consulted with Councils with regards to how the scheme will work before deciding on the national rules which they will impose. The consultation period ended on 07

April 2017, and the national scheme rules are likely to be those in the original DCLG guidance, but we are awaiting final confirmation:

- It will be for billing authorities, in collaboration with other authorities operating within their area, to design their Hardship Schemes and determine the eligibility of ratepayers for support.

- The schemes must clearly set out the criteria that ratepayers across the local authority area, or within specific locations within their area need to need to meet in order to qualify for discretionary relief.

- Government has assumed that authorities will provide support only to those ratepayers who are facing an increase in their bills following revaluation- and will make this a condition of the grant.

- It further assumes that, by and large, more support will be provided to ratepayers or localities that face the most significant increases in bills and ratepayers occupying lower value properties.

- Any other applicable relief should be applied before Hardship Scheme relief is awarded.

2.29 Once we have received final confirmation of the scheme rules from government and have considered the different options of how our scheme can best support businesses and using our own knowledge of local businesses, we hope to have an agreed scheme in place by mid-July 2017.

2.30 **Business Rates Retention Scheme** - The government has been piloting arrangements for 100% business rates retention ahead of the planned full implementation in 2019/20. The Local Government Finance Settlement confirmed pilots in six areas for the current year, which includes: Greater Manchester, Liverpool City, West Midlands, the West of England and Cornwall.

2.31 HM Treasury and DCLG see pooling, although voluntary as a precondition for a London pilot. In a pool, a group of authorities aggregate their business rate resources and are treated as a single entity for the purposes of calculating tariffs, top-ups, levies and safety net. Since the announcement of the General Election, DCLG have confirmed that policy development work on the Fair Funding Review and business rates retention will be on hold. The current consultation on 100% business rates retention was open until 03 May, whereby a joint London Councils/GLA response was provided.

2.32 The Queen's Speech on 21 June 2017 did not include the Local Government Finance Bill which had been progressing through Parliament until the General Election. The Bill , amongst other things, provided the legislative framework for the introduction of 100% Business Rates Retention; the move from indexing increases in business rates from RPI to CPI from 2020; and enabling the government to set referendum principles for multiple years has not been re-introduced.

2.33 This therefore leaves a number of outstanding questions for business rates retention and wider local government funding reform.

2.34 London Councils had been informally encouraged to continue working on the issues identified for a potential London pilot, pending the outcome of the election.We now await further information from DCLG and London Concils.

2.35 In London the pilot is currently limited to the transfer of funding for the Transport for London (TfL) capital grant and Revenue Support Grant (RSG) to the Greater London Authority (GLA), with its share of retained rates increasing from 20% to 37% while funding for boroughs remains unaffected at 30%.

2.36 If a London pilot pool in 2018/19 does go ahead, London would be likely to receive additional funding of £230m and be able to trial some elements of the new 100% system. These may include:

- Early access to retaining 100% of growth
- Rolling in existing grants such as RSG, Improved Better Care Fund and Public Health
- A preferential safety net threshold, which recognises increased risk, the current pilots' safety net threshold has been increased from 92.5% to 97%.
- No detriment clause, which DCLG has indicated its willingness to underwrite the risk of a London pilot pool being collectively no worse off than boroughs and the GLA would be in aggregate under the existing arrangements.
- Where individual boroughs are worse off, but the pool as a whole grows, it will be for the pool to determine how those boroughs are compensated. The current principle being discussed is that no borough would be worse off than it currently is under the existing funding arrangements.
- Greater flexibility around thresholds and parameters for mandatory relief.

2.37 The principles are being discussed by the Leader's Committee of London Councils in the summer with final decision making of the model to be adopted taking place in the autumn for introduction on 1 April 2018.

2.38 **New Homes Bonus (NHB)** - The transition from six-year payments to four, with the first year of transition being 2017/18, when the payments will reduce to five years, and subsequently will fall to four years from 2018/19 will mean ever decreasing NHB funding to the Council.

2.39 In addition to reducing the legacy payments, the Government has confirmed that from 2017/18 onwards, only growth above 0.4% will attract NHB payments. The Government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.

2.40 The Government is seeking for Councils to have local plans in place by 2018/19. The Government has confirmed that it will not implement the proposal to withhold payments for areas without a local plan in 2017/18, but will revisit the issue for 2018/19. The proposal is to withhold payments where no local plan is available. This would mean no new NHB payments would be made, but the legacy payments would be protected. As part of the Settlement 2017/18 the Government also advised that they would be reducing payments for homes built on appeal utilising data produced by the Planning Inspectorate.

2.41 **Dedicated Schools Grant (DSG) –** The provisional allocation for 2017/18 is £276.02m, which is an increase of £7.5m over the previous year. The movement is due to a £4m increase for the provision of 30 hours free childcare for working parents and £2m for the High Needs block to reflect population growth. The remainder is accounted for the transfer of the Education Services Grant (ESG) of £0.5m and £0.6m for post-16 learners. Funding for the Schools block, which is used for delegated budget shares, remains unchanged in real terms, placing schools budgets under pressure given the requirement to fund teachers' pay rises and pension cost, apprenticeship levy and the general cost increases.

2.42 The new funding arrangements for early years capped the level of local authority central retention to 7% of the total available for funding 3 & 4 year olds, which will result in the amount retained falling from £2.8m in 2016/17 to £1.8m in 2017/18. The level of historical retention in Lambeth has been higher than 7% as funding has been used to support the delivery of the 23 Children Centres. Interim funding arrangements for Children Centres are in place for the current year and a change programme is being initiated to redesign Lambeth's offer to families in the 'first years of life'.

2.43 **Education Services Grant –** In July 2016 it was announced that local authorities will receive transitional ESG funding for April to August 2017 to complement the ESG funding that academies will receive for the remainder of the academic year 2016 to 2017. The general funding rate will then be removed from September 2017. This reduction equates to £1.5m.

2.44 As the general duties rate is ending and funding previously allocated through the ESG retained duties rate is being transferred into the schools block DSG; the Council will need to discuss this loss of funding with schools and its' implications.

2.45 **Public Health**

2.46 LB Lambeth, along with other upper tier authorities received 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 will be further reduced by £2.5m, approximately £0.8m per year. The grant must be spent on fulfilling duties which are broadly defined and there are opportunities to widen the scope to fund appropriate General Fund services by finding savings in existing Public Health services. A range of saving proposals are in progress to remain within the reducing grant allocation.

2.47 The Public Health figures reported to Overview and Scrutiny in May 2016 reflected the Council's agreed 2016/17 budget. At that time, the Council's budget plan reflected its decision to only seek Public Health savings to the level of the Government's grant reductions. However, following the announcement of further reductions in funding to local government the Council had to agree additional budget reductions across the Council for its 2017/18 budget. Due to the scale of the overall budget reductions it was no longer possible to limit the Public Health budget reductions to the level of the grant reductions. This was taken forward as part of the budget setting process over the summer of 2016. Decisions relating to this set of budget reductions in Public Health were not taken until 28 November 2016.

Risk to our Debt / Expenditure

2.48 **Welfare Reform**- the Council still holds £32m 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), which uses more up to date information on Housing Benefit claimants applied to previous year's Housing Benefit Subsidy claims that have already been audited and closed.

Resources have been allocated in order to try and collect more of the debt and it is under continual review due to the scale of risk attached.

2.49 Responsibility for Housing Benefit Payments transfers to the DWP under Universal Credit. Universal Credit was introduced in Lambeth from February 2016 to a limited number of new benefit claimants. Expansion to all new benefit claimants and those with a change in circumstances is expected in December 2017 (Brixton and Stockwell Jobcentres) and February 2018 (Streatham and Clapham Jobcentres). Some Lambeth residents will be affected earlier if they are in the catchment area for a Southwark Jobcentre. Currently we are able to manage the recovery of over payments by the reduction of current claimants' payments. This flexibility will be removed when the claimants transfer onto Universal Credit. Migration to Universal Credit for claimants of existing benefits is expected to take place after 2019.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 only means of doing so is normally seeking to reclaim it via current benefit payments.

Council Tax Support Consultation

2.50 The Council Tax Support (CTS) scheme currently provides statutory protection to pensioners and in Lambeth discretionary protection to bedroom tax, carers, disabled and war widows/widowers (protected groups). The Council funds the CTS scheme through its Settlement Funding Assessment, which is subject to the year-on-year budget reductions as per the Councils MTFS. Officers have been asked to model a revised CTS scheme that maintains the principles of fairness and sustainability, in line with Lambeth's Financial Resilience Strategy.

2.51 The Council commenced the CTS scheme consultation on 12 June 2017, and will run until the end of July 2017, with the final scheme being presented to Full Council in January 2018. The consultation is open to: all residents, all people receiving CTS, all voluntary and community sector organisations that provide support to people receiving CTS or have an interest in the level of CTS provided by the Council, all landlords and everyone who lives, works or studies in Lambeth

Managing the Delivery of Savings- Future Lambeth Portfolio Board

2.52 The delivery of the Council's savings proposals requires strong programme and project management and this is provided by the oversight of the Future Lambeth Portfolio Board. The board is made up of the Corporate Management Team and other senior corporate directors who have oversight of the five key areas. delivery plans and monitoring reports

Organisational Redesign

2.53 The Council has embarked on its fundamental change programme, where by 2025 the Council will be smaller, customer focused, with the right skills and fit for purpose. We will have a highly-motivated and properly supported workforce delivering carefully identified outcomes to our residents.

2.54 Lambeth has a clear vision to improve the borough for residents, businesses and others through our ambitious borough plan. We acknowledge that customer expectations have changed, so we will respond by providing 24/7 on-line self-service customer contact and we will be open for business when our customers need us to be.

2.55 Our workforce is our greatest asset, and we plan to invest in giving our workforce the skills and tools they need to do an efficient and effective job. Lambeth's new town hall will bring us together, will provide a more efficient and sustainable working environment, and will enable us to redesign and digitalise business support that meets the needs of services.

2.56 To improve the experience of our customers, we will embrace new technology, so that we have a 'digital' front door, improved understanding of our customers and delivering improved customer processes and outcomes through having better business intelligence. We are also committed to improving the technology available to staff, so we will be moving to Oracle cloud, Office 365, digitalising mail and embracing the functionality of SKYPE, which has provided us with a new communication platform, telephony, video and instant messaging. We will ensure we have the right support, capability and capacity in place to make this ambitious transformation within the agreed timetables.

2.57 The original Organisational Redesign saving target was £20m, with £17.5m still to be delivered by 2019/20. The savings target for Organisational Redesign is in addition to the other saving proposals contributing to the budget for 2017-2020. Savings will also be delivered for the HRA through the redesign but are not captured in this stated target. The following table provides an overview of some of the Organisational Redesign savings already completed and achieved and those which are currently indicative:

Table 2

		Total	Profile of Saving		
		Target	2017/18	2018/19	2019/20
Saving Title	**Status**	**£m**	**£m**	**£m**	**£m**
Directors	completed	0.20	0.20	0.00	0.00
Senior Management PO8+	indicative	1.00	0.25	0.75	0.00
Middle Core	indicative	4.00	1.00	3.00	0.00
Finance Restructure	completed	0.80	0.80	0.00	0.00
Further ICT Savings	completed	0.50	0.50	0.00	0.00
Further HR savings	indicative	0.30	0.15	0.15	0.00
Democratic Services	indicative	0.20	0.10	0.10	0.00
Business Support	indicative	2.50	0.50	1.50	0.50
Contract Management	indicative	1.50	0.50	0.75	0.25
Contact and Assessment	indicative	6.00	0.00	0.00	6.00
Contract Management - Phase 2	indicative	0.50	0.15	0.15	0.20
TOTAL		**17.50**	**4.15**	**6.40**	**6.95**

Financial Management & Performance

2016/17 Revenue Outturn Position

2.58 The year has been challenging, with £40m of savings applied to 2016/17, meaning that officers have had to be ever more proactive in managing expenditure pressures down, sometimes in the face of rising activity and other unforeseen or unavoidable adverse circumstances.

2.59 The 2016/17 General Fund budget was £281.901m, and the overall outturn position was £285.844m, resulting in a £3.942m overspend before the use of earmarked reserves.

Table 3

Directorate	2016/17 Budget £m	2016/17 Actual £m	2016/17 Variance £m	Earmarked Reserves Applied £m	Variance after use Earmarked Reserves £m
Adults & Public Health	91.819	95.105	3.286	(0.786)	2.500
Children's Services	75.442	88.691	13.249	(1.454)	11.795
Neighbourhoods & Growth	45.937	41.526	(4.411)	(1.790)	(6.201)
Corporate Resources	59.987	58.310	(1.677)	0.000	(1.677)
No Recourse to Public Funds	4.267	4.001	(0.266)	0.000	(0.266)
Corporate Items	4.450	(1.789)	(6.239)	0.000	(6.239)
Total- General Fund	**281.902**	**285.844**	**3.942**	**(4.030)**	**(0.088)**

2.60 A summary of the key overspending variances to budget are set out below.

- Adult Social Care £4.1m overspend
- Children's Social Care and Early Years £8.1m overspend
- Education and Learning £5.9m overspend
- Business and Customer Services £1.1m overspend

2.61 These overspends were partially offset by underspends elsewhere in the Council, most notably:

- Housing Services £2.1m underspend
- Neighbourhoods, Environment & Employment £2.0m underspend
- Finance £2.6m underspend
- Corporate Items £6.2m underspend

2.62 The opportunity was taken to release some of the earmarked reserves to ensure a breakeven position for 2016/17, which was felt the most prudent action in the circumstances.

<u>Adult Social Care and Public Health – overspend £3.3m</u>

2.63 Adult Social Care - The overspend of £4.1m is mainly due to delays in achieving savings totalling around £2.1m, an increase in costs of home care, of which around £2.4m is one-off relating to prior year invoices (£2m in older people and physical disabilities) and long standing budget shortfalls relating to placements in physical disabilities and mental health. There was some off-setting of overspends resulting from unallocated income from the Better Care Fund and delays in implementing the London Living Wage to help manage the budget pressures. The latter is expected to lead to an increase in costs in 2017/18 compared to 2016/17 of at least £1m.

2.64 Strategy and Commissioning, Senior Management and Public Health – The outturn in Public Health was close to budget for 2016/17. This was achieved despite a reduction to the grant received. Reductions in expenditure for sexual health services and health improvement resulted in the service remaining within the grant allocation. Underspending on staffing within Strategy and Commissioning and Senior Management contributed £0.8m to the outturn. There was a £3.6m overspend on placements/ allowance/ domiciliary care a large proportion of which was because of prior year payments (£1.5m).

2.65 Risks in Adults and Public Health 2017/18 - there has been slippage on staff savings in day services and social care redesign from 2016/17, and a further £1.5m to be delivered in 2017/18. Home care is also expected to remain a pressure, with £0.58m undelivered home care savings remaining in disabilities. However, overall the pressure in home care should be reduced in 2017/18, due to better recording and forecasting of delivered hours, and the clearance of prior year invoices. The additional Improved Better Care Funding will enable the risk to be managed in-year.

Children's Services - overspend £13.2m

2.66 Children's Social Care – The outturn was £8.9m overspend, with £5.1m overspend on staffing. This was as a result of both being over establishment and reliance on agency staff. Headcount at March'17 was 370 compared to 331 budgeted, of which 171 (46%) were agency.

2.67 Early Help, Early Years and YOS contributed £0.8m underspend to the outturn which was largely due to staffing vacancies, whilst Strategy and Commissioning contributed £0.7m mainly as a result of the early delivery of the planned savings to adventure playgrounds and the reduction in spend on public health contracts.

2.68 Education and Learning – the service was £5.9m overspent predominantly due to SEN which overspent by £5.6m. £2.4m relates to costs for prior years' statement of needs packages for children placed outside the borough going back as far as 2011/12 with the remaining £2.1m related to current Education and Health Care Plans. In addition the transport budget overspent by £1.1m.

2.69 Risks in Children's Services 2017/18 - the level of agency staff in Children's Social Care will continue to put pressure on budgets in 2017/18, and in order to mitigate overspends, the number of supernumerary staff is being actively managed down with the aim to reducing this to under 10. The underlying pressure on SEN Transport is being addressed through new contractual arrangements, with the tendering process underway; the anticipation is that the revised procurement will achieve savings. However, there is a risk of some budget pressures in 2017/18 as it appears that there is a year-on-year trend of increasing taxi expenditure, and it is unlikely that anticipated savings from the Independent Travel Training contract will be fully achieved in 2017/18. This will be monitored closely during the year.

Neighbourhoods & Growth – underspend of £4.4m

2.70 Housing Services – underspent by £2.1m of which temporary accommodation was £1.3m. The largest element of this was on leased temporary accommodation, (£2.3m on PSL, and £0.472m from B&B payments). This was offset by a significant increase in the contribution to bad debt provision of £1.3m. Further underspends in staffing.

2.71 Strategic Housing, Regeneration and Communities underspent by £0.3m due to a number of small variances across budgets.

2.72 Neighbourhoods, Environment and Employment achieved an underspend of £2m, the majority of which was in Culture and Communities where underspends in consultancy and professional fees and overachievement of income targets contributed £1.5m. This masks the overspend in Environmental Services where waste collection savings were not achieved due to a delay in fully implementing the Waste Strategy Phase 3. Parking services over achievement of income resulted in an additional £1.1m. Staff vacancies on senior management budgets contributed £0.57m to the underspend. This was offset by an overspend in Parks of £0.8m mainly due to a delay in the planned staffing restructure and an increase in the charges for mortuary services resulted in an overspend of £0.12m in the Cemeteries, Crematoria and Coroners Service.

2.73 Risks in Neighbourhoods and Growth 2017/18 - The Housing Benefit Subsidy for TA is currently 90% of the January 2011 LHA + £40pw. From 31st March, the £40pw management fee will be withdrawn and paid as a separate lump sum grant. We will therefore need to use the grant to subsidise the rents by £40pw. The grant will be based on a snapshot of TA numbers that was taken some months ago and will not reflect increases in client numbers going forward. This could potentially create a further funding shortfall as client numbers have risen since the point this data was taken and are expected to continue to rise in the future.

2.74 There is a shortfall in Commercial Waste income as a result of not being able to meet the savings target for 2016/17. The service expects to meet the savings target in 2017/18. There is also an overspend as a result of a shortfall on Waste Strategy Phase 3 related savings of £520k. This relates to both the Veolia Waste Collection services costs and the WRWA disposal costs. This will need to be monitored closely in 2017/18.

2.75 The Parks Services overspent in 2016/17 due to the delay in implementing the staffing restructure. This is now fully implemented and the service is expected to spend within budget. The overspend in mortuary services due to an increase in charges by the current provider, has meant that the service has undertaken an exercise to identify an alternative provider within a reasonable distance for this statutory function. This has not been successful but the pressure on the budget is expected to be mitigated in 2017/18 through the installation of a service in Lambeth.

Corporate Resources – Underspend £1.7m

2.76 Business and Customer Services – The overspend of £1.1m was mainly due to an increase in the bad debt provision for sundry debtors of £0.6m and prior years payments of £0.4m in Facilities Management not being accrued for. Revenues and Benefits overspent by £0.5m mainly in relation to the bad debt provision required for Housing Benefit Overpayment accounts.

2.77 Business Transformation had a minor overspend of £0.02m and Corporate Affairs underspent by £0.3m due to staff vacancies in Democratic services and Legal Services. Finance underspent by £2.6m, the majority of which was due to the Matrix contract rebate (2.2m) and the remainder to staffing vacancies across all teams. This was offset by an overspend in Valuation and Strategic Services of £0.7m due to underachievement of commercial rent income.

2.78 Human Resources and Organisational development overspent by £0.5m. Although there are a number of vacancies throughout the division following the recent restructure some of these are now being covered by senior interim appointments. In addition the Division picked up unbudgeted cost of £106k in respect of the National Management Trainee scheme. A full budget has been put in place for the latter in 2017/18. Policy and Communications was underspent by £0.4m mainly due to the correction of recharges within for the service.

2.79 Risks in Corporate Resources 2017/18 - within Valuation & Strategic Property Services income on commercial property has increased in the HRA, but there are significant shortfalls in the General Fund, also budgeted income against capital disposals is at risk because there are far fewer disposals. These risks total £1m, and have been noted within our current MTFS.

2.80 No Recourse to Public Funds – The service underspent by £0.3m as work continued to ensure the reduction in use of bed and breakfast services.

2.81 Corporate Items - The outturn is £6.2m underspend, which was predominately achieved through £4.1m technical adjustment gain within the minimum revenue provision (MRP). This followed a detailed review and subsequent recommendation from an external consultant. The budget has been reduced in 2017/18 through the budget setting process. Due to the uncertainty around business rates income a contingency was set aside during financial planning. £1.5m of the contingency was able to be released as this was greater than our loss on business rates income. The budget for 2017/18 reflects our forecast income levels from business rates

2016/17 Revenue Outturn- Housing Revenue Account

2.82 The Housing Revenue Account 2016/17 outturn was a breakeven position, with the breakdown confirmed in the table below:

Table 4	Full Year Budget £m	Full Year Actual £m	Full Year Variance £m
Housing Management Services	63.700	58.722	(4.978)
Central HRA Budgets	(83.152)	(77.715)	5.437
Strategic Housing, Regeneration & Communities (HRA)	15.496	15.426	(0.070)
Corporate Resources - HRA	3.956	3.567	(0.389)
TOTAL HRA	**0**	**0**	**0**

Housing Management Services – underspend £5.0m

2.83 Repairs and Maintenance – The service underspent by £1.1m. Responsive repairs underspent by £6.1m partly offset by an overspend on planned maintenance of £3.1m. This suggests that the budgets need to be realigned between responsive and reactive repairs. Disrepair legal costs were lower than anticipated although overspending by £0.3m at year end. Electricity budgets have overspent by £1.778m due to a significant backlog in outstanding billing that had built up at the time of the 2015/16 financial year end due to delays on the part of the supplier. This was partially offset by underspends on gas bills of £0.7m. There were a number of smaller underspent budgets across the service including additional income on off-street parking of £0.2m, payments to contractors of £0.1m and surveys costs of £0.4m.

2.84 Housing Management Services underspent by £3.1m. The largest element is employee costs (£1.737m) as a result of vacant posts, both pre-existing and arising out of the enhanced VPRS exercise, but there are also underspends of £0.3m for legal costs and £0.53m for additional mast income above the budgeted level.

2.85 Housing Needs (HRA) underspent by £0.798m due to a shortfall in staffing expenditure of £0.15m in the shortlife assets team and over-recovery of income on hostel income against budget of £0.24m and income from hostel tenants for utilities recharges £0.247m.

Central HRA – overspend £5.3m

2.86 The main contributory factor for the overspend was a significant increase in the direct revenue financing of the LHS capital programme, due to the inability to apply s20 receipts to finance the programme in 16/17. The capital programme assumed £6.6m of s20 receipts, but we are not able to ascertain with any certainty what element of the cash received is for work completed and what is receipts in advance. Work is underway to resolve this, but it will not be completed for closedown, so for prudence we are increasing the revenue contribution this year and will increase the s20 contribution for 17/18 to compensate.

2.87 Leaseholder service charges overspend of £1.7m relates to the brought forward reversal of prior year s20 income accruals. Whilst this will have a negative impact on the revenue outturn there will be an equivalent increase in the capital resources available in future years which will reduce the need for future revenue financing.

2.88 Revenue financing of the LHS capital programme has been increased by £2.6m above the budgeted level to allow for a shortfall on the budgeted application of s20 receipts available for financing.

2.89 Tenants rent and service charges generated surplus income of £1.5m, driven by lower levels of right to buy sales than anticipated. Income from parking and exceeded the budgeted income by £0.532m. The Council tax on void properties underspent by £0.4m.

2.90 Pension added years and redundancy costs exceed the budget and provision by £0.6mm

2.91 The required contribution to the bad debt provision was £2.6m less than the budgeted sum. The budget for the HRA bad debt provision was increased by £1.8m in anticipation of the impact of further welfare reforms such as universal credit, however these reforms have yet to impact the required level of contribution to the bad debt provision.

2.92 The depreciation charge for 2016/17 has been calculated at £2.7m greater than the budget.

2.93 Interest payable and receivable on HRA borrowings and balances were overspent by £2.1m. The reason for this increase is because of a larger than projected level of borrowing to finance the LHS as a result of not being able to use reserves previously earmarked for this purpose.

2.94 Having previously been forecast at a breakeven position, recharges were underspent by a net sum of £1.3m, the largest contributor being a £0.8m underspend in relation to the SeRCOP recharge.

Strategic Housing, Regeneration & Communities (HRA) – underspend £0.07m

2.95 Homes & Communities (HRA) underspent by £0.486m mainly due to staff vacancies and variances across a variety of budgets. Housing Capital and Asset Management a small over spend of £0.04m is due to underspends in supplies and services budgets offset by under achievement of capitalisation of salary budgets. Tenant Management Organisation budgets overspent by £0.469m following the settlement of 2014/15 to 2016/17 TMO allowances and final agreements on a range of allowances in-year.

2.96 Employee costs including internally recharged salaries are underspent by £426k due to vacancies within the service following redundancies from the enhanced VPRS process. There is a further underspend of £239k due to unused supplies and services budgets.

Tenant Management Organisations – overspend £469k

2.97 Management allowances for one of the Councils TMO's were finally agreed in 2016/17 for the financial years 2014/15 to 2016/17 having previously been frozen during a period of dispute. A variance of £247k relates to the difference between the provisions that were set aside and the actual management allowances eventually agreed over the three year period

Reserves Position

2.98 The Council retains a general fund balance and a level of earmarked reserves and these are reported each year within the annual statement of accounts. Overall, earmarked General Fund reserves have fallen quite sharply over the last few years, as they have been used for their intended purpose from £63.8m in 2014/15, to £49.1m in 2015/16 and finally to £32m in 2016/17.

2.99 At the end of 2016/17 the Council holds £22.4m of General Fund balances, however, we have budgeted to use £8.4m of balances in 2017/18 to help balance the budget whilst additional savings are found. Taken together with the fall in GF balances and earmarked reserves over the same period, it presents a clear reflection of the pressures falling on the authority's finances. It is worth noting that the General Fund balance represents the only resources available to the Council to deal with unexpected emergencies and risks.

2.100 General Fund balances do not fall below 5% of the net cash limit during the three years to 2019/20. This assumes that all the savings identified will be achieved and that there is no further need for the use of balances during the period. The pressure on balances would be alleviated. The pressure to achieve all the savings identified is obvious and efforts will need to continue to bring all services in on budget.

Table 5

	GF Earmarked Reserves			GF Balances					
End of Year Position	GF Earmarked Reserves £m	Absolute Decrease	% change	GF Balances	Absolute (Decrease) / Increase	% (Decrease) / Increase	Balances % of Net Cash Limit	Total Reserves and Balances	Total as % of Net Cash Limit
2012/13	68.04			24.67			7%	**92.71**	26%
2013/14	67.33	(0.71)	-1%	24.87	0.21	1%	7%	**92.20**	28%
2014/15	63.78	(3.54)	-5%	23.62	(1.26)	-5%	7%	**87.40**	28%
2015/16	49.06	(14.73)	-23%	22.44	(1.18)	-5%	8%	**71.49**	25%
2016/17	32.08	(16.97)	-35%	22.44	0.00	0%	8%	**54.52**	19%
2017/18 Forecast	**26.20**	(5.88)	-18%	**14.08**	(8.35)	-37%	5%	**40.28**	15%
2018/19 Forecast	**25.00**	(1.20)	-5%	**15.02**	0.94	7%	5%	**40.02**	14%
2019/20 Forecast	**25.00**	0.00	0%	**18.22**	3.19	21%	6%	**43.22**	15%
2020/21 Forecast	**25.00**	0.00	0%	**18.22**	0.00	0%	6%	**43.22**	15%

2.101 In the Housing Revenue Account (HRA), which is ring-fenced from the General Fund, there is much less dependency on revenue grants from government, and thus its finances are more resilient at this time. It has therefore been possible to increase reserves from £41.9m in 2015/16 to £45.2m in 2016/17, in readiness for investment in better quality housing, and to deal with potential risks.

3. Capital Expenditure Outturn 2016/17 and Achievements

3.1 The Authority agreed a capital investment programme totalling £287m in February 2016. Capital expenditure outturn for the year is £222m which represents 77% against the planned budget. Any Unspent funds have been rolled forward to support planned programme of works.

Table 6

Capital Programme		Funding the Capital Programme							
Strategic Priority	Capital Outturn 2016/17 £'000	Grants £'000	S106 £'000	MRR £'000	Capital Receipts £'000	Retained RTB (1-4-1) Receipts £'000	Internal Borrowing £'000	Revenue Contribution £'000	Total £'000
Building Strong & Sustainable Neighbourhoods	141,668	4,403	2,543	19,671	28,002	3,308	67,203	16,537	**141,668**
Enabling	40,779	0	0	0	2,781	0	36,367	1,632	**40,779**
Reducing Inequality	34,796	20,024	25	8,210	6,108	69	87	271	**34,796**
Creating Inclusive Growth	4,475	710	3,679	0	85	0	0	0	**4,475**
Totals	**221,718**	**25,138**	**6,248**	**27,882**	**36,977**	**3,376**	**103,657**	**18,440**	**221,718**

3.2 Details of Capital Expenditure in 2016/17 by Strategic Priorities are shown in Appendix 3, along with variances against budget. Key outcomes achieved through this investment include:

- This financial year 6,789 properties upgraded to the Lambeth Housing Standard.
- This year saw the completion of a number of school projects including: the remodelling of the Michael Tippet main building and Weir Rd Annex; the extension of

Elmwood Primary School, Turney SEN facility, Larkhall SEN, Clapham Manor external works and capital maintenance programme that carried out essential maintenance on 11 schools, ranging from roof repairs to Fire door replacement.

- The Authority also successfully achieved planning approvals for St John's Primary School, Woodmansterne Primary School and Paxton Primary School. All three schools are currently in delivery and will be completed in 2016. External fees were also agreed with the National Children's Bureau for the team to deliver the LEAP initiative capital programme. This is 11 projects, mainly in Children's Centres and One o'clock Clubs that will enhance the buildings enabling LEAP to deliver support to mums to be and young children and parents.
- Resurfacing of 119 streets (44 footways and 75 carriageways) covering x27miles in total (£10m);
- Streetscape works including Brixton Market Masterplan, 20mph Limit, Vauxhall Walk and Cycling Measures. .
- Parks Refurbishment & Improvement Works including Brockwell Park, Vauxhall Pleasure Gardens, Slade Gardens and major investment in three cemeteries.

Disposals Update

3.3 Actual disposals in 2016/17 achieved a total of £24.9m. The forecast for non RTB asset disposals for the 3 year period of 2017/18 to 2019/20 is revised to a total of £14.2m. Details are in table 7 below. These forecasts are based on our best estimates of disposals coming forward to date.

3.4 **Revised Forecast of Non-RTB Asset Disposals 2016/17 to 2019/20**

Table 7

Non RTB Disposals	(Actual) 2016/17 £m		2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	3 year Total £m
Other assets	2.98		4.00	4.00	4.00	**12.00**
Short life assets	21.92		1.58	0.60	0	**2.18**
Total Forecast	**24.90**		**5.58**	**4.60**	**4.00**	**14.18**

3.5 In addition, 75 Council housing properties to the value of £14.1m have been sold under Right to Buy legislation during financial year 2016/17. Of this total receipt, the council is permitted to retain £1.8m as a contribution to the Council's single capital pot and a further £8.9m as Recycled RTB receipts for reinvestment in replacement housing, subject to stringent criteria.

Overview of the planned capital investment for the 4 years 2014/15 to 2017/18

3.6 The total planned capital investment over the 4 years of the current political administration (2014/15 to 2017/18) comprises those projects formally incorporated into the CIP of £824.3m together with planned investments totalling £18.3m held in the capital pipeline. The total for those 4 years is now planned to be £842.6m. This target includes £402.1m in relation to the HRA.

Looking forward: Future Capital Investment

3.7 A Capital Investment Programme ("CIP") was set by the Council in February 2017 reflecting the resources that were known to be available at the time. The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes and is analysed to show how capital investment is spread across the Community Outcomes. It also shows where investment is supporting the entire organisation through enabling projects.

3.8 Since the Budget report in February 2017, the programme has now been updated with new information including the addition of new projects and finalisation adjustments for others.

3.9 Together with the outturn position for 2016/17 these amendments have resulted in a revised working Capital Investment Programme for the next 3 years 2017/18 to 2019/20 which totals £294.6m.

3.10 Appendix 1 shows the analysis of this working CIP for the next 3 years 2017/18 to 2019/20 while Appendix 2 demonstrates how this 3 year CIP will be financed. This planned investment includes £92.1m in relation to the HRA.

Major projects update

3.11 The Investment and Growth team continues to lead on the monitoring and management of CIL and section 106, and we have seen a further £6.2m invested in the borough over the last year. The forecast for this income remains strong, but if the development does not happen, this income will fall away.

Housing Investment 2017/18 – 2019/20

3.12 Lambeth agreed the Lambeth Housing Standard (LHS) programme in April 2012, based on a 5 year programme targeted at the 49% of stock deemed non-compliant to the Decent Homes Standard (DHS) standards. The objective is to bring stock up to LHS, and thereafter maintain all stock to LHS standards. In reality, once on site it was found that 62% homes were non Decent Homes compliant and thus additional works were required and costs incurred.

3.13 The programme was delivered on an elemental basis where internals to estates were prioritised at the beginning of the programme with externals following from 2014 onwards. Outstanding LHS works have been identified and costed from detailed stock surveys carried out to all homes awaiting LHS, with additional resources required to complete the programme under review. With the Council moving to complete external and technical works, homes will rapidly be brought to compliance primarily within the next 2/3 years subject to the level of resources available to the Housing Capital programme.

3.14 The investment for 2017/18 is estimated at £120m of which £107m will be used to provide LHS improvements in relation to internal, external works, Landlord Electrics, water tanks and communal heating. The financial challenge in the HRA capital programme has grown and therefore the Council has to be prudent in deciding how best to spend the limited capital budget on LHS over the coming years, whilst also considering that these funds are needed to propel the housing regeneration programmes which are expected to gather momentum this year.

Culture 2020 Update

3.15 The libraries programme was reorganised at the beginning of 2016/17 to address the requirements of the Culture 2020 report. This revised programme covers the refurbishment and re-modelling of a number of libraries along with some capital grants to cultural institutions in the borough as well as funding to support the Heritage Lottery Fund bid for the re-development of Brockwell Hall.

3.16 The Council supported a number of key cultural organisations with the award of capital grants to support refurbishment projects. This included the Old Vic and the Garden Museum, with the latter re-opened to the public in May 2017. A further grant award was made to the Oasis Centre near Waterloo to facilitate the relocation of a neighbourhood library and other community services at this site. Provision has also been made to make a capital loan to the South London Theatre in West Norwood. This is intended to support their proposed major building restoration project which is expected to complete in 2017/18.

3.17 Development work was undertaken on a number of library specific projects. This included the proposed refurbishment of the Carnegie Library building to create a new gym in the basement and the provision of a Neighbourhood Library Service. Work on this project is currently scheduled to proceed in 2017/18.

3.18 Refurbishment work began on Upper Norwood Joint Library during 2016/17 and will complete in 2017/18 prior to its proposed transfer to the Upper Norwood Joint Library Trust, and at West Norwood Library / Nettlefold Hall work started on-site during 2016/17 to deliver a cinema plus Lambeth Council-managed library on this site.

3.19 The Council are 2 years into a 4 year strategy to delivery £9m worth of investment into parks and open spaces across the borough. To date spend of over £2.4m has been achieved. During the period 2014/15 - 2016/17, the Parks element of Culture 2020 delivered over 16 projects across the borough. This has included the ambitious refurbishment of Archbishop's Park with new sports pitches (£1.4m) - completed in May 2017. Other projects included Hatfield's, Kennington Flower Gardens, Vauxhall Pleasure Gardens and Clapham common.

Flexible Use of Capital Receipts

3.20 In addition to this CIP, in October 2016 Cabinet agreed to make use of the freedoms identified by the Government in order to assist the delivery of the Council's MTFS. Cabinet therefore approved arrangements for the flexible use of capital receipts to support investment intended to generate savings.

3.21 The direction (supported under the Local Government Act 2002 s.15(1)) permits the financing with capital receipts received between 2016/17 and 2018/19 of expenditure that will:

- Generate ongoing revenue savings in the delivery of public services
- Transform service delivery to reduce costs, and/or
- Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners
- Is properly incurred for the financial years 2016/17, 2017/18 and 2018/19
- Cabinet restricted this approach to financing those instances where a clear 100% investment return can be demonstrated within 2 years of the spend on these projects.
- The Council is currently anticipating financing expenditure of £16m in this way over the next 3 years. As plans for expenditure are confirmed and approved, the amounts will be added in to the CIP as usual for financing with capital receipts.

- There are number of programmes within the scope of the portfolio and include, organisation redesign & Development; Digital & ICT Transformation; Health & Social Care Transformation; Childrens Improvement & Transformation; Neighbourhoods & Growth improvements together with portfolio management costs.

Table 8

L2025 Portfolio - Current Resourcing Allocation	2017-18 (£000)	2018-19 (£000)	2019-20 (£000)	Total (£000)
Total Staffing Costs	6,308	3,900	1,700	11,908
Portfolio Non-staffing Costs	2,423	900	400	3,723
Portfolio Total Cost	**8,731**	**4,800**	**2,100**	**15,631**

4. Finance

4.1 This report in its entirety is about the Council's financial position and the implications for service planning and delivery.

5. Legal and Democracy

5.1 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 implementing the Council's financial strategy for 2017/18 and subsequent years, 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.

5.2 Section 28 of the Local Government Act 2003 imposes a duty on the Council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in the original budget calculations. The Council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.

5.3 The Housing Revenue Account is a ring-fenced account. Transfers to and from the account are prescribed.

5.4 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.

5.5 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 (DoF) as Chief Financial Officer. The Chief Financial 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 remainder of 2017/18, the DoF 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.

5.6 This proposed key decision was entered in the Forward Plan on 26 May 2017 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.

6. Consultation and Co-Production

6.1 As a cooperative Council we remain committed to working with our communities so that they can help themselves and be more resilient as local services change. We are determined to keep talking with communities, stakeholders, service users and local people about the tough choices we have to take as the money we receive from Central Government continues to reduce. In order to find the best solutions wherever possible, we have engaged and consulted stakeholders, service users and local people throughout 2016/17 on a range of issues and undertook our annual resident's survey 2016.

6.2 For the coming year (2017/18) we will continue to talk with stakeholders, service users and local people which will enable us to: better understand the views (and needs) of our population. This will help our decision making on savings proposals identified for 2018/19 and 2019/20 as well as target our resources where they are most needed; and achieve our Borough Plan objectives. We will continue to talk with stakeholders, local people, service users and partners throughout 2017/18 to: implement and evaluate savings for 2017/18; and formulate and gather views on proposals for implementation in 2018/19.

6.3 This will ensure that local people, communities, stakeholders and service users are at the heart of our decision making.

6.4 The results of engagement and consultation activity can be found on our website http://www.lambeth.gov.uk/consultations/closed.

6.5 Where changes to staffing form part of any approved proposal we will consult with staff at the appropriate point (as required by law).

7. Risk Management

7.1 None for the purposes of this report.

8. Equalities Impact Assessment

8.1 Equalities Impact Assessments will be undertaken as part of the development and preparation of the mitigations and saving proposals.

9. Community Safety

9.1 None for the purpose of this report.

10. Organisational Implications

10.1 Environmental implications:

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

10.2 Staffing and accommodation

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.

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

11. Timetable for Implementation

11.1 The recommendations of this report are for noting only but will inform the financial planning in preparation for the 2018-21 Medium Term Financial Strategy and the Budget for 2018-19.

Audit trail				
Consultation				
Name/Position	**Lambeth Directorate/division or partner**	**Date Sent**	**Date Received**	**Comments in para:**
Councillor Imogen Walker	Deputy Leader of the Council (Finance and Resources)	20/06/17	23/06/17	throughout
Jackie Belton, Strategic Director	Corporate Resources	20/06/17	22/06/17	throughout
Alison McKane, Legal Services	Corporate Resources	31/05/17	20/06/17	5.1-5.5
Henry Langford, Democratic Services	Corporate Resources	31/05/17	05/06/17	5.6
Informal Cabinet		15/06/17		

Report history	
Original discussion with Cabinet Member	15.05.17
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	26.05.17
Key decision reasons	Will amend Community Plan Outcomes Framework or Budget and Policy Framework
Background information	• Revenue & Capital Budget 2017/18 to 2019/20: http://moderngov.lambeth.gov.uk/documents/s86835/Budget%20Report%20-%2008-02-17%20FINAL.pdf • Draft Statement of Accounts 2016/17: https://www.lambeth.gov.uk/sites/default/files/ec-draft-statement-of-accounts-2016-17.pdf
Appendices	• Appendix 1- Capital Investment Programme • Appendix 2- Financing Capital Investment Programme • Appendix 3- Capital 2016/17 Outturn • Appendix 4- Financing the Capital 2016/17 outturn • Appendix 5- Revised Asset Disposal List