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Report title: Revenue & Capital Budget 2021/22 to 2024/25

Wards: All

Portfolio: Cabinet Member for Finance and Performance, Councillor Andrew Wilson

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REPORT SUMMARY

This year has been like no other in modern memory. The council entered the financial year whilst the country was in lockdown as a result of the coronavirus pandemic, and all the signs are that it will close the year in lockdown. The planning for next year's budget has been done in a state of uncertainty both in the progress and outcome of the pandemic and the future of local government finance.

The position on the General Fund at the end of December is a forecast overspend of £44.5m for 2020/21, mainly due to Covid-19 related expenses and shortfalls in income. Emergency funding of £41.4m was received before the end of December, reducing the forecast outturn to £3.0m. This is expected to reduce further when all the compensation due for lost income is received. Only 70% of our losses on irrecoverable income are compensated whilst lost income from our commercial portfolio is not compensated at all. However, the additional requirements to establish and maintain testing sites, additional costs of carrying out enforcement and other costs associated with the latest lockdown are being assessed and are not yet included in the forecast and are likely to increase the overspend figure.

Due to the council's prudent financial management, and despite the significant spending to support residents through this crisis, we have been able to set a balanced Medium-Term Financial Strategy, through a mixture of income generation, savings and use of reserves. However huge uncertainties remain, including the most recent lockdown, continued social distancing measures and its effect on the economy; the lack of long term decisions on the Fair Funding Review, the resetting of the business rates base or the future of business rates retention or pooling; the failure to deliver a long term funding settlement for local government or even the long awaited Green Paper on Adult Social Care, the impact of Brexit are still to be understood on what relationship the UK will be with our nearest economic partners in the coming year.

Collectively this represents unprecedented uncertainty and challenge to local government. The Institute for Fiscal Studies estimates a £7.4 billion shortfall across local government over the lifetime of this Medium-Term Financial Strategy, even accounting for rises in council tax and government funding at inflation levels (which is far from guaranteed). It is clear that the failure to address the long-term needs of local councils is putting sustained pressure on day-to-day budgets.

Almost half of the Chancellor's £2.2bn increase on the core settlement for local government assumes that councils will raise taxes locally to the maximum allowable limit. As central government grants fail to keep up with long term rises in demand for essential services, such as social care, councils will increasingly be forced to fund services from tax revenues, exacerbating a squeeze on local budgets and taxpayers since 2010. Rises in Council Tax, Businesses Rates, and the Adult Social Care precept are short-term, makeshift measures for long-term pressures which require longer term funding solutions from central government.

These rises in local taxation will leave residents bearing the costs because of dwindling central government grants, at a time when many have faced significant financial worries due to the impact of Covid-19.

That is why we have expanded the welfare safety net for people in financial difficulty so that more people can receive the support they need, through funding additional support through the emergency support scheme, discretionary housing payments and additional funding for local advice surgeries. To ensure the most vulnerable are not impacted by the council tax rise, we will also increase the scope and funding for our Council Tax Support scheme, removing 7,000 households from paying council tax and we will consult on permanent changes next year.

In addition to the enhancements to the Council Tax Support scheme, we've added a Foster Carer Council Tax allowance to support our foster carers for the incredibly important work that they do and to encourage more residents within the borough to become carers. We will also be ensuring that those that maintain empty homes within the borough pay their share for keeping much needed homes empty through the Empty Homes Levy, which will be set to raise just under £0.9m in 2021/22.

After a decade and counting of year on year government cuts to council funding, we have sought as best we can to do what is needed during the pandemic and will continue do so in the future by supporting our communities and delivering a recovery that works for everyone. But our ability to do so could be put at risk if the government doesn't keep its promises to fund local authorities in full for the work we've done to fight Covid-19 as well as our day-to-day services that so many residents rely upon.

Since the December Financial Planning report was considered the Provisional Financial Settlement has been announced on 17 December 2020 and the Medium Term Financial Strategy has been updated for the changes proposed. We expect to receive final confirmation of our 2021/22 funding in the Local Government Finance Settlement in early February 2021. The timing of the Final Settlement means that any changes from the Provisional Settlement will be reported in the Finance Planning Report to Cabinet in July 2021.

This report presents:

- The General Fund budget for 2021/22
- Key developments and risks for Local Government finance
- Forecast Financial position for 2020/21
- Capital investment and financing
- Statement of the Council's s151 officer

FINANCE SUMMARY

The whole of this report concerns the Council's financial position

RECOMMENDATIONS

Cabinet

1. To recommend Council to note or adopt the recommendations listed below.
2. To approve the disposal of the properties identified in Appendix 7b

Council

1. To agree the General Fund (GF) revenue budget for 2021/22 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 2.6, a total cash limit of £330.918m.
2. To agree a 1.99% increase in addition to the Government's 3% Adult Social Care precept increase to the Lambeth element of the Council Tax for 2021/22.
3. To agree the Council Tax Support scheme as set out in Appendix 3 and agree to begin consultation for changes to scheme for 2022/23.
4. To agree the proposed increases to fees and charges as set out in Appendix 4.
5. To agree the approach to allocating and distributing the Dedicated Schools Grant; Block Funding for Schools, Early Years, High Needs and endorse the list of services to be charged to the Central School Services Block as agreed by Schools Forum as set out in Appendix 5.
6. To adopt the Reserves and Balances Strategy detailed in Appendix 1.
7. To note the current General Fund budget forecasts for 2020/21 in Section 5.
8. To note the revised total of £759.2m for the Capital Investment Programme 2020/21 to 2024/25 as described in Section 6, and summarised in Appendix 6.
9. To adopt the Treasury Management Strategy, Capital Strategy and the associated prudential indicators, investment thresholds and limits for 2021/22 to 2024/25, as set out in Appendix 8.
10. To adopt the Minimum Revenue Provision policy as detailed in Appendix 9.
11. 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.
12. To note the financial risks set out throughout this report.
13. To note that, at its meeting of 21 January 2021, Corporate Committee agreed the council tax base of 110,872 for the year 2021/22[1] and through delegated authority a business rates tax base of £186,491,512.
14. To note Lambeth's council tax requirement is £136,143,055 as detailed in Appendix 1.
15. To set the 2021/22 Lambeth element of the council tax for band D dwellings at £1,227.93 by dividing the council tax requirement of £136,143,055 by tax base of 110,872.
16. To set the Lambeth element of council tax applicable to dwellings listed in different valuation bands using the statutory ratios

Band A	Band B	Band C	Band D
£818.62	£955.06	£1,091.49	£1,227.93

[1] 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

Band E	Band F	Band G	Band H
£1,500.80	£1,773.68	£2,046.55	£2,455.86

17. To note that for the year 2021/22 the Greater London Authority provisional precept[2]

Band A	Band B	Band C	Band D
£242.44	£282.85	£323.25	£363.66
Band E	**Band F**	**Band G**	**Band H**
£444.47	£525.29	£606.10	£727.32

18. To approve the amounts of total Council Tax for the year 2021/22 for each of the categories of dwellings as shown below:

Band A	Band B	Band C	Band D
£1,061.06	£1,237.90	£1,414.75	£1,591.59
Band E	**Band F**	**Band G**	**Band H**
£1,945.28	£2,298.96	£2,652.65	£3,183.18

REASONS FOR EXEMPTION FROM DISCLOSURE

Appendix 7b is exempt from disclosure by virtue of Paragraph 3 of schedule 12A to the Local Government Act 1972 – "Information relating to the financial or business affairs of a particular person (including the authority holding that information".

[2] 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:

1. CONTEXT

1.1 Following the end of second national lockdown on 2 December, there have been many changes to the restrictions that apply to various areas, with London moving through tiers 2, 3 and 4 in a matter of 18 days. With cases continuing to rise in all parts of the country, a third national lockdown began on 6 January 2021.

Economic Outlook

1.2 In its November economic and fiscal outlook, The Office of Budget Responsibility (OBR) forecasts that UK gross domestic product (GDP) will fall by 11% in 2020, the largest drop since 1709. Government spending has dramatically increased with the total cost of support projected to be £280bn, resulting in the highest deficit level since 1944-45 and debt set to be 105% of GDP, the highest level since 1959-60. Current conditions would suggest its central and downside scenarios are more likely, which forecasts peak unemployment rate of 7.5% and 11% respectively and the return to pre-virus peak not until end of 2022 and 2024 respectively. GDP is forecast to grow by 5.5% in 2021, recovering from the 11% drop in 2020.

1.3 A Free Trade agreement between the UK and European Union was reached on 24 December, with the UK leaving the EU customs union and single market on 31 December. The agreement provides for zero tariffs and zero quotas on goods, however new import and export procedures at ports will have to be followed. There is likely to be some disruption caused by the implementation of new rules. A Joint Partnership Council will be established to oversee the operation of the agreement and where issues will be discussed. The agreement also sets out the mechanisms through which disputes can be settled. The longer term impacts may see an increase in inflation and an economic slowdown have the potential to reduce local authority revenue streams.

London Context

1.4 London's population has grown by 12% over the past decade, with nearly a million more people calling the capital home than in 2010, overall resources available to London local government has fallen by over a quarter in real terms since 2010-11. There are some indications that London's population is set to decline for the first time in more than 30 years, from people moving due to the increase in home working, a smaller number of graduates moving to the capital and lower in international inward migration as a result of the pandemic and Brexit.

1.5 London Councils, the cross-party group representing all 32 boroughs and the City of London highlighted an immediate £1.4bn Covid-19 shortfall, and underlying pressures of £2bn more over the next three years in its October response to the government's comprehensive spending review. The pressures are likely to have increased following tier 4 restrictions on London and the second and third national lockdown.

1.6 By the first week of January, over 453,000 Londoners had contracted Covid-19, with numbers of patients in hospital rising from around 1,600 at the start of December to over 7,000 in the first week of January. The pressure on public services has been severe with the Mayor declaring a major incident on 8 January, defined as "beyond the scope of business-as-usual operations, and is likely to involve serious harm, damage, disruption or risk to human life or welfare, essential services, the environment or nation security". In addition, "the severity of the consequences, associated with a major incident are likely to constrain or complicate the ability of responders to resource and manage the incident."

1.7 With London first moving to tier 4 restrictions and the imposition of the national lockdown in early January, many Londoners continue to rely on unemployment benefit and Universal Credit. Even to those new restrictions, London saw faster increases in unemployment benefit and Universal Credit claims than the national average. The extension of the furlough scheme has helped to keep the number of redundancies low but massive uncertainty remains over jobs in the hospitality, culture, and other industries.

1.8 Homelessness is one of the most visible signs of deprivation and is one area where there has been significant additional targeted support as part of Covid-19 response. London accounts for two-thirds of homelessness in England with 58,000 London households living in temporary accommodation, 2,700 households in Lambeth. Once housing costs are taken into account, household incomes in London are significantly lower than the rest of the UK and leave many households particularly vulnerable to any drop in income.

Local Government Finance

1.9 We have now received the provisional finance settlement, which was made on 17 December 2020. This details many announcements from the SR20 as announced in November. We expect to receive final confirmation of our 2021/22 funding in the Local Government Finance Settlement due in February 2021. 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 Financial Planning Report to Cabinet in July 2021. We have also calculated our final Council Tax and Business Rates baseline figures which were agreed by Corporate Committee on 21 January 2021.

1.10 In the third consecutive one year Spending Review in November, the headline increase for Local Government funding for 2021/22 is 4.5%, with a cash increase of £2.2bn. This is almost entirely funded by councils having to raise council tax by up to 2% and making full use of the application of the 3% Adult Social Care precept, meaning a total council tax rise of 5% for residents. £300m new grant funding is also available, which when added to the precept, provide an extra £1bn across local government.

1.11 Continuation of existing funding streams at expected levels or Lambeth share to be determined:

- Revenue Support Grant will increase in line with inflation
- New Homes Bonus will be maintained for 2021/22 with consultation to begin shortly and new reforms implemented in 2022/23.
- Additional £150m to tackle rough sleeping and homelessness, with £103m previously announced
- Spending through Public Health grant to be maintained

1.12 In addition to the usual local government funding the Minister announced £3.0bn for Covid-19 response in 2021/22 and this is made up of:

- £1.55bn grant funding to meet additional pressures
- £670m additional grant funding to help local authorities support households that are least able to afford council tax payments
- £0.8bn to compensate local authorities for 75% of irrecoverable loss of council tax and business rates revenues in 2020/21 (details on what qualifies as irrecoverable to be released by MHCLG) and reimbursement of sales, fees and charges loss for April to June 2021 following the same framework in place for 2020/21.

2. PROPOSAL AND REASONS

Provisional Settlement Impact on the Medium Term Financial Strategy

2.1 The Council's financial position as outlined in the December Financial Planning Report showed total funding gaps over the period 2021/22 to 2024/25. Our budget assumptions were made around three coronavirus pandemic scenarios developed during May/June 2020. These ranged from a base case that assumed lockdown measures we experienced in March until early summer would be in place for a limited period in 2020 and life would return to normal by the autumn, a best case of a second wave of the virus resulting in a second period of lockdown to a worst case of multiple waves of the pandemic resulting in lockdowns well into 2022. These assumptions resulted in budget pressures ranging from £9.949m as a base case, £13.435m as a best case to £26.621m for the worst case. As we have gained more clarity of the situation, we have assumed the best case scenario that we are currently experiencing. The analysis below will focus on this case. The suite of savings presented and agreed by Cabinet totalled £15.124m, which would result in a surplus over the period of £1.873m but with significant pressure of £12.284m in 2021/22.

2.2 The Provisional Settlement shows that we will receive an increase of £0.178m in revenue support grant and this will be carried through on a straight line basis for the rest of the planning period in our MTFS in line with our assumptions. The slowdown in housing growth means our allocation of New Homes Bonus is £0.819m below expectation. The Improved Better Care Fund has not been inflated and is being distributed on a flat cash basis, which means a reduction of £0.073m.

2.3 Much of the increase is funding is assumed to be for one year only and this includes a £2.619m increase in the Social Care Grant, £1.141m of Lower Tier Services Grant. In addition, we have received funding specifically related to Covid-19 of £2.800m of Localised Council Tax Support grant and £11.198m of un-ringfenced funding for Covid-19 expenditure pressures in 2021/22.

2.4 Looking again at service pressures we are able to reduce the growth on inflation by £1m, but at the same time, further pressures have been identified as we prepare to work and provide services in under changed conditions: meeting the rising cost of insurance premiums (£0.22m), building up internal capacity to provide advice and project management (£0.31m), increasing cleaning during the day (£0.20m), increasing refuge provision to protect those escaping danger (£0.15m) and better resourced Human Resources team (£0.1m).

2.5 After validating the adjustments to the Council Tax and NNDR base for 2021/22, utilising the flexibilities introduced with the Local Council Tax Support Grant, and updating our growth position, the revised MTFS shows us moving to a surplus position by the end of the planning period. However, there is an in-year pressure in the first year of the planning period. This may require the use of reserves in order to balance year one and we will continue to look to bring forward savings where possible. This has been updated as set out in Appendix 1.

2021/22 Resources and Budget

2.6 Table 1 below shows the resources available for 2021/22 based on the key output from the provisional Finance Settlement and the Council Tax base set by Corporate Committee on 21 January 2021, as well as the budget.

Table 1 Resources and Budget 2021/22

Funding Source	2021/22 £m
Budget brought forward	**307.675**
Growth pressures, inflation, and technical adjustments	37.323

Funding Source	2021/22 £m
Savings and increased income	(14.080)
Total Budget	**330.918**
Revenue Support Grant	32.385
Retained Business Rates	47.774
Business Rates Top-up Payment	63.754
Business Rate and Collection Fund Adjustment	6.500
Council Tax	136.143
New Homes Bonus	4.473
Improved Better Care Fund	14.507
Social Care Support Grant	11.957
Lower Tier Services Grant	1.141
Subtotal	**318.634**
Planned use of Covid-19 Emergency and LCTS Grants, Reserves and Balances	12.284
Total Resources (including use of reserves)	**330.918**

Council Tax

2.7 The Government has kept the Council Tax increase referendum limit at 1.99%. We have modelled a 1.99% increase in council tax, plus the 3% Government Adult Social Care precept in 2021/22 and 1.99% in all remaining years of the current MTFS (2021/22 to 2024/25). Although the increases are assumed in the MTFS, the recommendation to increase council tax in 2022/23, 2023/24 and 2024/25 is subject to decision by Cabinet and Council and will be addressed in future years budget reports

2.8 The council tax amount paid by residents include a contribution to the GLA's budget. The Mayor has proposed a 9.5% uplift from 2020/21 levels, which equates to £31.59 to the band D rate. The proposed increase includes £15 to secure free travel on TfL services for young people and people aged over 60 and £15 to the Metropolitan Police, with the remainder going to the London Fire Brigade.

Table 2 GLA Precept

Band	2021-22
Band A	£242.44
Band B	£282.85
Band C	£323.25
Band D	**£363.66**
Band E	£444.47
Band F	£525.29
Band G	£606.10
Band H	£727.32

2.9 Breaking from recent trends of Council Tax base growth, we are forecasting a net decrease for 2021/22 of 650 dwellings. This is due to a reduced forecast of housing growth and also significant increase in the number of people who are eligible for the council tax support scheme. Over the longer term it is expected that growth will return to the normal trend level of between 1.4% and 1.6% albeit from a lower base.

Council Tax Support Scheme

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

2.11 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 2021/22, and this position is outlined in Appendix 3.

2.12 The year ahead will pose further challenges and hardships as we navigate continued social distancing measures and the roll-out of Covid-19 vaccinations whilst the effects on the local economy and unemployment become clearer. In recognition of this, as rises in Council Tax become a more significant factor in providing additional resource to local authorities, we plan to begin consultation to adjust the Council Tax Support scheme for 2022/23 in order to protect more residents who find the increases in Council Tax unaffordable.

2.13 In the meantime, we will utilise the Hardship Fund and Local Council Tax Support grant funding flexibilities to provide additional financial support for Council Tax Support applicants for the coming financial year. This extra £1.5m of hardship support will reduce the bills of almost 7,000 households eligible for Council Tax Support, with most of those seeing their bill reduced to nil.

Business Rates Retention Scheme

2.14 Lambeth has been part of London pooling arrangement since 2018/19, through which local authorities in the capital are able to retain more of the benefit of National Non Domestic Rates (NNDR) growth generated across London. The pandemic has severely affected the anticipated income from business rates, limiting the benefits of pooling that would accrue in 2021/22 and indicating potential losses for some authorities by being in the pool. As a result, London Council's leaders have requested a revocation from MHCLG for 2021/22. This does not preclude a pool being operated in future financial years.

Fees and Charges

2.15 The Council's agreed funding strategy includes income generation from fees and charges, having due regard to our social and environmental responsibilities. These increases have been incorporated into budgets for future years and form part of the overall savings agreed by Cabinet. The authority levies fees and charges for a range 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 Borough Plan outcomes. The proposed increase fees and charges are either by inflation or by an amount which allows the services to recover more of their costs for 2021/22 where permitted by statute and in the spirit of the principles set out in the Fees and Charges Policy. A detailed fees and charges schedule can be found in Appendix 4.

2.16 The council is bringing forward two major strategies in the coming year around how we manage kerbside space and how we mitigate air pollution in Lambeth, which will set the groundwork for a comprehensive review of fees and charges in relation to parking. At its heart, this review will focus on building healthier and more equitable communities by protecting those who are most affected and bear the cost of air pollution, despite being less likely to be the cause.

2.17 The Mayor's Transport Strategy commits, through TfL, to investigate proposals for the next generation of road user charging, and specifically references Workplace Parking Levies (WPL). In order to better understand what impact a WPL would have, Lambeth commissioned a desktop study to estimate the quantity of workplace parking in the borough. This was completed in 2020. However, with the response to Covid-19 taking priority the findings have not yet been published.

2.18 Overview and Scrutiny Committee have previously requested assurance that the agreed increases in fees and charges income budgets can be achieved. The summary in Appendix 4 demonstrates that income budgets have overachieved enabling the budgets to be increased year on year.

3. KEY RISKS

Integrated Health and Care – Adult Social Care

3.1 Lambeth Council and the NHS were the first to integrate the health and social care system in London, with responsibility for adult social care, public health in the Council and NHS commissioned services in Lambeth brought under the leadership of a single Strategic Director of Integrated Health and Care. Along with Lambeth health and care partners through the Lambeth Together Partnership we are working to draw together the financial resources of the council and the NHS, acting together to secure high quality care and to drive health improvement and reduce health inequalities for the benefit of local residents.

3.2 Adult Social Care has been managing a number of significant financial risks which have arisen from a growth in the population that have increasingly complex care needs and cost pressures relating to the amount that the Council is charged for the provision of care 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, although it would be beneficial to have more certainty as to future resource availability to assist with medium term and longer term planning. Increased resources have been confirmed again for 2021/22 and are likely to be at least maintained for the life of this parliament.

3.3 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. The funding received meets many of the pressures that have built up over the period of austerity but is not sufficient to meet expected further pressures in 2020/21 and onward as based on experience over recent years the cost of packages of care usually increases by at least £1m per year over and above inflation. It is expected that the patterns of increased demand that have been consistent over the previous five years or so will continue. In particular, there are expected to be continued pressures on services for people with Learning Disabilities as more individuals transition into the Service from Childrens Services and from an increase in community provision for individuals arising from the Transforming Care programme which aims to reduce institutional care.

3.4 The Covid-19 pandemic presents additional risks for adult social care and most have not been fully quantified at this stage. The ongoing impact of the outbreak on the number of clients the Council will need to support is not yet known. Many more people have been discharged from hospital than usual, but it is not yet possible to know how many will become social care clients in the longer term as assessments will need to take place of individual clients in order to ascertain this. NHS has made funding available for cases that have been discharged from hospital through the Covid-19 period, however, it is assumed that there will be a return to standard arrangements on an ongoing basis. There remains concern around the future sustainability of providers and although the authority has provided financial and other support to providers to address the immediate issues they face, this could change going forward, particularly if there is a future increase in cases. More broadly, the coronavirus pandemic has increased the profile and critical part played by social care provision raising the importance of the national debate on the sustainability of the existing model and with potentially far reaching implications.

Public Health

3.5 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 living 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. Between 2015/16 and 2019/20, Lambeth's allocation has been reduced by £5.1m. Lambeth received a 4.2% increase in allocation in 2020/21 to mostly fund agenda for change, the salary uplift for NHS workers. It has been indicated that the Public Health Grant for 2021/22 will be maintained at the 2020/21 cash level.

3.6 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. As a consequence, a range of saving proposals are being implemented to remain within the grant allocation and provide savings to the General Fund. Although the grant was increased for 2020/21, and this may not continue going forward, there are increased pressures that are expected to be funded from this increase, including national pay costs for public health and preventative services commissioned from the NHS. There are also anticipated continued increases in demand for sexual health testing activities, and although these growth pressures are being mitigated as far as possible through the use of on-line services, it is not yet clear if these cost increases can be contained within existing resource levels.

3.7 Covid-19 has resulted in a range of increased activities to be met through Council Public Health teams and resources. Directors of Public Health have been required to establish local Outbreak Control Plans which aim to minimise Covid-19 transmission and mitigate the impact. In Lambeth this Plan was agreed in June 2020 and remains under ongoing review in the light of experience. There are other increased duties including overseeing support in infection control to care homes and other settings, community testing and leading the local implementation of the national contact tracing programme. In order to meet these requirements, existing resources are being utilised and funding of £2.9m has been received in the form of the Local Authority Test and Trace Service Support Grant which has been provided to mitigate against and manage local outbreaks of Covid-19.

Children's Social Care

3.8 Children social care budgets continue to be under significant pressure. There are a number of factors that are driving these cost pressures across the two main service areas of Children Looked After and Children with Disabilities (CWD). Both areas are finding that new children and young people who are being presented to the services have significant complex needs, which require specialist placements, and incur high costs. Being a London borough, we are somewhat hampered in our negotiations on placement costs, because it is a suppliers' market and we are in competition for places with our neighbouring boroughs.

3.9 In addition, the cohort of young people entering the Children Looked After service are now older than we have seen in the past, so they are not always suitable for lower cost fostering placements. Due to their age we need to find semi-independent living for these young people. They frequently have a variety of complex needs, involving mental health, substance abuse issues and gang affiliation. Finding suitable placements for them which delivers good outcomes and demonstrates value for money continues to be a challenge for the council.

3.10 The council wants a robust in-house fostering offer, which is aimed not only to attract new carers but to ensure we retain carers due to an enhanced support package. We are hopeful that investment in the fostering strategy will ensure that going forward we have in-house placements for our more complex young people. Using in-house foster carers will not only provide cost savings in future years but will provide a family environment for our young people to grow up in.

3.11 Medical advances have increased life expectancy for babies born with complex disabilities and congenital conditions, which alongside change in legislation is driving the increase in demand for CWD services, where client numbers rose by 15% between 2018/19 and 2019/20. We believe spend can be contained at current levels through enhanced controls, such as continuous placement review, enhanced governance around placement panels and having robust financial control through the CSC Payments Team and embedding a change in culture.

3.12 We have seen an increase in the number of Unaccompanied Asylum Seeking Children and in this financial year (2020/21) Government has recognised the funding shortfall in this area and has confirmed a funding increase per child and using current numbers we should receive an additional £0.65m. We have a shortfall in respect of the remand grant, and this is because the length of time some of our young people are expected to be on remand for is above the average, so this has also resulted in a cost pressure of £0.5m, which we forecast will continue in future years.

3.13 The cost pressures we are experiencing are being encountered by the vast majority of London boroughs and is fast becoming a national issue, which Central Government has started to acknowledge by way of one-off social care grant funding and increase in UASC funding. Although this funding is very welcome, if it is not confirmed on an on-going basis, it is just not enough to cover the multiple cost pressures within Children's Social Care.

3.14 Covid-19 has obviously had an impact on CSC this year, with additional staff required to respond to the exceptional circumstances, providing additional support to foster carers and staying put arrangements, also whilst securing additional placements to ensure we could respond to place children expediently as a result of Covid-19. The ongoing impact of Covid-19 is very difficult to predict at this stage.

Education and Learning

3.15 Education and Learning continue to experience pressure from school closures and maintaining provision for children of key workers. Schools traded services has seen irrecoverable loss of income, such as from music lessons, as these have not taken place whilst social distancing measures have been in place.

3.16 In addition to a base funding issue, Special Educational Needs (SEN) support and transport have seen increased costs due to higher levels of demand as well as due to social distancing. These pressures are expected to continue into the next financial year.

Temporary Accommodation (TA)

3.17 At the start of the year, before taking into account the impact of Covid-19, the service had forecast that numbers in temporary accommodation would increase to 2,755 over the year (8.3%). Due to the impact of Covid-19, performance is worse than forecast 2,788 as at 17th January snapshot. If this trend continues, the total number in occupation at year end will be 2,853 (12.1%). The number of nightly rate placements (B&B and annexes) has increased by 24% (from 1,442 to 1,784).

3.18 The increase in households in TA is due to the widening gap between those coming into TA and those leaving, with fewer households leaving TA. For example, for the year up to January 2021, 654 households were placed in TA and 535 households left, an increase of 119 households.

3.19 The Covid-19 pandemic has resulted in an increase in the number of households in temporary accommodation, due to a combination of factors, including increased demand for temporary accommodation, together with restrictions on eviction. In addition, we have deliberately reduced occupancy levels by about 50% to maintain a Covid-safe environment, which has resulted in a corresponding increase in the use of nightly rate accommodation.

3.20 The levels of demand for TA is expected to continue to increase with the majority of this being provided by properties charged at nightly rates. This increase has continued despite the increased use of properties on regeneration estates and conversion of council buildings for use as temporary accommodation. Cost neutral accommodation is in use as temporary accommodation, comprising decommissioned sheltered housing schemes, general needs accommodation in areas scheduled for redevelopment and council owned and managed hostels. At the end of November 2020, 488 households, 17.7% of all households in temporary accommodation occupied cost neutral accommodation. There is an urgent need to consider financing alternative models of TA provision that will enable the council to reduce its reliance on expensive nightly booked accommodation and relieve budget pressure.

Dedicated Schools Grant

3.21 The Department for Education has confirmed the provisional allocation of the Dedicated Schools Grant for 2021/22. The gross DSG includes the funding top-sliced (recouped) from the Education and Skills Funding Agency for academies and high needs sixth form provision.

Table 3: Provisional DSG funding for 2021/22

Block	Actual DSG 2020/21 £'000	(December announcement) Provisional DSG 2021/22 £'000	Difference from 2020/21 DSG £'000
Schools Block	212,825	**222,315**	9,490
CSSB	1,055	**1,181**	126
Early Years	28,025	**28,092**	67
High Needs	47,167	**51,672**	4,505
Total	**289,072**	**303,260**	**14,188**

3.22 The £14m additional funding, compared to 2020/21, includes £9m of grants transferred into the DSG for teachers pay and pension. On a like-for-like basis the increase is £5m. Schools Block benefits from a 2% increase per pupil, offset by a reduction of £1m in the Growth Fund and reductions due to falling rolls. The Early Years Block has an 8p per hour increase for 2 year olds, but no change for 3 and 4 year olds. In both the Schools and Early Years Blocks, there are National Funding Formulae which are not favourable for London boroughs such as Lambeth. It is only in the High Needs Block where a stepped increase in funding of 8% (£4m after taking account of the grant transfers) has occurred.

3.23 Appendix 5 sets out the DSG budget proposals for 2021/22 that have been considered in collaboration and consultation with Schools Forum in recent months. The principal issue about the budget for 2021/22 is the pressure that exists in the High Needs Block (in spite of the stepped increase in funding) and how it should be managed.

3.24 To balance the DSG in 2021/22 would result in transferring the cost pressures in high needs budgets, arising from the changes to the school contributions to the Lambeth Pension Fund, to schools' general budget shares. In the context of 19 schools with licenced deficits in 2020/21, an alternative approach is preferred. This is to allow the high needs top-up rates to increase to acknowledge the real pressures for schools in 2021/22. This would risk a deficit budget in 2021/22, but the strategy would be to balance the DSG by March 2023, using the expected third year of the £7.1bn national increases, which has so far produced stepped increases in the Lambeth High Needs Block.

3.25 Agreeing to the DSG budget proposals in Appendix 5 would involve bringing forward £0.9m from 2022/23 to fund an expected in-year deficit and to defer the actual balance at the end of 2020/21 (forecast to be a deficit of £0.5m) to 2022/23. This is permissible within the grant conditions for the DSG.

Fair Funding Review and Business Rates Revaluation

3.26 The Fair Funding Review has been further delayed, with the implementation to be 2022/23 at the earliest, having been originally due to be in place for 2020/21. It is also expected that 75% Business Rates Retention will be enacted at the same time. 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.

3.27 The Business Rates baseline is reset periodically to ensure rates reflect conditions with new rates provisionally to apply from 2022/23 onwards. As this change and the Fair Funding Review are closely linked, until both are finalised, we just don't know what this will mean for Lambeth. The Fair Funding Review is still in the early stages of discussion and consultation, but there is a 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. With this level of uncertainty, the gains from Business Rate Retention are being held in the business rate reset mitigation reserve to dampen any adverse effects.

3.28 The underlying level of need has not been updated since 2013/14, so our funding allocation in 2021/22 is based on a needs assessment which will be eight 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 after the next Spending Review.

4. FINANCIAL MANAGEMENT

Reserves and Balances

4.1 Our overall approach is to use the financial strength of our balances sheet to help the Council through a period of high risk caused by severe funding reductions and economic stagnation.

4.2 Prudent reserves have been set aside over time to manage local risk and protect normal council business 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 from specific government funding that is carried forward from year to year to be used as required.

4.3 Whilst the MTFS is in surplus over the planning period there is significant pressure in the short term and so we have planned to use up to £12.2m from a combination of our allocation of the 2021/22 Covid-19 emergency funding, reserves and balances. Currently the allocation is £11.1m with a small draw on existing reserves and balances. However, a level of uncertainty remains over the scale of the continuing pandemic and the extent of any further government funding.

4.4 In addition, owing to a timing difference between budget setting and the announcement of the retail reliefs for 2020/21 there will be a technical deficit in the Collection Fund to be borne by the General Fund in 2021/22. However, as the reliefs were fully funded by government and will be held in reserve at the end of 2020/21, it will have no effect on the General Fund. The total income foregone by the Collection Fund (to be split between Central Government, GLA and Lambeth) due to these measures is over £86m.

4.5 Even though an agreement was reached with the EU before UK's departure from the customs union and single market, there is likely to be some disruption caused by the implementation of new rules. The longer term impacts may see an increase in inflation and an economic slowdown have the potential to reduce local authority revenue from business rates, parking income, events, new homes bonus and council tax. It is therefore key that the council is prepared and ensures that reserves provide suitable financial resilience.

4.6 Table 4 below confirms our current reserve forecast position to this financial year-end, whilst also forecasting to 2024/25. To allow comparability across years, specific resources to meet Covid-19 and Collection Fund pressures in 2021/22 are shown separately. Covid-19 related reserves consist mainly of ringfenced grants received in 2020/21 and the use of which may extend into 2021/22. With the uncertainty presented by the pandemic, earmarked reserves have also increased to address potential future needs rather than adding to general balances and thus the target of reaching 10% of net general fund budget by the end of the MTFS is likely to be delayed.

Reserves	**Forecast**				
	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£m	**£m**	**£m**	**£m**	**£m**
General Fund Balances	21.308	22.747	24.186	25.625	27.064
General Fund Reserves	57.877	54.832	53.762	52.949	52.194
Subtotal	**79.185**	**77.579**	**77.948**	**78.574**	**79.258**
CIL Reserve	10.000	11.000	10.500	11.100	10.800
Covid-19 related reserves	2.280	0	0	0	0
S31 grants to meet 2020/21 Collection Fund deficit	86.000	0	0	0	0
Total GF Balances & Reserves	**177.465**	**88.579**	**88.448**	**89.674**	**90.058**
HRA Balances & Reserves	43.224	40.724	38.274	38.274	38.274
Total Balances & Reserves	**220.689**	**129.303**	**126.722**	**127.948**	**128.332**

Council Tax and NNDR Collection

4.7 Council Tax collection is anticipated to fall in year when compared to 2019/20 in year collection rate, with a revised target of 89.5%, compared to 96.5% in previous years. The net collectable debit for 2020/21 is £171m, as at the end of December £134.6m has been collected. This compares to a net collectable debt of £163.0m and £138.9m collected as at 31 December 2019. We continue to expect to collect 96.5% of the collectable debt over time. Before this year, the Council has been improving Council Tax collection year on year; and over ten years the collection rate had improved by over 3%.

4.8 The collection rate at the end of December 2020 for those residents in receipt of Council Tax Support (CTS) and paying some Council Tax is 61.47% which is a decrease of 2.03% to the position at the same time last year of 63.50%. Reversing the trend of previously years, the overall CTS awarded in 2020/21 has increased by £2.4m over the amount at the same time in 2019/20. The government has provided a Hardship Fund Grant in 2020/21 for those people in receipt of CTS enabling £150 to be paid to each claimant.

4.9 National Non-Domestic Rates (NNDR) collection rate for 2020/21 is expected to fall compared to 99% in 2019/20. Cash collected as at 31 December 2020 was £77.4m against the net collectable debit of £103.0m, compared to cash collected of £143.6m as at 31 December 2019, from net collectable debit of £172.2m. The decrease in net collectible debt is due to the expanded retail relief which was extended to include the leisure and hospitality sectors, currently forecast to be £84.9m. The shortfall is funded and fully reimbursed to local authorities.

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.

2020/21 Revenue Q3 Forecast Position

Table 5 General Fund Forecast Outturn 2020/21

	Full Year Budget £'000	**Forecast £'000**	**Forecast Variance £'000**
Children's Services	78,586	84,350	5,764
No Recourse to Public Funds	2,734	2,400	(334)
Integrated Health and Social Care	92,609	105,601	12,992
Strategy, Communications and Legal Services	7,298	7,391	93
Finance & Investment	12,098	14,615	2,516
Resident Services	71,948	94,528	22,580
Sustainable Growth and Opportunity	3,296	4,140	844
Total	**268,569**	**313,024**	**44,455**
Covid-19 Grant Funding Received			(32,845)
Income Loss Scheme Funding Received			(5,977)
Contain Outbreak Management Funding Received			(2,600)
Net Forecast Outturn			**3,032**

5.2 The position on the General Fund at the end of December is a forecast overspend of £44.5m for 2020/21, mainly due to Covid-19 related expenses and shortfalls in income. Emergency funding of £41.4m was received before the end of December, reducing the forecast outturn to £3.0m. This is expected to reduce further when all the compensation due for lost income is received. The position for each directorate is summarised below, with greater detail available in the quarterly Budget and Performance report presented to Cabinet.

5.3 **Integrated Health and Social Care** is forecasting an overspend of £12.992m. This includes £11.908m on Covid-19 related costs and £1m of underlying pressure. There have been uplifts to care package costs, temporary uplifts to care home and homecare providers, additional capacity staffing costs, costs associated with personal protective equipment (PPE) and delays in the delivery of agreed savings.

5.4 **Children's Services** is forecasting an overspend of £5.764m relating to Covid-19 expenditure. This includes an overspend of £2.4m in Children's Social Care attributable to Covid-19 related spend including providing extra financial support to Lambeth foster carers, additional placement costs including those related to Children with Disabilities and delays in achieving agreed savings. Education and Learning is forecasting an overspend of £3.3m of which £1.3m is attributable to Covid-19 and lost income from schools traded services, such as music lessons which have not taken place whilst social distancing measures have been in place and increased cost of home-school transport due to social distancing. The remainder relates to an overspend in Special Education Needs (SEN) transport due to a base funding issue.

5.5 **Resident Services** is forecasting an overspend of £22.580m; £6.5m for housing management, primarily due to temporary accommodation costs, £6.2m pressures due to lost income related to Covid-19 restrictions and £8.3m for Residents Experience and Digital due to a shortfall in income recovery of court costs relating to Council Tax and Business Rates, loss of fees and charges within libraries and registrars, and slowdown in recovering Housing Benefit overpayments.

5.6 **Sustainable Growth and Opportunity** is forecasting an overspend of £0.844m due to a fall in building control and planning income and the costs of providing additional grant support to the local community during the Covid-19 crisis.

5.7 **Finance & Investment** is forecasting a pressure of £2.516m predominantly due to a shortfall in rental income because tenants were provided with a quarter rent free from April – June 2020 due to Covid-19 and it is anticipated that there will be a shortfall in collection of rental income this year.

5.8 **Strategy, Communications and Legal services** are forecasting a £93k overspend for this financial year relating to staffing costs.

2020/21 Housing Revenue Account Q3 Forecast Position

5.9 The Housing Revenue Account is projecting to breakeven. Whilst there have been some expenditure pressures of £1.2m and loss of income of £2.5m related to Covid-19, these have not been covered by any of the grants from government and have therefore been offset by the use of reserves.

Table 6 – HRA Forecast Outturn 2020/21

Housing Revenue Account	**Full Year Budget**	**Forecast**	**Variance**
	£m	**£m**	**£m**
Housing Services	64.758	70.616	5.858
Strategic Programmes	14.689	16.898	2.209
Central HRA Budgets	(79,447)	(87.514)	(8.067)
Net	**0**	**(0)**	**(0)**

2020/21 Dedicated Schools Grant Q3 Forecast Position

5.10 The Dedicated Schools Grant (DSG) is forecasting a slight overspend this financial year. This is due to DSG funding being abated for academy recoupment in the Schools Block of funding. Early Years DSG funding has also been reduced based on October 2020 headcount.

Table 7

Dedicated Schools Grant (DSG)	Budget £m	Forecast £m	Variance £m
Schools Block	142.461	142.461	0
Central School Services Block	2.032	2.132	0.100
Early Years Block	29.812	28.671	(1.141)
High Needs Block	43.927	45.326	1.399
DSG Overall Funding	(218.232)	(217.904)	0.328
Total DSG 2020/21	**0**	**0.686**	**0.686**

2020/21 Capital Q3 Forecast Position

5.11 Capital budgets for 2020/21 amounted to £236.6m for the year with £136.0m forecast to be spent in-year and £102.7m to be carried forward due to delays in delivery and budgets being profiled in 2020/21 but being related to future years spend. £55.1m had been spent to the end of December 2020.

Table 8 CIP Forecast Outturn 2020/21

Directorate	20/21 Budget £m	20/21 Actuals £m	20/21 Forecast £m	20/21 Carry Forward £m
Children Services	2.199	0.284	0.857	1.342
Adults & Health	0.131	0	0	0.131
Resident Services	70.203	12.737	45.439	24.764
Sustainable Growth & Opportunity	96.423	23.521	49.522	46.901
Finance & Investment	0.125	0	0	0.125
Housing Revenue Account (HRA)	67.475	18.569	40.133	29.443
Total*	**236.555**	**55.112**	**135.950**	**102.705**

*excludes Redress Scheme

5.12 It is expected that capital funding unspent within 2020/21 will roll forward to 2021/22, subject to confirmation that the relevant capital project is progressing in a satisfactory manner. Appendix 6 shows the analysis of this working CIP for the 5 years 2020/21 to 2024/25 by themes together with how this will be financed.

6. CAPITAL INVESTMENT AND FINANCING

6.1 As the level of capital receipts available drops markedly and the availability of external grant funding from central and regional government organisations such as TfL is increasingly uncertain, the Council is largely reliant on developer contributions or borrowing to fund its capital programme. Borrowing has a revenue impact and so the MTFS was updated in July 2020 to reflect this need to borrow. The decrease in the Public Works Loan Board (PWLB) rate in November is welcomed. In

February 2020, Council approved £215m as available resources for General Fund capital investments and in July 2020, Cabinet approved a total Capital Investment Programme of £715m made up of £370m of General Fund capital investment, £227m for the HRA capital programme, £103m for RTB buybacks and £25m for the Redress Scheme. This budget bought together previously agreed budgets and new available funds to show investment priorities over a 5 year period.

6.2 Since that time, changes shown in table 9 below has increased the total Capital Investment Programme to £759m. The full programme is shown in appendix 6 as well as the related indicative funding.

Table 9 Changes to the Capital Programme

	£m	£m
Budget agreed in July Cabinet		**715.056**
New Grants		
HLF – West Norwood Cemetery	4.605	
TfL – LTN, sustainable transport	1.194	
DfE – Schools Condition Allocation	1.062	
Others (GLA, MHCLG, Environment Agency)	0.247	
Subtotal		7.108
Releases from acquisition budgets (allocations were set maximum possible for each acquisition)		(3.399)
Redress Scheme increase		25.000
Changes to HRA Capital Programme - Fire sprinkler installation programme to high-risk buildings - Enfranchisement, freeholds and leaseholds		15.438
Resulting Capital Investment Total		**759.203**

6.3 There is an indicative funding profile for capital investment, however, the exact sources of funding cannot be ascertained until there are detailed implementation plans in place for each scheme or programme, as funding can be tied to certain conditions, such as location or type of work. In looking at financing the capital programme, effort will be made to prioritise using externally generated sources of funding such as developer contributions and grants. The expectation at the time was that £132.9m of s106 or CIL will be available as a funding source, the majority of which is still to be received. This represents 36% of the General Fund capital budget and without these monies the capital programme would be much smaller as the ability to borrow to fund the capital programme is limited by the impact of interest costs and the need to set aside minimum revenue provision on the revenue budget which is under extreme pressure due to Covid-19.

6.4 The current economic conditions have had an effect on the availability of such funding; however it is not yet clear what the longer term implications may be. If there are significant drops of income, there may be a need to adjust the capital programme. Conversely, if the amount of CIL received exceeds the amount required to be included in the capital programme, then the Council will need to decide whether to use the additional monies to programme additional capital spend or to reduce the dependence on borrowing within the capital programme. This is likely to be dependent on the wider revenue budget position of the council post Covid-19.

6.5 As the trade agreement with the EU was only reached at the end of December, the potential for a knock-on impact on construction, housing and commercial property markets cannot be discounted. 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 capital programme 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, additional income can be generated to support wider service provision, by growing the Council Tax and Business Rates base.

6.6 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 as the site begins to generate income.

6.7 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. 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.

Treasury Management and Capital Strategy

6.8 Treasury Management is inextricably linked to the Council's finances in general and the capital programme in particular. Appendix 8 sets out the proposed Treasury Management and Capital Strategy, which has been updated by reference to the CIPFA Code of Practice for Treasury Management and Prudential Borrowing.

6.9 Where capital expenditure has been funded by borrowing, the council is required to charge an amount to the revenue account each year in order to pay off the debts over the long term. The minimum amount is known as the Minimum Revenue Provision (MRP) policy is as set out in Appendix 9.

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 robustness of the estimates made for the purpose of the calculations
- The adequacy of the proposed reserves

7.2 The Medium Term Financial Strategy has continued to be updated throughout the year identifying funding changes and service pressures. Reports have been presented to Cabinet and Overview and Scrutiny Committee presenting the balanced position 2021/22 to 2024/25. Whilst the MTFS is in surplus over the planning period there is significant pressure in the short term and so we have planned to use up to £12.2m from a combination of our allocation of the 2021/22 Covid-19 emergency funding, reserves and balances. Currently the allocation is £11.1m with a small draw on existing reserves and balances. However, a level of uncertainty remains over the scale of the continuing pandemic and the extent of any further government funding.

7.3 The budget proposals are based on extensive analysis and assurances from Strategic Directors and the Financial Planning and Management team and as a result resources are aligned with service objectives through the budget setting process. Cabinet Members have worked with their respective Directors and Overview and Scrutiny Members have had the opportunity to question them on the proposals.

Adequacy of Reserves

7.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) has a guidance note on local authority reserves and balances. The guidance is not statutory but is recommended as best practice. The guidance however states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentages of budget. Each local authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.

7.5 Reserves should be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid any unnecessary temporary borrowing – this forms part of general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
- A means of building up funds known as earmarked reserves to meet known or predicted funding requirements

7.6 The CIPFA guidance highlights a range of factors in addition to cash flow requirements that councils should consider including;

- The treatment of inflation
- The treatment of demand led pressures
- Efficiency savings
- Partnerships
- The general financial climate

Emerging and Known Risks

7.7 The risk assessment process has identified a number of key risks, in addition to Covid-19, which could impact on the council's resources. These are detailed throughout the report. With these risks in mind it is recommended that the council adopts a policy for reserves as follows:

- Set aside sufficient sums in earmarked reserves as it considers prudent. The Director of Finance and Property be authorised to establish such reserves as are required in line with the council's MTFS to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Member for Finance and Performance
- Aim to maintain General Reserves of between 5% and 10% of the net budget requirement

7.8 In the Director of Finance and Property's opinion, if the recommended Council Tax increase of 1.99%, the adult social care precept of 3%, funding for unavoidable pressures and, proposals for savings were accepted, then the level of risks identified in the budget process alongside the authority's financial management arrangements suggest the level of reserves is adequate.

7.9 Recent economic events have highlighted the need to hold reserves to create the financial cushion that enables the redeployment of resources to cope with local and national emergencies. And to manage this in an ordered and 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 whole report concerns the Council’s financial position.

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 2021/22, 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. 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 always also act prudently and in a business-like manner.

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 2020/21, 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 Section 5 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 26 May 2020 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. Following publication of the Cabinet minutes, 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 This report has been produced with contributions throughout the council. Where proposals involve changes in service provision or fees and charges, we aim to communicate and work with residents and other stakeholders to ensure we make best use of the resources we have to achieve the goals set out in the Borough Plan.

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 IMPACT ASSESSMENT

Our legal duties

12.1 Under the Public Sector Equality Duty of Equality Act 2010, decision makers must evidence consideration of any potential impacts of their proposals on people who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

12.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics defined by law include race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief. Having due regard means that we are required to consciously think about the three tenets of the Equality Duty within our decision-making processes. By law, our assessments must contain sufficient information to enable a public authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding any adverse impact on people sharing protected characteristics.

Our Approach

12.3 We adopt a risk-based approach to analysis of equalities impacts of budget proposals to identify proposals likely to have a disproportionate impact on those with protected characteristics (race, sex, disability, religion or belief, sexual orientation, pregnancy and maternity, and age). It also includes an analysis of non-statutory equalities considerations, language, socio-economic and health and social wellbeing. Proposals are screened for potential impacts and officers provide equalities analysis to identify potential risks and mitigations.

Potential equalities impact of departmental budget proposals

12.4 We are delivering our savings targets in several ways including:

- Income generation: making increases to discretionary fees, sharing costs or drawing from different funding sources in order to fund specific posts
- Anticipated demand reduction: using underspend based upon projected reduction in demand for services
- Reshaping contracts: identifying savings and efficiencies in approaches to contract management and developing tender specifications
- Internal consultancy: reviewing professional service offering to directorates

13. COMMUNITY SAFETY

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

14. ORGANISATIONAL IMPLICATIONS

Environmental

14.1 None for the purpose of this report.

Health

14.2 None for the purpose of this report.

Corporate Parenting

14.3 None for the purpose of this report.

Staffing and accommodation

14.4 None for the purpose of this report.

Responsible Procurement

14.5 None for the purpose of this report.

15. TIMETABLE FOR IMPLEMENTATION

15.1 Subject to agreement at Cabinet on 08 February 2021 and Council on 03 March 2021 these budget proposals will be implemented for the 2021/22 financial year onwards.

AUDIT TRAIL

Name and Position/Title	Lambeth Directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Andrew Wilson Cabinet Member	Cabinet Member for Finance and Performance	25.01.21	28.01.21	Throughout
Andrew Travers, Chief Executive	Chief Executive	15.01.21	21.01.21	Throughout
Fiona McDermott, Strategic Director	Finance and Investment	08.01.21	21.01.21	Throughout
Christina Thompson, Director of Finance and Property	Finance and Investment	07.01.21	21.01.21	Throughout
Andrew Pavlou, Principal Lawyer (Governance)	Legal and Governance	08.01.21	11.01.21	Section 9
Christian Scade, Democratic Services	Legal and Governance	08.01.21	14.01.21	Section 9
Andrew Eyres, Strategic Director	Adults and Health	15.01.21	21.01.21	Throughout
Fiona Connolly, Executive Director	Adults and Health	15.01.21	21.01.21	Throughout
Merlin Joseph, Strategic Director	Children Services	15.01.21	21.01.21	Throughout
Bayo Dosumnu, Strategic Director	Resident Services	15.01.21	21.01.21	Throughout
Eleanor Purser and Sara Waller, Co-Strategic Directors	Sustainable Growth and Opportunity	15.01.21	21.01.21	Throughout

REPORT HISTORY

Original discussion with Cabinet Member	December 2020
Report deadline	27.01.21
Date final report sent	28.01.21
Part II Exempt from Disclosure/confidential accompanying report?	Yes Appendix 7b is exempt from disclosure by virtue of Paragraph 3 of schedule 12A to the Local Government Act 1972 – “Information relating to the financial or business affairs of a particular person (including the authority holding that information”.
Key decision report	Yes
Date first appeared on forward plan	26.05.20
Key decision reasons	1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework.
Background information	July Finance Planning Report 2020/21 December Finance Planning Report 2020/21
Appendices	• Appendix 1 - Medium Term Financial Strategy • Appendix 2 - Simplified Council Tax Model and Statutory Calculation

	• Appendix 3 - Council Tax Support Scheme 2021/22 • Appendix 4 - Fees and Charges Schedule • Appendix 5 – DSG review and governance • Appendix 6 - Capital Investment Programme – 2020/21 to 2024/25 and indicative financing • Appendix 7a - Disposals Programme and 7b Disposals Programme (Exempt) (Cabinet Only) • Appendix 8 - Treasury Management Strategy & Prudential Indicators 2021/22 – 2023/24 • Appendix 9 - Minimum Revenue Provision Policy Statement