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Report title: Revenue & Capital Budget 2022/23 to 2024/25

Wards: All

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

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REPORT SUMMARY

The last year has presented great challenges to Lambeth as we've continued to grapple with the Covid-19 pandemic which has changed so much of our daily lives. The year ahead will also present further challenges as we continue to learn to live with Covid-19 amidst a growing cost-of-living crisis.

Lambeth Council has been shoulder to shoulder with our residents, community groups and businesses throughout the pandemic – from providing food parcels for families who needed it to helping thousands of businesses to keep going through the tough economic challenges. We've seen the best of Lambeth through the pandemic – from residents volunteering for the vaccine roll-out to people checking on their vulnerable neighbours and everyone working together to keep each other safe.

But with the Omicron-wave waning, and with it the hope that the worst of the pandemic may be receding, we know that enormous challenges remain. Unemployment and inflation will leave residents struggling with the cost-of-living and government cuts to universal credit.

Since we last reported on the Medium-Term Financial Strategy (MTFS), presented to Cabinet in December 2021, we have received the Provisional Local Government Finance Settlement (PLGFS) which gave some short-term relief to local authorities but continues to leave the question of long term sustainable and fair funding for councils unanswered.

After a decade and more of austerity, increased demand in essential services, and rising inflation, any increase in funding is welcome. However, it should be noted that this increase only returns us to funding levels seen more than a decade ago without accounting for the increase in demand for our services, as well as the costs to deliver them, since that time. In addition to this, £3.7bn of this funding represents central government assumptions around local councils increasing their council tax (by 2%) and adult social care precept (by 1%).

By London Council's calculations, a third of this increase of funding to London boroughs comes from council tax, with the capital still facing a shortfall of up to £400m next year due to existing and growing demand pressures on services, particularly adult social care and temporary accommodation, rapidly increasing inflation and the ongoing impact of the pandemic.

Although the Spending Review was for 3 years, the PLGFS was only for 2022/23, leaving councils with no certainty over how the overall increased funding will be allocated. What is clear is that the new responsibilities as a result of the adult social care reforms will be significant and far-reaching but in the absence of clear guidance from government, the financial effects are not fully understood.

Local government is now almost completely reliant on council tax and business rates growth to fund services as the proportion of grant funding diminishes year on year. Over the longer term, London is also expected to lose out as the government focuses on their levelling up agenda, the below England average shares of the Community Renewal Fund and the Levelling Up Fund for the capital are signs of things to come.

As rises in council tax become a more significant factor in providing additional resource to local authorities, and the cost-of-living soars for our residents who are struggling to make ends meet, we have consulted on expanding the council tax support (CTS) scheme for those residents that find increases in council tax increasingly unaffordable. This support will permanently reduce the bills of almost 7,000 vulnerable households eligible for CTS, with most seeing their bills reduced to nil. We are also committed to enhanced funding to support local, independent advice agencies for those residents that require the additional support to manage their finances and access the support they are entitled to.

We will continue to take every opportunity to support vulnerable people in our communities and deliver on our residents' priorities, but we must also be honest in our ability to do so in the face of gradually reducing grant funding, rising inflation, and ever-increasing demand on our essential day to day services. Despite all these pressures and uncertainties, we have maintained a balanced budget position without the need for further cuts or new savings.

This will allow us to continue to provide essential day to day services and deliver on the priorities of the people of Lambeth. Whether that be through our ambitious capital programme investment in active travel measures, reducing air pollution and tackling the climate crisis, investment in our award-winning parks and open spaces, or building a new generation of council homes in Lambeth, and investing in free school meals and holiday programmes for children to reduce the levels of poverty in our borough.

The MTFS has been updated for the changes proposed. We expect to receive final confirmation of our 2022/23 funding in the Local Government Finance Settlement in early February 2022. 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 2022.

This report presents:

- The General Fund budget for 2022/23
- Key developments and risks for Local Government finance
- Forecast Financial position for 2021/22
- 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.

Council

1. To agree the General Fund (GF) revenue budget for 2022/23 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 £350.208m.
2. To agree a 1.99% increase in addition to the Government's 1% Adult Social Care precept increase to the Lambeth element of the Council Tax for 2022/23.
3. To agree the changes to the Council Tax Support scheme as summarised in paragraph 2.11 and 2.12 and detailed in Appendix 3.
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 2021/22 in Section 5.
8. To note the revised total of £660.2m for the Capital Investment Programme 2021/22 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 2022/23 to 2025/26, as set out in Appendix 7.
10. To adopt the Minimum Revenue Provision policy as detailed in Appendix 8.
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 27 January 2022, Corporate Committee agreed the council tax base of 111,161 for the year 2021/22[1] and through delegated authority a business rates tax base of £166,452,500.
14. To note Lambeth's council tax requirement is £140,579,759 as detailed in Appendix 1.
15. To set the 2022/23 Lambeth element of the council tax for band D dwellings at £1,264.65 by dividing the council tax requirement of £140,579,759 by tax base of 111,161.
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**
£843.10	£983.62	£1,124.13	£1,264.65

[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
£1,545.68	£1,826.72	£2,107.75	£2,529.30

17. To note that for the year 2022/23 the Greater London Authority provisional precept[2]

Band A	Band B	Band C	Band D
£263.73	£307.68	£351.63	£395.59
Band E	**Band F**	**Band G**	**Band H**
£483.50	£571.41	£659.32	£791.18

18. To approve the amounts of total Council Tax for the year 2022/23 for each of the categories of dwellings as shown below:

Band A	Band B	Band C	Band D
£1,106.83	£1,291.30	£1,475.76	£1,660.24
Band E	**Band F**	**Band G**	**Band H**
£2,029.18	£2,398.13	£2,767.07	£3,320.48

1. CONTEXT

1.1 The budget and council tax for Lambeth is being set in a continuing period of uncertainty. It is hoped that we are transitioning from a time of Covid pandemic to a more manageable endemic period. However, the effects of both Covid and the exit from the European Union continue to be felt on the economy.

1.2 The December finance Planning and Medium Term Strategy (2021-26) Report to Cabinet captured as far as possible the Government Spending Review announcements that affected Local government and Lambeth's funding in particular. This report now updates that position for the Provisional Local Government Finance Settlement (Provisional Settlement) announced in late December. The final Local Government Finance Settlement is expected to be announced in February after this report has been published.

Economic Outlook

1.3 In its October 2021 economic and fiscal outlook, the Office of Budget Responsibility (OBR) forecasts that UK gross domestic product (GDP) will grow by 6.5% in 2021, an increase of 2.4% over their March forecast. The forecast for unemployment has also been reduced to 5.25% from 6.5%.

1.4 The recovery is likely to be held back by supply issues leading to rising prices and pressures on wages. The OBR expect Consumer Price Index (CPI) inflation to reach 4.4% in 2023. The CPI in September was 3.1% and this rose to 5.4% in December with forecasts of 6% for April 2022. These are the highest levels seen in the UK for three decades. In response the Bank of England increased interest rates to 0.25% on 16 December, the first increase in rates since August 2018.

[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:

1.5 The transition period for trade between the UK and European Union ended on 1 January 2021, with some of the provisions of the trade agreement coming into effect. Whilst the effect of the pandemic on UK-EU trade cannot be discounted, the OBR analysis shows trade falling to and remaining below pre-Brexit and pre-pandemic levels after the trade agreement came into force, with the increase lagging behind the recovery of trade with the rest of the world.

London Context

1.6 London's economy appears to have been more resilient against the pandemic than the UK as a whole, due in part to its higher concentration of financial, professional and technical services allowing for greater proportions of workers to continue their jobs remotely. However, some sectors have been severely affected by the pandemic such as tourism, hospitality and leisure.

1.7 The increase in the rate of remote working prompted by the pandemic is set to become entrenched in the economy, with recent research suggesting an increase of 30% for workers in London (20% nationwide). This is reflected in a shift in spending and demand for retail and hospitality from central London to the outer boroughs and even further afield. It is forecast that spending may fall by as much as a third in areas like Canary Wharf and the City of London whilst growth by more than 50% in some neighbourhoods.

Local Government Finance

1.8 We have now received the Provisional Settlement, which was made on 16 December 2021. This confirms and provides details of many of the funding proposals from the Spending Review (SR21) announced in November. We expect to receive final confirmation of our 2022/23 funding in the Local Government Finance Settlement due in February 2022. 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 2022. We have also calculated our final Council Tax and Business Rates baseline figures which were agreed by Corporate Committee on 27 January 2022.

1.9 The Spending Review was the first multi-year review since 2015, however the Provisional Settlement was yet again only for one year. The headline increase for Local Government funding for the SR period is 4.5% and this is reflected in the Provisional Settlement with resources available to local authorities in England rising from £50.392bn in 2021/22 to £53.856bn in 2022/23, an increase of £3.464bn. However, £1.401bn of this is expected to be funded by councils having to raise council tax by up to 2% and making full use of the application of the 1% Adult Social Care precept, meaning a total council tax rise of 3% for residents. The remainder of the increase comprises inflationary rises for some existing funding streams, further funding for the social care reforms and the 2022/23 Services Grant.

1.10 In addition the government announced further support for individuals, groups and businesses to be administered by local authorities such as the relief for Retail, Hospitality and Leisure for 2022/23.

2. PROPOSAL AND REASONS

Provisional Local Government Finance Settlement Impact on the Medium Term Financial Strategy

2.1 The Council's financial position as outlined in the December Financial Planning Report showed a funding gap of £1.7m over the period 2022/23 to 2025/26. The Provisional Settlement shows that Lambeth's share of existing funding streams will increase by £5.886m, made up of inflationary increases for Revenue Support Grant (RSG) with £0.998m, improved Better Care Fund (iBCF) with

£0.438m and Lower Tier Services Grant at £0.060m. These amounts are expected to be maintained for the MTFS planning period. In addition, further pressures have been identified: inflation (£3.0m) and undeliverable savings (£0.08m) and an additional post in Democratic Services (£0.05m).

2.2 Our allocation of New Homes Bonus is £0.151m higher than expected. However, the confirmation that no further legacy payments will be paid means the projection for 2023/24 is reduced by £1.3m.

2.3 There is also a one-off compensation of £6.5m given for the decision by the Government to freeze the business rates multiplier in 2022/23. This is not expected to be applicable in future years after the business rates revaluation to be implemented in 2023/24.

2.4 New funding streams are added to the funding package: the 2022/23 Services Grant (£7.688m). We have included the amount for the 2022/23 Services Grant in the forthcoming year only, as it is stated as being excluded from transitional calculations for future years; Market Sustainability and Fair Cost of Care and the Charging Reform both of which are assumed to be funded for the 3 years of the planning period. The amounts for Market Sustainability and Fair Cost of Care and Charging Reform are included in the MTFS increases in 2023/24 and 2024/25, reflecting the increasing totals for the sector in those years (with Lambeth's share of the total remaining constant).

2.5 While the increased funding is welcome, they are linked to new burdens of yet unknown quantity as a result of Social Care reforms. With the existing pressures due to demographic changes and complexity in need and the still developing impact of long Covid, we have assumed that any increases in funding will be required to meet those costs with the possibility that the costs may in fact outstrip available funding.

2.6 After validating the adjustments to the Council Tax and NNDR base for 2022/23, and updating our growth position, the revised MTFS shows a balanced position for each of the years within the planning period. This has been updated as set out in Appendix 1.

2022/23 Resources and Budget

2.7 Table 1 below shows the resources available for 2022/23 based on the key output from the provisional Finance Settlement and the Council Tax base set by Corporate Committee on 27 January 2022, as well as the budget.

Table 1 Resources and Budget 2022/23

Funding Source	**2022/23 £m**
Budget brought forward	**330.918**
Growth pressures, inflation, and technical adjustments	32.988
Savings and increased income	(13.698)
Total Budget	**350.208**
Revenue Support Grant	33.383
Retained Business Rates	47.774
Business Rates Top-up Payment	63.754
Business Rate and Collection Fund Adjustment	21.218
Council Tax	140.580
New Homes Bonus	2.451
Improved Better Care Fund	14.945

Funding Source	2022/23 £m
Social Care Support Grant	16.196
Lower Tier Services Grant	1.201
Market Sustainability and Fair Cost of Care	1.018
2022/23 Services Grant	7.688
Total Resources	**350.208**

Council Tax

2.8 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 1% Government Adult Social Care precept in 2022/23 and other years within the MTFS period as indicated by SR21. Although the increases are assumed in the MTFS, the recommendation to increase council tax in 2023/24, 2024/25 and 2025/26 is subject to decision by Cabinet and Council and will be addressed in future years budget reports

2.9 The council tax amount paid by residents include a contribution to the GLA's budget. The Mayor has proposed a 8.8% uplift from 2021/22 levels, which equates to £31.93 to the band D rate. The proposed increase includes £20 to fund transport services and £10 for policing.

Table 2 GLA Precept

Band A	**Band B**	**Band C**	**Band D**
£263.73	£307.68	£351.63	£395.59
Band E	**Band F**	**Band G**	**Band H**
£483.50	£571.41	£659.32	£791.18

2.10 After a decrease in Council Tax base for 2021/22, we are forecasting a net increase for 2022/23 of 289 dwellings. This is modest compared to historical increase prior to 2021/22, but incorporates a downward adjustment to the tax base for the change to the Council Tax Support scheme which was noted at Cabinet in the December Financial Planning report and included as a recommendation for decision in this report. Over the longer term it is expected that growth will return to the normal trend level of between 1.4% and 1.6.

Council Tax Support Scheme

2.11 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.

2.12 In 2020-21 the government allocated an amount of money to councils for Council Tax Support hardship payments. Each CTS recipient, where their liability was not met in full by CTS received up to £150 in recognition of the inability of council to change their schemes mid-year and the need for further financial support in light of Covid-19. This support was for one year only.

2.13 In late 2020 there was a desire from members to change the CTS scheme from April 2021, to provide more financial support to residents who, it was recognised, were suffering financial hardship caused by a combination of Covid-19 and Council Tax rises as a result of insufficient government funding. However, there was insufficient time to consult fully on changes at that point.

Instead, for 2021-22, the 20% liability reduction has been offset by discretionary council tax support hardship payments to those affected, totalling around 14,000 claimants at a cost of £1.6m.

2.14 Consultation on the options for change ran from 30 June 2021 until 30 September 2021. There was widespread support for all options, providing the council with a firm mandate to take forward all options for formal introduction in the 2022/23 CTS scheme.

2.15 Subject to Full Council approval, Lambeth will implement an updated scheme from 1st April 2022, details of the main changes are laid out in Appendix 3 and in summary:

- Removing the 20% liability reduction
- Removing the £5.00 minimum weekly payment
- Removing the non-dependant deductions added in 2018
- Reducing the excess income taper to 20% from 25%

2.16 It is estimated that the cost of adopting the recommended changes will be £3m which had already been incorporated in our MTFS.

Business Rates Retention Scheme

2.17 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. However, due to the uncertainly brought about by the pandemic London did not form a pool for 2021/22 and will again not form a pool for 2022/23. The co-operation between the boroughs as a result of pooling has remained and the situation continue to be monitored.

Fees and Charges

2.18 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 2022/23 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.

2.19 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 year on year enabling the budgets to be increased with confidence of the income targets being achieved.

3. KEY RISKS

Inflation

3.1 Inflation, as highlighted in paragraph 1.4 has been rising rapidly and is likely to affect all services in various ways. The key driver is the rise in energy prices which has also led to increases in transport and material prices. We are also already seeing pressures on our suppliers, particularly relating to energy and construction contracts. This will require careful monitoring and management so as to not impact service delivery and borough plan priorities.

Adults and Health – Adult Social Care

3.2 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 residents.

3.3 Adult Social Care continues to manage significant financial risks which have arisen from a growth in the population that have increasingly complex care needs resulting in consistently increasing costs and this is expected to continue into the foreseeable future. This is the experience nationally and local government bodies have been successful in putting forward the case for increased funding in Adult Social Care, but it is not certain that increased funding will keep pace with growth in costs.

3.4 A particular area of cost increase is for services for people with Learning Disabilities as more individuals transition into the Service from Children's Services with significant care needs and from an increase in community provision for individuals arising from the Transforming Care programme which aims to reduce institutional care.

3.5 The Covid-19 pandemic has presented additional costs for adult social care although most have been funded by the government, either directly or through NHS funding, during the pandemic to date. The long-term 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 which has resulted in a larger number of people receiving care services, particularly in home care. However, it is not yet known whether this increased number of people being supported will be a long-term trend. The NHS has made various forms of funding available for cases that have been discharged from hospital through the Covid-19 period and there will be challenges if this ends in 2022/23. 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.

Social Care Reform

3.6 The government has made announcements relating to the reform of social care. The changes can be summarised as two main areas:

- Cap on care and extended means test – changes to social care charging rules so that no-one pays more than £86k for their care along with other changes to how people are assessed to contribute towards their care. This will result in the council paying for costs which are currently paid for by individuals.
- Sustainable fee rates – councils are required to determine sustainable fee rates for care to ensure they are paying for the costs of care. Councils often pay less than people paying for care themselves and the work is designed to ensure that council fee rates represent the full costs of care and enable self-funders to pay the same rate as councils in the future without destabilising providers. This is likely to result in the council paying more to providers for some of the care it purchases.

3.7 The proposed reforms will increase costs to the council and there are many risks with the high-level ones being:

- Estimates on the national costs of the reforms are based on complex models with a range of assumptions which may underestimate costs.
- Funding will be passed to councils using a formula which may underestimate the costs that Lambeth will experience.
- There are risks around achieving delivery of the reforms, particularly around sustainable fee rates where the council is expected to publish information on the exercise by September 2022.

3.8 Although the risks to Lambeth from these proposals are high, they are mitigated by low expected numbers of self-funders who are currently paying for their own care. Although the number of self-funders is not known in total, the indications are that they are relatively low compared to other local authority areas which reduces the scale of financial risk to the council

Public Health

3.9 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. 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. 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

3.10 Children's social care (CSC) budgets are again under significant pressure this financial year. 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 children and young people who are being presented to the services have significant complex needs, which require specialist placements, and incur high costs. As a London borough, we are somewhat hampered in our negotiations on placement costs, because of the limited number of suitable placements it is a suppliers' market, and we are in competition for places with our neighbouring boroughs.

3.11 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.

3.12 In addition, Children's Social Care are struggling to recruit staff on a permanent basis, due to the demand and shortfall in the market, therefore frequently having to rely on high-cost agency staff, which is having a real impact on the ability to control staffing budgets.

3.13 In 2021/22 the Council launched its new Fostering Strategy, with the aim to not only attract new carers but to ensure we retain our current carers with an enhanced support package. We are seeing progress and several new carers have been recruited and going forward it is important we have more in-house placements for our more complex young people. Using in-house foster carers not only provides cost savings due to the cost of the placement being significantly less than using Independent Fostering Agencies or Residential Care, but outcomes are also improved by providing a family environment for our young people to grow up in.

3.14 There is a mandate for Councils to accept more Unaccompanied Asylum Seeking Children (UASC). In 2020/21 Government recognised the funding shortfall in this area and confirmed a funding increase per child. The additional funding per child has continued into 2021/22, and while UASC numbers exceed 0.007% of the borough's child population we will continue to receive the higher level of funding.

3.15 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, and this has resulted in a cost pressure of £0.5m. However, the Council has recognised this shortfall in funding and it is built into the MTFS for 2022/23.

3.16 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 the social care grant funding and increase in UASC funding. Although this funding is very welcome, we are unclear whether future Settlements will provide sufficient resources to cover the multiple cost pressures within Children's Social Care.

3.17 Covid-19 has continued to impact Children's Social Care this year with additional staff required to cover sickness and enhance our Emergency Duty Team. Court cases have also been delayed due to Covid-19, and as courts have re-opened the backlog of cases are now being heard which has significantly increased this year's costs. The ongoing impact of Covid-19 is very difficult to predict at this stage.

Education and Learning

3.18 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 Educational Psychology, due to staff sickness and therefore having to bring in additional staff so we can continue to provide this vital service to schools.

3.19 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 and have been provided for in the MTFS.

Temporary Accommodation (TA)

3.20 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. 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

3.21 The underlying pressure in the current year is expected to be met through the planned budget growth of £2.5m, with capacity to deal with moderate expected increase in numbers. 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.

3.22 In hostels, social distancing requirements mean that 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. The necessity and duration of these measures may present as a pressure for the service.

Dedicated Schools Grant

3.23 The Department for Education has confirmed the provisional allocation of the Dedicated Schools Grant for 2022/23. The gross DSG includes the funding top-sliced (recouped) from the Education and Skills Funding Agency for academies and high needs sixth form provision.

3.24 Appendix 5 sets out the DSG budget proposals for 2022/23 that have been considered in collaboration and consultation with Schools Forum in recent months. The DSG, particularly the High Needs Block, looks set to incur a deficit in 2021/22 (£4.6m). Before the schools funding announcement in December 2021, it had looked inevitable that there would be a further deficit incurred in 2022/23. The December 2021 announcement, however, included a £6.2m School Supplementary Grant (equivalent to around 2.4% more funding for mainstream schools) and a £2.2m supplement to the DSG High Needs Block (4% more than had already been announced in July 2021). The combination of a £1.1m transfer from Schools Block and the supplementary high needs funding has meant that a balanced in-year DSG budget can be set.

3.25 At a school level, the financial position is not good. 16 out of 70 maintained schools have licenced deficits for 2021/22 financial year. Falling rolls are affecting funding levels overall and for individual schools. Lambeth has the lowest national rises for Schools Block and Early Years Block. The High Needs budget is having to support provision for higher numbers of pupils with Education, Health and Care Plans (EHCPs) in spite of the more general situation with falling rolls. The additional High Needs funding is welcome, but it is merely providing a respite while officers work with schools to develop initiatives to bring the budget back to balance; the forecast cumulative deficit must be contained to avoid it getting to a point where less desirable measures are necessary.

3.26 Uncomfortable as it may be to continue with a deficit position, this would appear to be the most appropriate approach for the circumstances that Lambeth finds itself in at this point. From a technical perspective, the in-year 2022/23 DSG will budget to bring forward part of the 2023/24 DSG to the extent that there are risks of overspend. The forecast 2021/22 DSG deficit, whatever it might finally be, will be deferred to 2023/24.

Table 3: Provisional DSG funding for 2022/23

Block	**Proposed Budget Requirement 2021/22 £000**	**Carry Forward to 22/23 £000**	**Provisional DSG 2022/23 £000**
Schools Block	221,123	**(86)**	222,234
CSSB	1,224	**-**	1,224
Early Years	26,036	**-**	26,036
High Needs	59,339	**(68)**	58,296
De-delegated budgets	69		
Unallocated		**4,800**	(4,800)

Gross DSG Totals	**307,791**	**4,646**	**307,790**
Less ESFA recoupment	(77,333)	-	(77,333)
Expected NET DSG Totals for LA	**230,458**	**4,646**	**230,458**

Redress Scheme

3.27 The council's Redress Scheme to provide compensation to those who had suffered abuse whilst in the care of Lambeth run children's homes closed on 1 January 2022. From 2 January 2018 to 1 January 2022 a total of 2,235 applications were made to the Scheme. In the last month of the Scheme (December 2021) a total of 220 new applications were received, which is almost as many as the total of those received from January to November this year. Although it was always forecast that there would be an increase in application numbers towards the end of the Scheme the volume of applications received in the last few days before closure was significantly greater than expected.

3.28 Previous forecasts of the costs of the scheme were in the region of £125m and permission had been given by the former Ministry for Housing, Communities and Local Government, now the Depart for Levelling Up, Housing and Communities (DLUHC), to capitalise the expenditure. Given the increased volume of cases the forecast expenditure will exceed this level and could rise beyond the £140m originally forecast when the scheme was approved by Council.

3.29 We have asked our actuary to assess the likely costs of the scheme given the revised number of cases and their report is due in March. When we have a firm forecast it is the intention to apply to DLUHC for an increase in the capitalisation direction and an extension to the time period to allow for the processing of the cases to be completed.

Fair Funding Review and Business Rates Revaluation

3.30 The recent Spending Review did not give a firm date for changes to be implemented as a result of the Fair Funding Review. With the changes to trading conditions on the high street and comments from the minister regarding the impact of the levelling up agenda on the distribution of resources around the country, it is not clear if the original expectation that retained business rates income rising to 75% will be enacted.

3.31 The Business Rates baseline is reset periodically to ensure rates reflect conditions with new rates provisionally to apply from 2023/24 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 saw discussion and consultation during 2019 but since then there has been no further progress. It is hoped that consultation will resume in spring 2022. 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.

3.32 The underlying level of need has not been updated since 2013/14, so our funding allocation in 2022/23 is based on a needs assessment which will be nine 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. The latest spending review and provisional settlement have given some indication as to the level of funding that Lambeth can expect in the next few years, however until the new methodology explicitly applied, (expected for 2023/24), we will not know for certain. 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.

4. FINANCIAL MANAGEMENT

Reserves and Balances

4.1 Our overall approach is to use the financial strength of our balance 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 balanced over the planning period there is significant uncertainty around the increased cost following social care reforms. In addition, owing to a timing difference between budget setting and the announcement of the retail reliefs for 2021/22 there will be a technical deficit in the Collection Fund to be borne by the General Fund in 2022/23 as there was in 2021/22. However, as the reliefs were fully funded by government and will be held in reserve at the end of 2021/22, 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 £39m.

4.4 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 and 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.

4.5 Table 4 below confirms our current reserve forecast position to this financial year-end, whilst also forecasting to 2025/26. To allow comparability across years, specific resources to meet 2021/22 Collection Fund deficit in 2022/23 is shown separately. We will reach the target of general fund balances reaching 10% of net general fund budget in 2023/24, however, even with continued planned contribution to balances remains the same, the significant increase in projected net general fund budget following SR21 means we may fall below this again towards the end of the MTFS period.

Reserves	Forecast				
	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
General Fund Balances	30.409	34.009	34.509	35.009	35.509
General Fund Reserves	96.608	86.107	85.361	84.993	85.143
Subtotal	**127.017**	**120.116**	**119.870**	**120.002**	**120.652**
CIL Reserve	12.327	11.327	11.827	10.827	11.577
S31 grants to meet 21/22 Collection Fund deficit	12.000	0	0	0	0
Total GF Balances & Reserves	**151.344**	**131.443**	**131.697**	**130.829**	**132.229**
HRA Balances	5.777	5.777	5.777	5.777	5.777
HRA Reserves	17.944	17.944	17.944	17.944	17.944
Total HRA Balances & Reserves	**23.721**	**23.721**	**23.721**	**23.721**	**23.721**
Total Balances & Reserves	**175.065**	**155.164**	**155.418**	**154.550**	**155.950**
GF Balances as % projected net budget	*9.19%*	*9.71%*	*10.05%*	*9.84%*	*9.75%*

Council Tax and NNDR Collection

4.6 Council Tax collection is anticipated to remain stable in year when compared to 2020/21 in year collection rate, with a revised target of 89.5%. The net collectable debit for 2021/22 is £182.9m, as at the end of December £146.2m has been collected. This compares to a net collectable debt of £171.0m and £134.6m collected as at 31 December 2020. We continue to expect to collect 96.5% of the collectable debt over time. Before the pandemic, the Council has been improving Council Tax collection year on year; and over ten years the collection rate had improved by over 3%.

4.7 The collection rate at the end of December 2021 for those residents in receipt of Council Tax Support (CTS) and paying some Council Tax is 58.20% which is a decrease of 3.27% to the position at the same time last year of 61.47%. The overall CTS awarded in 2021/22 has increased by £1.5m over the amount at the same time in 2020/21, following several years of decrease pre-pandemic. The government has provided the Local Council Tax support grant to help fund the increased discretionary CTS granted over this period.

4.8 Cash collected as at 31 December 2021 was £112.3m against the net collectable debit of £150.2.0m, compared to cash collected of £77.4m as at 31 December 2020, from net collectable debit of £103.0m. Substantially different reliefs were in place for each of the years, causing the variance between net collectible debt. The reliefs granted due to Covid-19 are funded and consequent loss of income 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.

2021/22 Revenue Q3 Forecast Position

Table 5 General Fund Forecast Outturn 2021/22

	Full Year Budget £'000	Forecast £'000	Forecast Variance £'000
Adults and Health	95,096	95,096	0
Children's Services	75,743	83,202	7,459
No Recourse to Public Funds	2,734	2,519	(215)
Resident Services	70,381	70,906	525
Sustainable Growth and Opportunity	3,020	3,091	71
Finance & Investment	13,188	13,724	536
Strategy, Communications and Legal Services	7,789	7,895	106
Total	**267,951**	**276,433**	**8,482**

5.2 The position on the General Fund at the end of December is a forecast overspend of £8.5m for 2021/22, after taking into account pandemic related pressures expected to be met by grant funding. The position for each directorate is summarised below, with greater detail available in the quarterly Budget and Performance report presented to Cabinet.

5.3 **Adult Social Care** are reporting a break-even position for 2021/22 but this is only possible from the use of reserves, hospital discharge funding and one-off grants to alleviate staffing and third-party care package pressures. Without the use of reserves there would be an overspend of over £3m due to overspends of £1.7m within Adults with Learning Difficulties, with continued pressures in residential care, and £2.9m in residential, nursing and home care for adults with mental health needs, mitigated in part by underspends in other areas of Adult Social Care. There are also higher costs in home care for Older People but these pressures are currently being offset by hospital discharge income.

5.4 The overspends are the result of steadily increasing complexity and acuity of care packages and is a resource pressure for future years, but it is expected that planned growth will mainly meet the underlying pressure in 2022/23. However, there remain concerns about the uncertain continuation of hospital discharge funding which is currently providing income to off-set much higher costs of Older People home care compared to pre-pandemic levels. This could mean there is a continuation of pressures in future years if activity remains at current levels

5.5 **Children Services** are forecasting an overspend of £7.5m for the financial year. Within Children Social Care there is a forecast overspend of £5.5m, in the main relating to £3.2m for supernumerary unfunded posts and £2.3m in respect of placement costs.

5.6 The main areas of forecast overspend are Corporate Parenting has 23 unfunded posts creating a pressure of £1.4m, and new care packages and increases on existing care packages has resulted in £0.479m pressure on placements. Safeguarding has 13 unfunded posts creating a staffing pressure of £0.591m, and there is £1.2m pressure on placements. Quality and Assurance is overspending by £1.3m due to 12 unfunded posts and agency workers contributing towards a £0.800m of staff pressure and £0.600m of pressure has been reported due to increased SAR's legal costs.

5.7 Within Education & Learning there is a projected overspend of £1.7m, most of which relates to SEND management and home to school transport

5.8 **Resident Services** is forecasting an overspend of £0.526m for the financial year. Pressures of £0.806m in management due to supernumerary posts in the Change and Delivery team, £1.4m in Temporary Accommodation, £0.715 in Parks & Leisure, Bereavement Services and Events,

£0.823m in Environmental Services due to unachieved income mainly offset by a reduction in waste disposal costs, £0.668m in residents experience and digital mainly due to additional staffing costs. These pressures are being offset in part due to the additional parking income of £3.791m.

5.9 **Sustainable Growth and Opportunity** are forecasting a slight pressure of £0.071m due to a shortfall in building control and planning income and staffing budgets. There will be a significant level of expenditure on supporting businesses within the Borough, however this is expected to be funded from Central Government Grants and previously agreed NCIL funding.

5.10 **Finance & Investment** are forecasting an overspend of £0.536m this year, mainly due agency staff costs within Human Resources & Organisation Development and Finance & Property.

5.11 **Strategy, Communications and Legal services** are forecasting an overspend of £0.106m for this financial year relating to staffing costs. Legal Services are forecasting an overspend of £0.750m in the financial year due to additional staff to support legal work in the Children Services area, which is being offset by additional one-off income from land charges leaving a pressure of £0.381m.

2021/22 Housing Revenue Account Q3 Forecast Position

5.12 The Housing Revenue Account is forecast to overspend its budgets by £5.2m, predominantly due to high volume of responsive repairs, costs associated with the new repairs' contracts, increased spend on void properties and an overspend on legal costs associated with disrepair.

Table 6 – HRA Forecast Outturn 2020/21

Housing Revenue Account	Full Year Budget	Forecast	Variance
	£m	£m	£m
Housing Services	65.615	71.865	6.250
Strategic Programmes	17.556	17.792	0.236
Central HRA Budgets	(83.171)	(84.463)	(1.292)
Net	**0**	**5.194**	**5.194**

2021/22 Dedicated Schools Grant Q3 Forecast Position

5.13 The Dedicated Schools Grant (DSG) is projecting to be in a deficit of £4.3m at the end of the financial year, to be recovered from future years DSG allocations. The main pressure on the DSG is within the High Needs block associated with Special Education Needs placements.

Table 7

Dedicated Schools Grant (DSG)	DSG Reserve brought forward Deficit 2020/21	DSG Allocation 2021/22	Forecast DSG spend	Projected Deficit 2021/22
	£'000	£'000	£'000	£'000
Total DSG expenditure 2020/21	473	(229,894)	230,808	4,354

2021/22 Capital Q3 Forecast Position

5.14 Capital budgets for 2021/22 amounted to £305.5m for the year with £198.2m forecast to be spent in-year and £107.3m to be carried forward due to delays in delivery and budgets being profiled in 2021/22 but being related to future years spend. £57.6m had been spent to the end of December 2021.

Table 8 CIP Forecast Outturn 2021/22

Capital Programme	21/22 Budget	21/22 Actuals	21/22 Forecast	21/22 Carry Forward
Directorate	**£'000**	**£'000**	**£'000**	**£'000**
Adult Social Care	2,217	-	2,217	-
Children Services	1,079	62	-	1,079
Resident Services	90,776	29,077	62,405	28,371
Sustainable Growth & Opportunity	68,199	19,579	44,875	23,324
Finance and Investment	32,624	-	53,006	(20,382)*
Housing Revenue Account (HRA)	77,903	8,832	35,728	42,175
Approved awaiting allocation	32,739	-	-	32,739
Total	**305,537**	**57,550**	**198,231**	**107,306**

*relates to the Redress Scheme

5.15 It is expected that capital funding unspent within 2021/22 will roll forward to 2022/23, subject to confirmation that the relevant capital project is progressing in a satisfactory manner. In addition, a reprofiling of budgets carried out following the Q3 forecast, with the 2021/22 budget revised to £175.184m. Appendix 6 shows the analysis of this working CIP for the 4 years 2021/22 to 2024/25 by themes together with how this is planned to be funded.

6. CAPITAL INVESTMENT AND FINANCING

6.1 In March 2021, Council approved a revised Capital Investment Programme (CIP) of £759.2m, after capital expenditure of £117.1m in 2020/21 and change in the HRA capital programme, a balance of £637.7m remained for the programme up to 2024/25.

6.2 Since that time, changes shown in table 9 below has increased the total Capital Investment Programme to £660.2m. The full programme is shown in appendix 6 as well as the related indicative funding.

Table 9 Changes to the Capital Programme

	£m	£m
CIP as at 1 April 2021		**637.713**
New Grants	23.462	
Ringfenced Contributions	0.575	
Total Increases		**24.037**
Releases from existing programmes	(1.509)	
Cancellation of projects funded by grant or other external contributions	(0.187)	
Right to Buy programme reprofile to 2025/26 onwards	(10.000)	
Total decreases		**(11.696)**
Changes to HRA Capital Programme (included for completeness but governed by HRA business plan and affordability)		10.162
Resulting Capital Investment Total		**660.216**

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 externally generated sources of funding such as developer contributions and grants. The expectation at the time was that £132.9m of s106 or CIL would 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 in the revenue budget..

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 We are starting to see the combined effect of the pandemic, the exit from the European Union and other supply side pressures on construction, housing and commercial property market. There is evidence that construction costs are rising rapidly at present and so where additional capital funding is available this may be needed to ensure existing projects remain fully funded before committing to additional projects. Despite this uncertainty, it is sensible for the Council to continue to look for opportunities to develop Council owned sites and acquire new assets for development, 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 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

6.7 Treasury Management is inextricably linked to the Council's finances in general and the capital programme in particular. Appendix 7 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.

6.8 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 8.

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

7.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) (in Lambeth's case the Director of Finance and Property) 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 2022/23 to 2025/26. The MTFS shows a balanced position over the planning period and unlike 2021/22 it is not necessary to use reserves in order to balance the budget. However, this must be considered in the context of the uncertainty around the funding and new burdens situation from 2023/24 onwards with many major changes such as the Fair Funding Review, Business Rates baseline reset and implementation of social care reforms to come.

7.3 Whilst our spending power is forecast to increase significantly in 2022/23 with smaller increases through to 2025/26, it must be seen in light of the likely equally significant new burdens brought about by social care reforms. We must also manage and fund a number of known pressures, which are directly linked to demographic growth and demand led pressures within the borough. We have also not seen the full long term impact of the pandemic on existing pressures.

7.4 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

7.5 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 percentage of budget. Each local authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.

7.6 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

7.7 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

7.8 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

7.9 In the Director of Finance and Property's opinion, if the recommended Council Tax increase of 1.99%, the adult social care precept of 1%, and funding for unavoidable pressures 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.

7.10 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 2022/23, 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 2022/23, 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 II, D 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 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 17 May 2021 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.

10.2 The Overview and Scrutiny Committee discussed the December update of the Medium Term Financial Strategy. The Committee welcomed the absence of new saving targets and requested that six-monthly updates on progress on previously agreed savings and the impact on residents. This is provided through the quarterly Budget and Performance report presented to Cabinet.

10.3 Where the committee's recommendation related directly to budget setting for 2022/23, their comments have been incorporated in the main text of this report. Other recommendations and the associated actions can be found in Appendix 10.

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.

12.4 There are no further savings proposed in this budget round and the proposed Council Tax increase of 2.99% is mitigated by the additional financial support put in place through enhancement of the Council Tax Support Scheme. Changes to fees and charges are primarily focused on recovery of increased costs due to inflation or benchmarking with other authorities or commercial competitors.

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 07 February 2022 and Council on 02 March 2022 these budget proposals will be implemented for the 2022/23 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	26.01.22	27.01.22	
Bayo Dosunmu Deputy Chief Executive	Resident Services	28.01.22	31.01.22	Throughout
Fiona McDermott, Strategic Director	Finance and Investment	28.01.22	31.01.22	Throughout
Christina Thompson, Director of Finance and Property	Finance and Investment	11.01.22	27.01.22	
Andrew Pavlou, Principal Lawyer (Governance)	Legal and Governance	17.01.22	17.01.22	Section 9
Sarah Keeble, Democratic Services	Legal and Governance	17.01.22	31.01.22	Section 9

REPORT HISTORY

Original discussion with Cabinet Member	December 2021
Report deadline	26.01.22
Date final report sent	31.01.22

Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	17.05.21
Key decision reasons	1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework.
Background information	July Medium Term Financial Report 2021/22 to 2025/26 December Finance Planning and Medium Term Strategy Report 2021 to 2026 Overview and Scrutiny Committee – Monday 10 January 2022
Appendices	• Appendix 1 - Medium Term Financial Strategy • Appendix 2 - Simplified Council Tax Model and Statutory Calculation • Appendix 3 - Council Tax Support Scheme 2022/23 • Appendix 4 - Fees and Charges Schedule • Appendix 5 – DSG review and governance • Appendix 6 - Capital Investment Programme – 2021/22 to 2024/25 and indicative financing • Appendix 7 - Treasury Management Strategy & Prudential Indicators 2022/23 – 2024/25 • Appendix 8 - Minimum Revenue Provision Policy Statement • Appendix 9 – OSC Recommendation and Comments