Lambeth

Cabinet - 8 December 2014

Overview and Scrutiny – 21 January 2014

Financial Planning Report – Revenue & Capital Budget 2015/16 - 2017/18

Wards: All

Report Authorised by: Strategic Director Enabling: Guy Ware

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Report summary

1.1 The Government plans to maintain their programme of austerity in order to achieve a balanced national budget by 2019. The July Financial Planning Report – 'Allocating Resources to Outcomes' outlined the impact on Lambeth and the Council's challenge to address a 3-year funding deficit of £90.4m for the period 2015/16 to 2017/18 as a result of the programme of public sector austerity begun in 2010. The Council has a current net General Fund budget of £314.8m, and a Housing Revenue Account of £176m as well as a Capital Programme of £482.2m. These resources have been examined by Outcome Panels to decide on their best deployment to manage that funding deficit. This report sets out the savings proposals of £73.3m that go towards bridging the deficit over the first two years, leaving £17.1m to be identified for 2017/18.

1.2 Good progress has been made on delivering a three year budget and work will continue to identify further options for funding the deficit in year three. There is time to work with and co-produce with communities and residents how we will achieve this.

1.3 Economic growth is important to the borough. New development attracts planning S106 and Community Infrastructure Levy (CIL) payments that boost the council's capital investment. The building of new houses attracts New Homes Bonus to the council as well as growing the council tax base. New business development also means an increase in our share of the business rates as well as the opportunity for jobs for Lambeth residents. All of this means additional income to the council and goes some way to improving the overall financial position.

1.4 Our partnerships with health, schools, and the third sector are important to us in being able to deliver these savings. Many of the proposals rely on closer working with our partners in order to deliver the outcomes within our reduced financial envelope. We are developing a new model of integrated health and social care with our health partners in order to achieve shared outcomes and savings in both health and the council.

1.5 All of the budget projections are subject to the announcement of the government's autumn settlement as well as the 2015 Comprehensive Spending Review, which may alter the assumptions on which the budget is based.

Finance summary

This whole report concerns the Council's overall financial position with a particular focus on the medium term.

Recommendations

(1) To agree changes to existing savings proposals for 2015/16 and 2016/17 as set out in Appendix 2.

(2) To agree the new savings proposals for 2015/16 – 2017/18 as set out in Appendix 2.

(3) To note the September 2014/15 General Fund monitor position as set out in paragraphs 4.1 – 4.5.

(4) To note the September 2014/15 HRA monitor position as set out in paragraphs 4.6 – 4.7.

(5) To note the year to date capital position as set out in **Section 5**.

2. RESOURCE ALLOCATION

Introduction - Development of the 2015/16 Resource Allocation Process

2.1 The Council's vision of 'ambition and fairness for all' builds on the work undertaken by the previous administration and places early intervention, prevention and resilience at the heart of the council's work. Part of this means preventing problems happening in the first place rather than having to react to them. It means working with our communities so that they can help themselves and it means building resilience in our communities. Part of that is about reducing the gap in opportunity that we see in jobs, housing and education.

2.2 We believe by working together, cooperatively, that we can build more resilient communities, implement pathways that enable early intervention and take more preventative approaches. But we know that this takes time and the Council is required to deliver a balanced budget in the short-term alongside delivering its medium-long term financial strategy and political vision.

2.3 The Government plans to maintain its programme of austerity in order to achieve a balanced national budget by 2019. Independent observers, including the Institute of Fiscal Studies, conclude that, while the cuts to date have been severe, we are only about a third of the way through the programme; we will see cuts at least as heavy as those already experienced over the next few years. With continuing relative protection of some budgets such as Health, Schools, and Pension-age welfare, there is no reason to suppose that Local Government will not continue to be amongst the hardest hit. However we are determined to focus on what we are able to achieve with the resources we have. We will spend the 50% remaining in our budget well and we will not be solely driven by the 50% reduction we need to make. The Government's autumn statement is due in December and the spending review in the spring, both of which will have an impact on the assumptions on which the current budget plans are based.

2.4 In 2014/15 we introduced a new process of "Outcome-Based Budgeting (OBB)" to help support the council's commissioning approach and address the huge reduction in available resources. Three Outcome Panels were established this year to lead the work of commissioning and delivering outcomes under three priority outcomes areas - Community Wellbeing (CW), Neighbourhoods, Environment & Sustainability (NES) and Housing, Jobs & Investment (HJI). The Panels have addressed the budgetary challenges from an outcome basis rather than through a departmental and service focus. The substantive output of that work are the proposals attached at Appendix 2.

2.5 The current General Fund budget is £314.8m and is allocated by outcome as follows:

- Community Wellbeing – £164.2m
- Neighbourhoods, Environment & Sustainability – £45.0m
- Housing, Jobs & Investment - £12.7m

In addition the Council has a Housing Revenue Account of £176m and a capital investment programme of £482m.

2.6 The Financial Planning Report – Allocating Resources to Outcomes presented to cabinet in July expanded the medium term financial model and identified the council's funding deficit of £90.4m over the next 3 years. It allocated financial envelopes to the 3 priority outcome areas. It also confirmed the savings for 2015/16 and 2016/17 of £ 37.6m that had been made in the February report. This left a funding gap of £52.8m as summarised in Table 1 below.

Table 1	2015/16 £'m	2016/17 £'m	2017/18 £'m	Total £'m
Funding Deficit	**(36.9)**	**(26.6)**	**(26.9)**	**(90.4)**
Identified Savings				
Community Wellbeing	8.1	9.7	0.0	**17.8**
Neighbourhoods, Environment & Sustainability	5.3	6.8	0.0	**12.1**
Housing, Jobs & Investment	0.8	0.9	0.0	**1.7**
Enabling	3.0	3.0	0.0	**6.0**
Remaining Deficit	**(19.7)**	**(6.2)**	**(26.9)**	**(52.8)**

Planning the Revenue Budget 2015/16 – 2017/18

Financial Context and Development of the Savings Target

2.7 Individual panels were allocated a resource envelope and the savings required are equivalent to 44% of their net revenue budgets over the period 2014/15 to 2017/18. The reduction in budgets were profiled by year and were compared with the savings that had already been identified in order to give an indication what cuts were still to be made by the individual panels.

2.8 Table 2 below shows the savings target still to be found across the three panels:

Table 2	2015/16 £'m	2016/17 £'m	2017/18 £'m	Total £'m
Community Wellbeing	(19.7)	(6.2)	(22.9)	**(48.8)**
Neighbourhoods, Environment & Sustainability	0.0	0.0	(3.5)	**(3.5)**
Housing, Jobs & Investment	0.0	0.0	(0.5)	**(0.5)**
Total Savings Gap	**(19.7)**	**(6.2)**	**(26.9)**	**(52.8)**

2.9 The above savings should however be understood as indicative and as was intended at the outset of the Outcome Panels. There is flexibility to move these savings targets between Panels, accelerate existing savings or flex the savings target at an individual Panel level where appropriate dependant upon priorities.

New Savings Proposals

2.10 As part of the process of bridging the outstanding funding gap, a number of new savings have been developed by Outcome Panels. Alongside this, there has been a revision of some of the existing savings committed in July for the Community Wellbeing Panel, which has meant in some cases proposals were removed and replaced with new ones and in others that the savings figures were amended, (both reduced and increased). In total these new and revised proposals effectively increase the already committed savings total of £37.6m as agreed in July to a revised total of £59.7m.

2.11 A full breakdown of these savings can be seen in Appendix 2 including a reconciliation of those savings which have replaced existing options.

2.12 A significant sum of £20m identified within the Community Wellbeing panel is for the savings that are attributed to the integration with health of the adult social care services within the council. This is very much an indicative position, which is dependant upon the Better Care Fund and the remodelling of service provision that will result from the changes driven by the integration. The details of how this saving will achieved will be the subject of further negotiations with health partners and will be the subject of future reports to cabinet.

Changes in Council Tax and Corporate Items Assumptions

2.13 The council has frozen the council tax for the last six years which has meant an erosion of the tax base. We now want to build the base back up because the challenge of the deficit is so great.

2.14 We have modelled Council Tax increasing by 1.99% per annum, below the level required for a referendum, for the next three years, resulting in a reduction of the deficit of £5.7m. Whilst the assumption is included in the figures, the recommendation to increase council tax is subject to decision by cabinet and council and will be addressed future reports to cabinet.

2.15 Since the opening £90.4m savings position was agreed, some of the assumptions around the Council Tax modelling and the level of contingencies held in Corporate Items have been revised with the aim of reducing the funding gap. Taking these changes into account, there has been a contribution to the funding deficit of £12.8m.

2.16 The Corporate Items review aimed to identify budgets that are no longer needed or can safely be scaled back. Most of the amendments that could be made were relatively minor and were offset by small pressures elsewhere within the budget, but following a rigorous review, we are able to significantly reduce the amount of budget held for the Minimum Revenue Provision (MRP) by £2.3m in 2015/16.[1]

2.17 Since the last modelling was done for Council Tax there has been significant housing growth in the Borough above and above our previous projections. Alongside this we have also seen an improvement in collection rate.

2.18 As a result, the Council Tax base has been amended to take account of our improved assumptions around both the increases in the number of properties liable for council tax within the borough as well as our increased success in collecting Council Tax, (our assumptions have moved from 95% to 95.5%) resulting in an adjustment of £2.7m in 2015/16.

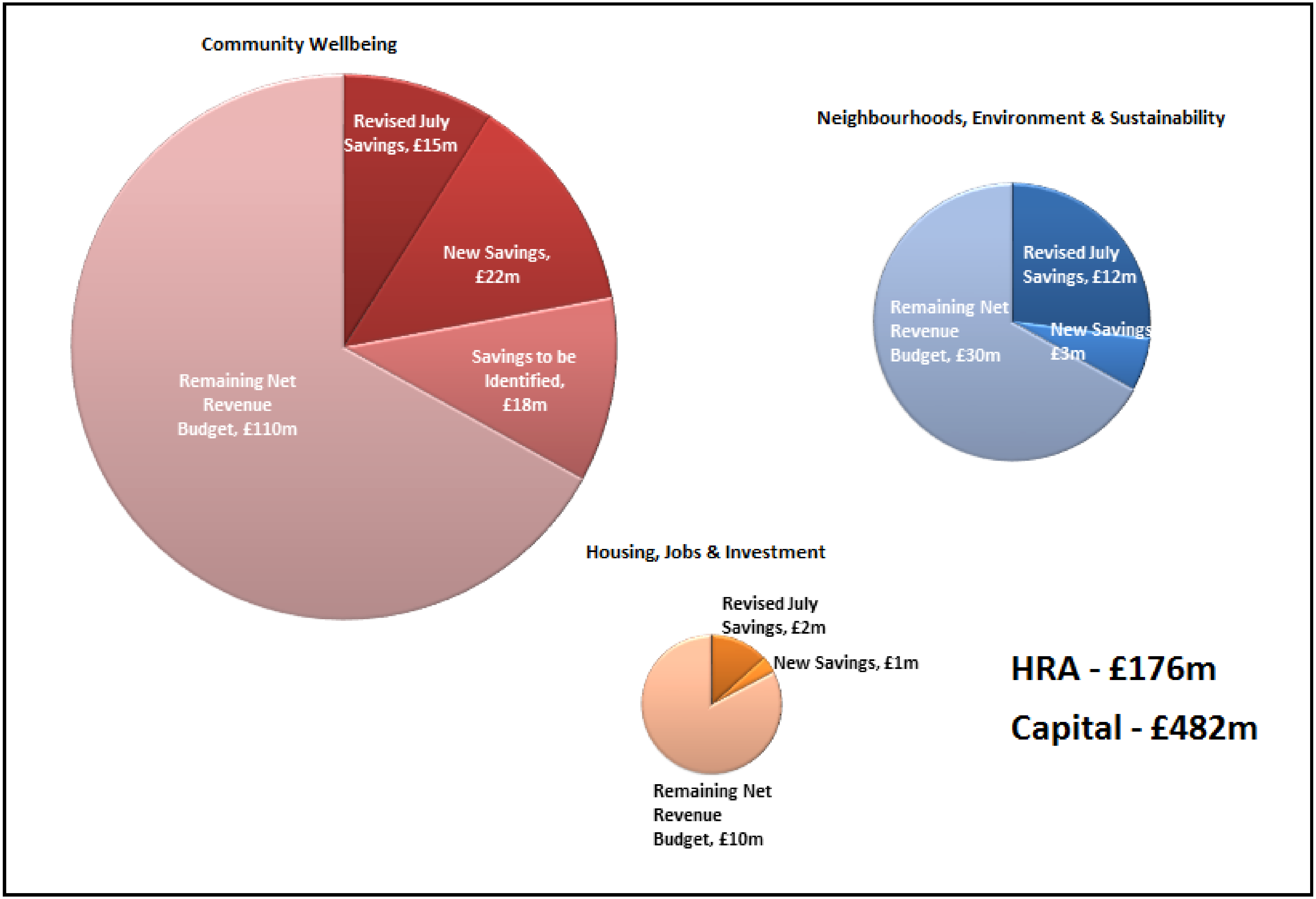
2.19 Alongside the increase in Council Tax base we have also increased the budgeting for the council tax surplus to be drawn down for prior years which has arisen as a result of being over-prudent in our assumptions in previous years as a result of the improved circumstances as outlined above. This is projected to be worth £2.1m.

2.20 The net impact of the above change means that we have a balanced position across the first two years (2015/16 – 2016/17) with a remaining target to find of £18.0m in 2017/18

2.21 Taking account of all the new savings and the other contributions to the funding deficit, the impact on the individual panel budget can be seen in the bubble chart on the next page. The area of the chart represents the total budget for 2014/15 with the remaining savings still to be found highlighted. It looks as though the savings are unevenly split across the panels, but this is because the Housing Jobs and Investment panel delivered the majority of its target savings in 2014/15 and has therefore seen the majority of it's reduction included in the starting position. All of the outstanding savings still to be identified are currently with the Community Wellbeing panel, but as previously discussed, this is indicative and could be revisited in the future.

[1]The change is based on the timing of the use of the capital receipt and as a consequence when we need to make the Minimum Revenue Provision (MRP).

Outcome Panel Savings Summary - 2015/16 to 2017/18



2.22 All of the above amendments are summarised in Table 3 below:

Table 3	**2015/16 £'m**	**2016/17 £'m**	**2017/18 £'m**	**Total £'m**
Funding Deficit	**(36.9)**	**(26.6)**	**(26.9)**	**(90.4)**
Revised July Savings				
Community Wellbeing	9.9	3.9	1.0	**14.7**
Neighbourhoods, Environment & Sustainability	6.1	6.0	0.0	**12.1**
Housing, Jobs & Investment	0.8	0.9	0.0	**1.7**
Enabling	3.0	3.0	0.0	**6.0**
Total Revised July Savings	**19.8**	**13.8**	**1.0**	**34.5**
Newly Identified Savings				
Community Wellbeing	4.9	16.6	0.0	**21.5**
Neighbourhoods, Environment & Sustainability	1.7	1.1	0.1	**2.9**
Housing, Jobs & Investment	0.4	0.1	0.2	**0.7**
Total Newly Identified Savings	**7.0**	**17.8**	**0.3**	**25.1**
Corporate Items/Council Tax Adjustments				
MRP Adjustment	2.3	0.0	0.0	**2.3**
Council Tax Base Amendments	2.7	0.0	0.0	**2.7**
Collection Fund Surplus Adjustment	2.1	0.0	0.0	**2.1**
Council Tax Increase (1.99%)	1.8	1.9	2.0	**5.7**
Total Corporate Items/Council Tax Adjustments	**8.9**	**1.9**	**2.0**	**12.8**
Remaining Funding Deficit	**(1.3)**	**6.9**	**(23.6)**	**(18.0)**

2.23 The outstanding funding deficit of £18.0m will continue to be reviewed by Outcome Panels and further options to address this gap will be explored in the coming months leading up to the Budget setting report in February 2015 and within the coming financial year.

2.24 As shown in table 3 above it can be seen that there is an outstanding deficit in 2015/16 of £1.3m but a surplus delivery in 2016/17. Subject to the confirmation of the new proposals and any further options being identified before the budget is confirmed in February, we would anticipate that this would be managed by allowing the General Fund balance to reduce in 2015/16 before restoring the position in 2016/17.

2.25 An alternative to the savings presented and any further options to fill the deficit gap would require the council to carry out a referendum recommending an increase in council tax of 53.86% in order to fully fund the £48.8m funding deficit which would remain after the corporate item and council tax adjustments are made. However the likely decision of the administration is to stick to their manifesto promise (as low as possible).

3. CONTEXT & ECONOMIC OUTLOOK – KEY RISKS

Welfare Reform

3.1 As highlighted in previous Finance Reviews (in November and February), the changes to welfare policy introduced by Government in 2012 continue to show an impact and create cost pressures. There are contingent sums set aside to mitigate some of those pressures.

3.2 The weekly benefit cap continues to create pressures but, since its implementation, the number of private sector housing tenants affected has reduced. Households are being supported with their weekly rent shortfalls with the use of Discretionary Housing Payments (DHP) and are being supported to move. The numbers losing their accommodation and moving into temporary accommodation (TA) are small, but there are continuing risks that numbers in TA will increase when the Government, as announced, reduces the cap so that it allows households only £440 of benefit income per week rather than £500 per week as currently. This measure will see a further 150 or so households affected and create difficulties for those households who are managing to cope with the shortfall by topping it up from their own income or through use of DHP and carefully negotiated landlord rent reductions.

3.3 The number of households in TA continues to rise and this is causing an overspend on the budget. There are a complex series of reasons for the increase including termination of tenancies due to benefit caps, increased differentials between market rents and the Local Housing Allowance used to determine Housing Benefit levels and the fact that social housing lettings have reduced meaning that there is less throughput. The number of benefit capped households in TA has fallen to 50 and is reducing further through casework.

3.4 There are around 2,000 Lambeth council tenants affected by the removal of the spare room subsidy (commonly referred to as the bedroom tax). The average cut to Housing Benefit for this cohort is £20 per week and the arrears pressure is starting to build. For families and vulnerable tenants (e.g. those with disabilities), Discretionary Housing Payments have been used to meet shortfalls but the scale of the impact means that we cannot meet the shortfall for all tenants and the average arrears arising from the bedroom tax are steadily increasing. We have been successful in moving a significant minority of tenants to smaller accommodation but we do not have the number of voids needed and nor are we able to secure the number of mutual exchanges needed. The arrears pressure is likely to build and as a result of this a contingency has been built into the HRA for 2015/16.

3.5 The future of the Discretionary Housing Payments pot is uncertain. We have had additional awards from Government in 2013/14 and 2014/15 to help mitigate the impact of the cap and bedroom tax but await news of our allocation for future years. A significant reduction in the size of the grant would mean we would see more evictions and increase pressure on temporary accommodation.

3.6 The replacement of Disability Living Allowance (DLA) with Personal Independence Payments (PIP) and a predicted (in the Government's own impact assessment) 20% reduction in those receiving the new benefit will add cost pressures. For social care it will mean less income (as those receiving DLA are often able to contribute to the costs of their care) and the loss of DLA/PIP will mean a loss of protection against the weekly cap and other passported benefits.

3.7 The introduction of Universal Credit (UC) from February 2015 (earlier than expected) has the potential to impact severely. 40,000 working age benefit and credit claimants in Lambeth will be affected. Pilots have shown that for those receiving housing costs directly and having to manage a single monthly payment budgeting difficulties follow and arrears and debt increase. The council is working with Department of Work and Pensions (DWP) and LB Lewisham and LB Southwark to pilot "Universal Services Delivered Locally" for new UC claimants which seeks to test the support needs of those claiming (and seek to meet those needs). It was hoped that the results of the pilot (it concludes in Sept 15) would inform a new funding settlement for LAs ahead of the introduction of UC so that they can take steps to mitigate the budgeting difficulties and arrears but the earlier than planned introduction of UC now calls into question whether the pilot will be used by DWP in determining need.

3.8 The early introduction of UC also creates risks for the funding of the council's HB administration function. DWP have confirmed grant levels for 2015/16 but there is a risk that funding will be tapered as

UC comes in and DWP begin the process of assessing and awarding housing costs direct to claimants. The rather uncertain introduction timetable makes it difficult to plan service change/withdrawal.

Public Health

3.9 Public Health transferred to the Council in April 2013 and the contracting arrangements between the Council and the provider organisations are now established. The first two years of the Public Health ring-fenced grant provided for relatively generous growth of around 4% which equated to approximately £1m per year. This growth was off-set by financial pressures relating to sexual health where demand for services is growing significantly. Although there are strategies to limit the growth in costs going forward through contracting arrangements and alternative service delivery methods, there is a risk that this area of uncontrollable expenditure will increase. This is in the context of the Public Health grant being static in 2015/16 and therefore there are substantial risks around Public Health expenditure remaining within the grant with the existing models and levels of service delivery across the Public Health service area as a whole. A commissioning review of Public Health will take place in 2015/16 in order to ensure that services provided through the Public Health grant are sustainable in the medium term.

Better Care Fund

3.10 April 2015 marks the beginning of the Better Care Fund which pools £3.8bn of resources between the NHS and Councils nationally. Lambeth's Better Care Fund plan has been submitted and is one of only six local authority areas across the country to be fully approved. Although there are aspects of the Better Care Fund that are dependent on emergency admissions reducing, the risk to the Council is perceived as low in Lambeth as funding that will be directed to established Adult Social Care services does not make up the area of the Better Care Fund that is dependent on performance. The Better Care Fund will develop over time and the relationship between the Council and the NHS will become increasingly substantial in financial terms as integration of services is progressed.

Care Act

3.11 Parts of the Care Act will be implemented in April 2015 and represent a major change to the statutory basis of Adult Social Care. One of the most significant and well publicised areas of the Care Act which caps the contribution of individuals towards the costs of their care to £72k will not be implemented until April 2016. The financial impact of many aspects of the Care Act cannot be estimated with certainty as they depend on people presenting to the Council to request a service. The most significant area of risk identified for 2015/16 relates to carers where there is an increased emphasis to assess carers for need and carers have been put on an equal footing with Adult Social Care clients in terms of a right to receive a service to meet their need. The cost impact for Lambeth is uncertain as although 20,000 people confirmed they were a carer in the last census, the government provided funding for any increased cost is based on a fraction of that number coming forward and being eligible for a very low direct payment. The actual financial impact will only be known as carers present to the Council during 2015/16 and there is no way to confirm or deny that the government's funding assumptions are correct with any certainty. With regards to the care cap in 2016/17 onwards, modelling carried out on the number of self-funders in borough suggests that there is unlikely to be a cost pressure to the Council when compared to the government's assessment of the number of self-funders in the borough.

Lambeth Living 2015/16

3.12 The Council has considered the options and believes there are strategic, financial and service advantages to reintegrating housing management back into council services. This is similar to the conclusion reached in a number of other London local authorities including Ealing, Hackney, Havering, Islington, Newham, and Redbridge who have or are ending their ALMO arrangements. The Council has established a project board to play a key role in shaping the new housing service. This board will be, chaired by the Cabinet Member for Housing, with participation from councillors, staff, union representatives, tenants and leaseholders. A Full financial analysis will be developed as part of the options that the project board is expected to develop.

3.13 Against the backdrop of significant cuts to local authority funding the council must make every penny work for local people. Reintegration would generate savings to reinvest in services for residents that will be available if there is no ALMO. In taking the decision to reintegrate the ALMO back into the council, there are several areas of opportunity to reduce duplication and develop services to support the council's outcomes more directly. This will depend upon the shape of the service when it is fully integrated within the council.

3.14 Taken together these factors mean we now have the opportunity to provide improved services to our residents, particularly our tenants and leaseholders, better value for money and more joined up services through bringing services back in house. For the Council and its partners there will be less duplication of services and clearer accountability for service users.

4. FINANCIAL MANAGEMENT - REVENUE

2014/15 Year To Date (September Monitor) Position

General Fund

4.1 It is important to review the current financial position of the council, given the level of budget savings implemented during 2014/15 in the general fund. The September monitor shows a year end overspend position of £7m.

4.2 Although service-related projections suggest a £10.9m overspend at this stage, it is important to note that further analysis is required to provide greater certainty as to the final likely outturn position. Delivery Directors have been developing mitigating management actions in order to bring the forecast overspend down. In addition the Corporate Items budgets have been reviewed and identified underspends.

Cluster	Full Year Budget	Full Year Forecast	Full Year Overspend/ (Underspend)	Percentage
	£000	£000	£000	%
Commissioning	18,083	18,408	**326**	1.8%
Delivery	191,780	202,836	**11,056**	5.8%
Enabling	53,115	52,194	**(921)**	-1.7%
Cooperative Business Development	8,490	8,962	**472**	5.6%
NRPF	2,821	4,845	**2,024**	71.7%
Corporate contingency - NRPF	2,024	0	**(2,024)**	n/a
Corporate Items	38,517	34,617	**(3,900)**	-10.1%
TOTAL	**314,830**	**321,862**	**7,032**	**2.2%**

4.3 The significant areas contributing to the overspend are all within the Delivery cluster as follows:

- Children's Social Care - £4.4m. Pressure predominantly from the rising cost of placements for children with disabilities, but also from the cost of independent fostering agencies and legal fees for court cases. Action is being taken to immediately review the high cost placements, reducing the level of agency staff, not recruiting to vacant posts and a restriction on the referral to Counsel on legal matters.

- Communities, Housing & Environment - £3.9m. There is a shortfall in funding for Early Intervention & Play (£1.7m), pressures in parking (£0.7m), and the ongoing pressures in Temporary Accommodation (£2.3m). This is somewhat offset by an expected underspend of £1.1m in Waste and Streetcare. It should be noted that this is built into future year savings and so is not likely to recur;
- Education, Learning & Skills - £1.4m. There is a £0.8m overspend in Special Education Needs transport costs; and
- No Recourse to Public Funds - £2m. The historic pressures arising from the number of clients and the delays experienced in getting the Border Agency to resolve the status of clients remain. However the number of new claimants has reduced significantly as a result of more stringent checks. There is also a closer working relationship with Housing Officers to ensure clients discharged do not present a pressure on the temporary accommodation provision. The expected level of overspend will be funded from Corporate Contingency.

4.4 The Commissioning and Delivery senior management teams supported by Financial Planning and Management teams are undertaking a detailed review of all outturn projection to ensure that these are fully supported by evidence of expenditure and that future commitments are consistent with the essential expenditure guidance. The review is working at identifying expenditure which could be delayed into next year or is no longer essential to support the Outcomes. Key areas of focus include employee and agency expenditure, projects, consultancy, office expenditure and other discretionary expenditure. The review is also looking at income projections to ensure these are consistent with activity levels.

4.5 Set against the above pressures, there is an underspend in Corporate Items of £3.9m due primarily to inflation being lower than expected and salaries inflation only being applied from 1 January 2015 under the current employers offer.

Housing Revenue Account

4.6 The Housing Revenue Account Budget, agreed within the February 2014 Rent Setting report set a target surplus to be delivered in 2014/15 of £2m. The HRA Balance stands at the agreed level of £8m as at 31 March 2014. Surpluses over this level will be placed in the LHS Reserve or the HRA Capital Reserve.

HRA	BUDGET £000			FORECAST £000			VARIANCE £000		
	Gross Exp	Gross Inc	Net	Gross Exp	Gross Inc	Net	Gross Exp	Gross Inc	Net
Delegated Budgets Lambeth Living	58,504	(470)	58,034	58,852	(818)	58,034	348	(348)	0
Retained HRA Housing Division	7,654	(4,068)	3,586	5,822	(2,157)	3,665	(1,832)	1,911	79
Retained HRA Central Client	86,024	(171,880)	(85,856)	87,153	(173,280)	(86,127)	1,129	(1,400)	(271)
Retained HRA Management Fees	24,236	0	24,236	24,236	0	24,236	(0)	0	(0)
Total	**176,418**	**(176,418)**	**0**	**176,063**	**(176,255)**	**(192)**	**(355)**	**163**	**(192)**

4.7 As at the end of September the HRA is forecasting a surplus of £192k. This is mainly due to the impact of accounting for rental income from tenants for week 53 of 2013/14 in 2014/15 as per audit advice. We will account for 365 days of income in 2014/15. The charge for pension backfunding is £129k higher than budgeted and partially offsets the positive forecast variance on income. Small forecast overspends on the Retained Housing Service also partially offset the increased income forecasts.

5. CAPITAL INVESTMENT PROGRAMME OVERVIEW

Maximising the Impact of our Capital Investment

5.1 The council continues to face the huge challenge of an ever shrinking revenue resource. It is therefore more important than ever that we derive maximum value from our existing asset base as well as ensuring that capital is invested wisely to reduce or even eradicate revenue costs wherever possible rather than increasing them.

5.2 As part of the Resource Allocation process this year, the Outcome Panels have therefore focused on identifying opportunities for maximising the impact of targeted capital investment in order to achieve community priorities through commissioning strategies. In particular, the interplay between capital investment and revenue spend has been transparently considered.

5.3 A number of capital initiatives have been identified which will maximise returns from our assets and underpin revenue savings proposals. Such returns are both financial (for example, revenue savings directly as a result of capital investment or future increases in revenue income or asset values) and non-financial (for example, the contribution made to the achievement of the community outcomes).

5.4 Some proposals seek to capitalise on opportunities arising from using some of our existing assets differently. Another looks to create an innovative mechanism to secure future revenue flows by investing in an endowment (similar to the approach taken by many schools and universities in order to fund bursaries and scholarship programmes). Some maximise efficiencies in existing large contracts while others target capital to fund preventative measures, improving quality of life for vulnerable residents while at the same time reducing a later need for costly support services.

5.5 Capital resources have been earmarked to fund the following opportunities identified through the resource allocation process:

- **Cemeteries and crematoria:** An investment of £5.015m is planned to create new burial spaces over the next 5 years across Lambeth, Streatham and West Norwood cemeteries in order to meet future demand. This will generate additional annual income across the service of £918k per year;
- **Review of Controlled Parking Zones:** An investment of £600k is planned in studies to support the Review of Controlled Parking Zones in order to determine whether changes or additional zones are required. This will start to address concerns raised by residents over local issues such as disturbance from the night-time economy or parking stress in areas surrounding existing zones. The analysis will also determine the cost of implementing changes and the levels of associated income and hence the potential for future revenue savings in the parking service;
- **Libraries and Lifelong Learning endowment:** Subject to consultation, there is a proposal to create an innovative investment of up to £10m in an endowment that could generate £400k per year to support the provision of community library services. This proposal is part of a wider set of proposals to make savings in library and wider cultural services. Cabinet agree to launch a consultation in January 2015 called ‘Creative Communities: Vibrant Neighbourhoods’ to engage communities in shaping these proposals before decisions are made.
- **Waste contract vehicles:** An investment of £6.4m (at 2014/15 prices) is planned in order to capitalise the asset renewal charges which are currently included in the Veolia revenue contract. This would save at least £920k per year of revenue cost, indexed from 2015/16;

- **Street lighting energy reduction measures:** An investment of £6.4m is planned to implement energy saving changes to street lighting in Lambeth. The installation of a Centrally Controlled Management system ("CMS") would allow the council to remotely control the brightness (dimming) as well as the hours of operation (trimming) of the lights. In addition, the replacement of existing bulbs with LED technology will save on energy costs and reduce carbon output. These changes would mean revenue savings of £600k per year; and
- **Shared ownership for people with disabilities in Lambeth:** An investment of £250k is planned in a pilot scheme to support younger people with disabilities to part purchase their own property through shared ownership. The investment is expected to help secure up to 10 units. Future revenue savings will come from either moving people onto less intensive forms of support or else avoiding their admission into more intensive support than they actually need. It is expected a cumulative saving of £130k can be realised by Year 3.

5.6 The proposed CIP for the three years 2015/16 to 2017/18 will be submitted for formal approval in February 2015.

Capital expenditure April to September 2014

5.7 A Capital Investment Programme ("CIP") totalling £423m for the financial years 2014/15 – 2016/17 was set by the Council in February 2014 reflecting the resources that were known to be available at the time. Since the Financial Planning Report in July, new information has resulted in amendments to the programme including the addition of new projects and finalisation adjustments for others. A small number of virements have also been necessary as summarised at Appendix 3.

5.8 These amendments have resulted in a revised Capital Investment Programme as at 30 September 2014 of £482m for the 3 years 2014/15 – 2016/17. The CIP is analysed at Appendix 4 to show how capital investment is spread across the 3 areas of focus of the Outcome Panels as well as by Community Outcome. It also shows where via Enabling projects, investment is supporting the entire organisation. Appendix 5 demonstrates how the 3 year CIP will be financed.

5.9 The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes. HRA capital investment predominantly supports the community outcome "Lambeth residents have more opportunity for better quality homes", but additionally supports the community outcomes of 'All Lambeth Communities feel they are valued and part of their neighbourhoods' and 'Older, disabled and Vulnerable People can live independent lives and have control over their lives'. A total HRA investment of £309m is planned to be made over the 3 years 2014/15 – 2016/17.

5.10 The planned spend for the current 2014/15 financial year within the Capital Investment Programme totals £209m. In the six months to 30 September 2014 capital expenditure has totalled £90m against a half year budget of £85m, an overspend of £5m or 6%. Forecast spend by the end of the year currently stands at £199m (5% under budget). However, identified slippage to date is expected to reduce the Capital Investment Programme 2014/15 budget by £1.67m (0.8%) through re-profiling into 2015/16.

5.11 Major areas of spend this year to date have included:

- **Future Brixton:** The Future Brixton programme is a major Council-led regeneration programme, including Brixton Central, Your New Town Hall and Somerleyton Road.

  The overall programme should see over £360m of investment in the town centre and delivery of 750 new homes (40% of which will be affordable) and will also bring about a step-change in the level of employment in Brixton. Excluding the new Council offices, the plans would bring about 23,000sqm of new commercial space (including retail, workspace and hotel), and with it around 1,000 additional jobs including 45 apprenticeships to Brixton. An employment and skills plan is being developed to make sure as many local people as possible benefit. An economic vision is also being commissioned to help shape the nature of the employment space on offer.

Brixton Central: The Brixton Central masterplan should conclude in early 2015. In parallel with this work, officers are working with Network Rail to establish a delivery and procurement strategy for the area. The masterplan shows the potential to lever in around £115m of new investment into Brixton and around 250 new homes.

£1.95m has been awarded to the Council from the Heritage Lottery Fund for a Townscape Heritage Initiative grant scheme for Electric Avenue and Atlantic Road. The Council has provided an additional £650k as match funding.

Your New Town Hall: This project is not just a redevelopment of the town hall but is the development of a 2.5 acre site in the heart of Brixton. It will see the opening–up of the town hall for the whole community and local businesses to access and share through a wide variety of different community spaces. It will lever in around £145m of investment, delivering around 200 new homes and up to 14,000sqm of new, fit for purpose customer facilities and offices.

The project has been designed to be self-financing by realising the value of the surplus office sites released from the reduction of Lambeth's existing office infrastructure from 14 down to just 2 main sites. These reductions will also save at least £4.5m in running costs per year. This rationalisation of office space has continued apace during this year, building on the release of Town Hall Parade and Hopton House in 2013.

Somerleyton Road: This is a housing-led mixed-use scheme which includes the proposed relocation of the Oval House Theatre and represents an investment into Brixton of around £100m.. A planning application for 300 new homes (40% of which are at target rent level) will be submitted for planning in June 2015. The scheme is being delivered in partnership with Brixton Green and Ovalhouse Theatre. It will include a new home for Ovalhouse, a new children's centre and nursery, along with a chef's training school and a convenience store. The project is a Council-led development and will be funded through Council borrowing against the revenue income generated from the new homes. The Somerleyton Road CPO 2014 was agreed at Cabinet in November 2014.

- **Regeneration of Waterloo:** A number of significant planning decisions in this area have now been resolved with permission granted for both the Garden Bridge and Hercules House Park Plaza. The South Bank Festival Wing application was withdrawn and final decisions are still outstanding for the redevelopment of Shell and Elizabeth House.
- Other projects underway include the IMAX roundabout and the £280m Waterloo Station Master Plan whilst £3m of section 106 funding has been allocated for public realm improvements to Westminster Bridge Road. A partnership approach to Archbishop's Park Capital Works has been developed in conjunction with Urbanest who are constructing a 1,600 student led scheme on Westminster Bridge Road.
- **Regeneration of the Vauxhall and Nine Elms areas:** The Transport Works Act for the Northern Line Extension was approved on 13 October 2014 and it is expected that the project could start on site next year. London Underground is well advanced on the £37million refurbishment of Vauxhall underground station.

  TfL is currently consulting on the removal of the gyratory at Vauxhall and the remodelling of the bus station. This will conclude on 19th December and the findings will inform the next phase of detailed design which will take place during the course of next year.

  Construction is complete on the Tinworth Mews site, and the demolition is well underway at Eastbury and Hampton House. The former Sainsbury store has been demolished and the new store and residential development are under construction. BT has now secured a development partner for Keybridge House, this is the location of the new primary school. Planning permission has now been granted for all of the key sites at Vauxhall Cross, most recently the redevelopment of Bondway storage.
- **Black Cultural Archives:** Following the successful opening of the Black Cultural Archives in July 2014, this fantastic facility is now shortlisted for a London Planning Award.

- **West Norwood Health and Leisure centre:** The centre is now complete and operational and will be officially opened on 5 December 2014.
- **Day centre for Adults with Learning Disabilities:** Work is underway to build a new, fit-for-purpose Resource Centre building in Coburg Crescent which will release two other existing Day Centre sites. This will allow the council to deliver a higher quality and more joined up standard of care and a more personalised approach to meet the complex needs of an increased number of service users. The centre will be able to offer a wider range of activities and also enable the development of an 8 bedded respite unit which will meet both the needs of vulnerable service users and also support their carers. The project will mean that eventual annual revenue savings of £1.1m will be made across establishment running costs and transport budgets as well as respite care.
- **Myatt's Field North estate regeneration:** This PFI scheme is part-way through a 5 year construction and refurbishment programme. The result of a close partnership between the council, local residents and Regenter, the project will deliver 808 new homes and refurbish 172 more, along with new streets, play areas and a community centre. Following construction and refurbishment, Regenter will manage all the council houses and community spaces for 20 years.

  Regenter aims to employ local residents for 50% of the jobs on the project. They are offering training opportunities with positions as management trainees, apprenticeships and mentoring placements with consortium partners.
- **New Homes Bonus:** £2.9m of funding was secured through the New Homes Bonus. A programme of small scale capital projects was agreed for the borough's 6 town centres including Waterloo which will be implemented in partnership with the Business Improvement Districts ("BiDS").
- **Housing investment within the HRA:** The Housing capital programme is primarily managed by Lambeth Living with the exception of Private Sector Housing and disabled facilities grant funded schemes. The investment for 2014/15 is budgeted at £99.7m with the primary object being to bring the Borough's dwellings up to the Lambeth Housing Standard (LHS) which is above the Decent Homes Standard. Within the £99.7m budget, approximately £59m is targeted directly at the Lambeth Housing Standard (LHS), with other amounts covering Long Cycle Voids (£3m), Technical Services (£22m),

6. FINANCE

6.1 This report is all about the Council's financial position and the implications of this for service planning and delivery. Accordingly no further comment is required.

7. LEGAL AND DEMOCRACY

7.1 The Council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the Council's financial position. In implementing the Council's financial strategy for 2014/15 and subsequent years, members will need to balance the proposed level of expenditure in discretionary areas of service provision against that required to ensure that the Council complies with its statutory duties.

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

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

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

7.5 In considering the advice of officers, and the weight to be attached to that advice, members should have regard to the personal duties placed upon the Strategic Director of Enabling as Chief Financial Officer. The Chief Financial Officer is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. In the event that the Council's overall financial position worsens considerably during the remainder of 2014/15, the SDE will need to have regard to the statutory obligations which are placed on him personally when deciding on any particular actions to be recommended to Members to address his concerns.

7.6 Notice of the intention to make a key decision was published on the Forward Plan on 3 October 2014 so that 28 day's notice has been given. In addition the report will be published five days before the decision is taken and will be subject to call if for five days after the notice of the decision has been published.

8. CONSULTATION AND CO-PRODUCTION

8.1 The proposals being brought forward within this report have drawn on evidence, benchmarking and best practice utilising a range of quantitative (such as the residents survey) and qualitative (in-depth interviews undertaken by residents acting as peer researchers) citizen-focussed inputs. We have been clear about communicating with our citizens the scales of the challenge we face and our strategic response to that challenge though targeted communications, and messages.

8.2 Many of the proposals contained in Appendix 2 of this report are at a very early stage of development. We will take all opportunities to work together with users, citizens, providers, partners and other stakeholders to coproduce solutions which both can be delivered within the resource we have available and which best meet the aspirations of our local communities. Where specific proposals give rise to the need for formal consultation then due consultation process will be followed in the period between publication of this report and the February budget setting report.

9. RISK MANAGEMENT

9.1 None for the purposes of this report, although risk management is built into the budget process.

10. EQUALITIES IMPACT ASSESSMENT

10.1 The political administration's vision is *Ambition and fairness for all*. This means that although our political leaders will need to make tough decisions, we need to make sure that we are continuing to protect those who need it most.

10.2 To understand the potential impact of the council's budget decisions equality analysis has been undertaken in relation to each individual new proposal in Appendix 2. To demonstrate the equality is a key part of our approach to resource allocation this year, for the first time, the equality analysis has been conducted as part of proposal development and not as a separate document. The equality analysis for each proposal includes a consideration of equalities relevance, likely equalities impact, mitigations and justification. Some proposals are at a very early stage of development and so it is not yet possible to say what the likely equalities implications may be. Equality analysis will be undertaken in relation to these proposals over the winter.

10.3 Some of the proposals relate to staffing restructures. If agreed, these proposals will follow the equalities impact assessment process relating to staffing restructures so the equalities impacts on staff can be managed appropriately.

10.4 The equality analysis for individual proposals will be considered by the Council's Corporate EIA panel on 3 December 2014, and the lead member for equalities, the Deputy Leader (Policy), Councillor Imogen Walker, will provide an update as part of the presentation of this report to ensure the feedback relating to equalities is given weight in the cabinet discussion and decision relating to this report.

10.5 Further equality analysis is planned over the winter which will look at the potential equalities impact of any additional proposals. As with the proposals presented as part of this cabinet report, the equalities analysis will be an integral part of proposal development. Ahead of the budget being set, a cumulative impact will consider the likely impact of all the proposals when taken together.

10.6 This will be discussed by the Overview and Scrutiny Committee on 21 January 2015 and the Corporate EIA panel to ensure a sufficient level of challenge.

11. COMMUNITY SAFETY

11.1 None for the purpose of this report, although the impact of particular proposals on community safety will be considered as part of Resource Allocation.

12. ORGANISATIONAL IMPLICATIONS

Environmental implications

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

Staffing and accommodation implications:

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

12. TIMETABLE FOR IMPLEMENTATION

12.1 Subject to agreement by Cabinet, the proposals contained in this report would be implemented in the 2015/16 financial year onwards.

12.2 If necessary, Cabinet will reconsider the matters covered by this report in the context of the February 2015 budget report as appropriate.

12.3 Within these over-arching deadlines, it will be the responsibility of the cluster(s) concerned to establish an appropriate timetable for the delivery of the item(s) which concern them.

Audit trail				
Consultation				
Name/Position	**Lambeth cluster/division or partner**	**Date Sent**	**Date Received**	**Comments in para:**
Guy Ware, Strategic Director	Enabling	Various	Various	Throughout
Christina Thompson, Director for Integrated Support	Enabling/ Integrated Support	Various	Various	Throughout
Katy Shaw, Democratic Services	Enabling/ Corporate Affairs	25.11.14	26.11.14	Throughout
Operations Board		25.11.14	26.11.14	Throughout
Councillor Paul McGlone	Cabinet Member for Finance & Resources	Various	Various	Throughout

Report history	
Original discussion with Cabinet Member	20.11.14
Report deadline	27.11.14 (Cabinet)
Date final report sent	28.11.14
Report no.	111/14-15
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	03.10.14
Key decision reasons	1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework
Background information Revenue & Capital Budget 2014/15 – Provisional Budget Strategy 2015/16 – 2016/17 Report to Council – 26 February 2014 Financial Planning Report – Allocating Resources to Outcomes Report to Council 23 July 2014	 http://comp-ap-75:8071/documents/s63812/05%2001a%2031-01-14%20Draft%20Budget%20Report.pdf http://comp-ap-75:8071/documents/s67605/06b%20Financial%20Planning%20Allocating%20Resources%20to%20Outcomes.pdf
Appendices	• Appendix 1 – Activities and budgets under each of the Outcome Panels • Appendix 2 – Commissioning Proposals and Revised Savings • Appendix 3 – Virements to the three year CIP since the July FPR 2014 • Appendix 4 – 3 Year Capital Investment Programme 2014/15 to 2016/17 at 30/09/14 • Appendix 5 – Financing of the 3 year CIP 2014/15 – 2016/17 at 30/09/14