Cabinet

27 July 2015

Financial Planning Report

Wards: All

Report Authorised by: Strategic Director Enabling: Guy Ware

Portfolio: Deputy Leader (Finance & Investment): Councillor Paul McGlone

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Report summary

1.1 The picture for local government funding is one of continuing austerity and uncertainty. The Government is continuing the policy of having no deficit by 2019/20. This means that spending cannot exceed receipts by this point. The current spending on the public sector is about 42% of Gross Domestic Product (GDP) whilst receipts are at 36% of GDP. The Government has committed to protect certain areas of expenditure which means that a small part of public expenditure has borne most of the effort to reduce the deficit, local government being a major area. Indeed on the current trajectory of cuts in Government funding the revenue support grant that supports local government expenditure will have completely gone by 2020.

1.2 The Council's February Budget report put forward a series of proposals to reduce expenditure by £35m in 2015/16 and £37m in 2016/17 in order to balance the budget. Delivery of these savings poses a significant challenge and carries a high level of risk.

1.3 We now anticipate a need for further savings between a range of £49m to £75m with a central case estimate of £62m by 2018/19 that we need to plan for, which brings total savings of £238m since 2010. This is as the result of:

- A 56% cut in core funding from Government; which ignores;
- Inflation and increasing demand; and,
- The transfer of risk from central government such as business rates and council tax support.

1.4 In light of the above, we are working to define a new Community Plan for 2016, which will set out the Council's strategy for 2016 to 2020 and will be integrated with our financial planning. This will allow us to set new resource envelopes for investment in the plan in the February 2016 budget report.

1.5 There is continued growth in our Council Tax income as a result of housing development within the borough and the forecast is for this to continue over the coming years. The plan assumes this increase in the base number of properties plus rises in council tax of 1.99% per annum. At the same time we are ensuring that those on the lowest incomes get discounts through the local Council Tax Support scheme agreed in 2014/15 and we are going to consult on any changes we need to make sure it is achieving its key objectives.

1.6 The HRA continues to build up its general reserves and to deliver the remaining planned Lambeth Housing Standard (LHS) Capital Programme. Whilst there is adequate headroom to borrow further in order to fund the planned LHS Capital programme the HRA finds itself with uncertainties over what level of borrowing will be affordable within its revenue budgets. Changes to welfare reform will also impact on income collection rates as tenants' ability to pay worsens. Inflation on contracts is higher than the inflationary increases for social rents which places further pressure on the HRA. Efficiencies will be sought within existing revenue budgets whilst continuing to deliver and maintain services alongside delivering the LHS Capital programme. The impact of the change to social housing rents announced in the Summer Budget will need to be considered as part of the refresh of the HRA Business Plan.

1.7 We will be investing £328m through the Capital Investment Programme over the next 3 years and have already identified a further £99m of investment need over and above that. In addition, initial modelling of future infrastructure needs across the borough suggest over £370m further investment will be needed in the 15 years from 2017 to 2032.

1.8 Development income (Community Infrastructure Levy and s106) will need to be the council's main source of funding to meet these investment needs as capital receipts from rationalisation of the council's existing asset base are now dwindling and future external grant funding is uncertain. While the significant growth and development underway particularly in the north of the Borough should open up opportunities, the Council will need to be rigorous in its investment choices to ensure it secures future outcomes at significantly lower associated revenue cost.

Finance summary

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

Recommendations

That Cabinet:

(1) To re-affirm the Council's commitment to delivering the agreed revenue savings planned for 2015/16 (£35.4m savings) and 2016/17 – 2017/18 (£36.8m savings) as set out in paragraph 2.1.

(2) To approve the amendment of the 2015/16 cash limit from £291.068m to £290.886m set out in paragraphs 2.13– 2.17.

(3) To approve the revenue virements set out in paragraphs 4.32 – 4.38.

(4) To approve the basis for consulting on Lambeth's proposed 2016/17 localised council tax support scheme.

(5) To note the 2014/15 General Fund outturn of £316.12m against a budget of £314.83m.

(6) To note the key revenue risks for 2015/16 as set out in paragraph 4.22 onwards.

(7) To note the balanced outturn for the 2014/15 HRA.

(8) To note the capital investment outturn of £178.3m against the 2014/15 budget of £211.3m as detailed in paragraphs 5.8 – 5.11.

(9) To note the commitment to include £6m in the capital investment pipeline for Brixton Recreation Centre in paragraph 5.15.

(10) To note the capital virements agreed under delegated authority as set out in Appendix 5.

(11) To note the changes to the Capital Investment Programme for 2015/16 as set out in paragraphs 5.16 – 5.21.

(12) To note the proposed three year Capital Investment Programme for the period 2015/6 to 2017/18 of £327.8m as described in paragraph 5.20 and summarised in Appendix 2.

2. RESOURCE ALLOCATION

Revenue funding deficit 2016/17 to 2018/19

2.1 The February report set out a three year savings target of £90.4m for the period 2015/16 to 2017/18. The savings agreed in the February budget report balanced the budget for 2015/16 and 2016/17 with a remaining shortfall in 2017/18 of £18.2m. Based on the information in the March 2015 budget and included in the Conservative manifesto, there has been a consistent use of a savings target for unprotected services of £13bn, the same figure on which the projections for later years in the £90.4m total was based. As such this is still the baseline position from which to calculate an extended deficit up to 2018/19.

	2015/16 £'m	2016/17 £'m	2017/18 £'m	Total £'m
Funding Deficit	**(37.8)**	**(25.7)**	**(26.9)**	**(90.4)**
Identified Savings	35.4	33.5	3.3	72.2
Remaining Deficit	**(2.4)**	**7.8**	**(23.6)**	**(18.2)**

2.2 To arrive at the new funding deficit for 2016/17 – 2018/19 we have rolled our modelling forward an additional year and made some amendments to the existing figures for 2016/17 and 2017/18. Our current assumptions add an additional £24m - £30m to the funding deficit for 2018/19 based on the limited information that we currently have available from the Summer Budget which increased the total departmental savings target to £20bn over the parliament. We expect to get more detailed information in the autumn Spending Review which should set out individual departmental savings.

2.3 Additional pressures have been identified in the 2015/16 budget and will effectively add to the funding deficit in 2016/17. There are a number of previously identified pressures that are being dealt with through contingent sums set aside for those purposes. Further details of these sums can be found in the virements section of this report in paragraphs 4.32 – 4.38.

2.4 There are new pressures on the 2015/16 budgets such as the costs associated with the implementation of the recommendations of the Winterbourne View judgement, affecting Adult Social Care placement costs, and the cost of implementing the London Living Wage in adult social care contracts. The projected total impact of these pressures is in the range of £5m to £8m.

2.5 In addition to the Living Wage implementation pressures outlined above, there may be a further impact dependent on whether similar terms are agreed across other major contracts, such as waste collection and street cleansing, other elements of Adult Care, leisure services etc. No decision has been taken around this as yet, but the impact of this could be up to £7m.

2.6 Finally there is a potential issue around the non-delivery of agreed 2015/16 savings. Currently there are £12m of savings flagged as at risk in year, which is the worst case scenario. We would however expect that the bulk of these savings will be delivered, but there is likely to be a degree of slippage that would need to be managed. The only currently identified on-going risk is £2m relating to the savings around Children's Services, but this is still not certain. There are likely to be further risks of non-delivery of savings across the rest of the planning period which will be identified as they get nearer to being delivered.

2.7 The total impact of the above additional savings and pressures is as follows:

	Min £'m	Estimate £'m	Max £'m
Deficit per February budget	18	18	18
New 2018/19 savings	24	27	30
Additional pressures	5	6	8
Living wage	0	4	7
Savings non-delivery	2	7	12
Total	**49**	**62**	**75**

2.8 When these figures are applied to the original savings position as per paragraph 2.1, the revised position is as follows:

	2016/17 £'m	2017/18 £'m	2018/19 £'m	Total £'m
Funding Deficit	**(28.1)**	**(26.9)**	**-**	**(55.0)**
Identified Savings	33.5	3.3	-	36.8
New Pressures	(5.4)	(11.6)	(27.0)	(44.0)
Remaining Deficit	**-**	**(35.2)**	**(27.0)**	**(62.2)**

The funding deficit figure for 2016/17 includes the £2.4m planned deficit from 2015/16.

Managing Change and Transformation

2.9 The delivery of the savings proposals will require strong programme and project management. Many of the proposals requires large change within the council and transformation of services. In order to manage the risks we are Improving the council's capacity and capability to implement change. The emphasis here will be to make better use of existing project and programme management capacity and expertise and subsequently develop our capabilities to meet future demands. In addition we are ensuring that there is improved strategic management and control of the programmes and projects that will give assurance that programmes and projects are being successfully implemented and deliver on our community plan outcomes.

Development of the Resource Allocation Process

2.10 The Council is committed to making sure that our financial resources are invested in the things that will help us to achieve the outcomes set out in our Community Plan. To this end, in 2014/15 we developed an approach called Outcomes Based Budgeting which organises budgets around outcomes rather than departmental services. In the face of challenging budget cuts, this approach has helped us to focus on making the most of what we have, and to invest in early intervention, prevention, and to assess equalities impacts throughout the process.

2.11 We have agreed the budget for 2015/16 and 2016/17. However, the new government has made it clear that it intends to eliminate the deficit by 2019/20, which will mean further difficult decisions for Lambeth, particularly in the context of having planned for £238m of savings since 2010. We need to start working now to look at how we can continue to achieve our outcomes by working with partners and citizens, and developing innovative solutions.

2.12 We are working to develop our new Community Plan, which will set out the Council's strategy from 2016 to 2020. The borough is changing rapidly, and our role within it is changing. We need to work with partners and residents to understand how we influence that change and harness the benefits of growth for all our communities.

Changes to In-year Cash Limit

2.13 Following the setting of the 2015/16 cash limit in the February budget report at £291.068m, a number of issues have arisen that mean we need to amend this figure. The first of these changes was an amendment to the Settlement Funding Assessment (SFA) which was made at the start of February, but too late to get into the February budget report. This was to reflect the additional £74m that was added into the overall settlement for discretionary welfare spend of which the Lambeth element was £744k. In reality this is not new money, but partially replacing a different income stream that was removed for 2015/16.

2.14 Secondly, there are a couple of minor adjustments to the New Homes Bonus (NHB) (increase of £74k) and s31 grant for the 2% Business Rates inflation cap (reduction of £130k) as a result of the Council budget being set before we had final figures and having to initially use estimates.

2.15 Finally, there is a need to reduce the currently budgeted amount for business rates due to a revision to prior year information which has increased the deficit position. The difference between the original and revised positions needs to be reflected in 2015/16 and has the effect of reducing the budgeted retained share of business rates by £870k.

2.16 The combined impact of the above adjustments is as follows:

Funding Source	**Amount £'000**
Settlement Funding Assessment	744
Business Rates Local Share	(870)
New Homes Bonus	74
2% Inflationary Cap – s31 Grant	(130)
Total	**(182)**

2.17 The relatively minor overall adjustment of £182k will reduce the overall cash limit to £290.886m. This will be managed within contingent sum held within the Corporate Items budgets.

Council Tax Base

2.18 The Council revised its assumptions for growth in the Council Tax base for 2015/16 and 2016/17, (i.e. factors that increase the forecast for the number of Band D properties, not the actual Council Tax rate) and we have now rolled these assumptions forward to 2017/18 and 2018/19.

2.19 The revised assumptions take into account factors such as housing developments within the borough, improved collection rates (including those for Council Tax Support recipients) and also reductions in the level of anticipated discretionary discounts awarded to eligible residents.

Business Rates Retention Risks

2.20 As a result of the business rates retention scheme, the Council now retains 30% of its local rates and therefore any growth or loss on that share will be borne by the Council. Combined with this is the fact that the Council is responsible for the backdated costs of successful rate appeals.

2.21 As a result of these issues there is a significant degree of pressure on Council budgets arising out of two particular situations. Firstly, there is still a significant backlog of outstanding appeals. Based on the success rate of previously settled appeals, we have had to increase our already substantial provision against this in closing the 2014/15 collection fund accounts which has meant that we will see an increased deficit on the fund that will not impact on the revenue budget until 2016/17 due to the way in which the accounting for this works. This will be a one-off impact, but will cause a pressure in that year.

2.22 In addition to the one-off impact of paying back prior-year overpayments covered by the provision, there is also an on-going reduction in the business rates baseline as a result of downwards revaluation, 30% of which will fall on the council. We are still calculating the impact of this, but we would expect to see some level of reduction.

2.23 The other big issue relating to rates is the redevelopment of the Shell Centre. The objections to the scheme lodged with the Court of Appeal have been rejected, so we would expect to see work on the development begin soon. In the long run there should be significant benefits from the project, (in terms of business rates and council tax), but for the projected three years of construction the site will go out of rating and there will be a significant impact on the business rates take and therefore on the revenue budget.

2.24 We have reflected part of the impact of this in setting the 2015/16 budget, but we will need to reflect the remainder in the ensuing years. We are currently modelling what the impact of this will be and also when we would expect to start seeing benefits in the future.

Cooperative Investment Fund

2.25 The February budget report set out the current position of the Cooperative Investment Fund (CIF) and the proposed calls to be made on it. These figures have been subsequently updated to take account of the final year end position for each project and where carry forwards have been agreed, as well as reflecting new decisions taken during the intervening period.

2.26 During 2014/15 the CIF funded 24 active standalone projects, with 14 of those concluding during the year and 10 continuing into 2015/16. In addition the fund continues to support transformation activity as set out under the 2013/14 outcomes based budgeting process.

2.27 The projects concluded in 2014/15 realised a number of significant successes. The **Good Gym** project saw a community of runners realise their objective of doing good through running to keep fit. In 2014 over a thousand runs were made with runners participating in community activities at the end of the run. The project hopes to surpass two thousand by the end of 2015. In addition 25 runners were paired with referred older people to help them be more independent and feel less isolated by visiting and doing things for them.

2.28 2014/15 also saw the successful establishment of the **Lambeth Food Partnership** and the publication of the **Lambeth Food Strategy**. On the back of this the community led partnership won £600,000 of inward investment for a Lambeth Flagship Food Programme. The **Makerhood** project has established a membership network of small craft businesses in Lambeth and over the year has developed a platform for increased business development and linkages into the local economy. As part of its work with an AHRC research project it has been able to generate a small revenue stream from consultancy services.

2.29 The establishment of the **Impact Hub**, a co-working space for Lambeth residents offering desk and meeting space and a platform for access to business support and learning, continued to go from strength to strength. By the end of the year the hub had signed up 95 members and delivered over 250 learning and networking events, benefiting over 3,150 attendees and over 1,000 unique businesses. The Hub has proved sustainable and its move to POP Brixton will allow it to further grow its success.

2.30 Finally a number of projects have been funded to help the council find new and innovative ways of working more productively and cost effectively. One such example is the establishment of LAMCO – the independent local authority trading arm for Lambeth's Communications team. A small team has developed the LAMCO business strategy, successfully bid for 7 contracts in other local authorities, created 4 new positions with the team and supported 2 social enterprises on a pro bono basis.

2.31 The table below shows the updated position of the CIF reserve taking account of those changes. There is also a line for those bids provisionally agreed that still have to be formally agreed by the panel. At present there are no schemes agreed beyond 2017/18.

	2015/16 £000	**2016/17 £000**	**2017/18 £000**
Opening Position	**7,687**	**1,973**	**948**
Existing calls on fund - projects	(682)	(17)	-
Existing repayments to fund	97	52	50
OBB related calls on fund approved	(4,334)	(700)	-
Provisional calls on the fund	(795)	(360)	-
Carried Forward Balance	**1,973**	**948**	**998**

2.32 To address the previously recognised shortfall in the reserve, a top-up was made at the end of 2014/15 of £2.7m. This top-up funds all existing agreed and provisionally agreed schemes within the CIF and give scope for projects to be agreed in the future.

2.33 It should be noted however, that whilst there is funding available, it is significantly lower than that which has been awarded in previous years to support implementation of savings proposals. Any change to new savings proposed in future would have to take this into account and so would need to be delivered with minimal additional investment and be implemented in full from the start of a given year rather than being delivered part-way though.

3. CONTEXT & ECONOMIC OUTLOOK

Context & Outlook

3.1 The Government's March 2015 Budget outlined plans to reduce the national deficit by making further cuts in 2016/17 and 2017/18, with spending becoming flat in 2018/19. Following the General Election in May 2015, the Government announced its Summer Budget on 8 July 2015 with a Spending Review in the autumn which would give a more detailed breakdown of what is announced.

3.2 There were £13bn of announced savings in the March 2015 Budget for non-protected departments to be made across 2016/17 and 2017/18. This figure has been in the planning assumptions for some time and is the basis of the calculations that underpinned the council's £90m target for 2015/16 – 2017/18. These cuts are part of the total £30bn savings that need to be made across the board with the balance made up from £12bn of welfare savings and £5bn from tax avoidance and evasion measures. If either of these latter two figures are not achieved, or if Government growth forecasts are not achieved and the deficit is not cleared in line with expectations, the balance will most likely be added to £13bn target figure.

3.3 In the Summer Budget 2015, it was announced that the total consolidation measures still required over the parliament, (to 2019/20) would total £37bn and there was a confirmation of the £12bn for welfare and £5bn for tax avoidance and evasion. This therefore means that the remaining figure of £20bn would have to be delivered through service cuts. There was no detail provided on how these cuts would be delivered, stating only that 'In the autumn, the government will set out plans to deliver the remaining £20 billion of consolidation measures required to achieve the surplus following a rigorous Spending Review process'.

3.4 The bulk of the information in the Summer Budget was related to the £12bn cuts in welfare, with total proposals put forward that meet that figure, (and likewise the £5bn for tax avoidance and evasion), so at this stage we are not forecasting any additional risk of non-delivery, increasing departmental savings. The changes to welfare will significantly reduce the level of support for some of our more vulnerable residents. The Cabinet Sub-Group on Financial Resilience will examine the impact of these changes with a view to providing support where possible to help to mitigate the potential impacts.

3.5 Prior to the Budget, there was an indication from the Chancellor that an element of the savings will be brought forward into 2015/16 and have to be cut in-year. It appears that they will not re-open the Local Government Finance Settlement in-year and that the £230m of savings attributable to the DCLG is being made as departmental savings and is not part of the Local Government allocation, but there is still a risk of specific grant funding being reduced as happened in 2010 following the last General Election. We assume that any such cuts will be further detailed in the forthcoming Spending Review. It has also been announced that there will be an in-year £200m cut in the Public Health grant, which, based on a straight pro-rating nationally, would be in the region of £2m for Lambeth. The timing of this has yet to be announced.

3.6 It should be noted that where spend is supported by specific grant resources that it should be regularly reviewed to ensure that any reduction in grant allocation can be managed in a structured manner. In the case of any potential in-year cuts, this review would have to be rapidly undertaken to ensure services can be delivered without generating in-year overspends.

3.7 In the absence of any indicative figures, our assumptions were that the £13bn savings would be apportioned in the same way as previous savings, both in terms of the split across non-protected services and within Local Government itself. Now that there is a majority Government, there is a risk that this apportionment could be amended in line with the Government's priorities. Although there is no information available until the Spending Review, the Budget announced additional funding for defence, (a previously unprotected department), which is likely to increase the Council's share of the savings. For now we have not made any changes but will review the position post Spending Review.

3.8 Beyond the £13bn, we can now see that there is a further £7bn of savings to be delivered across the remainder of the parliament. On top of this, there will still be demand and inflationary cost pressures acting on the budget, so there will be a need for further savings. Our current estimate for 2018/19 is in the range of £24m - £30m of additional savings.

3.9 Recent analysis by the LGA has suggested funding projections over the 2016/17 to 2018/19 period slightly lower than our local assumptions around funding reductions. Allowing for the fact that we would expect our position in London to be worse than the national average that they are showing, our assumptions are broadly similar, but their figures show deeper cuts in 2016/17 balancing out in later years. They also project an increase in funding in 2019/20 of 7.1% which we consider unrealistic, but will monitor as we get more information.

3.10 The Summer Budget 2015 announced a 1% cap on public sector pay awards for the next four years. The current budget modelling contains contingent sums set aside sufficient to cover such an award and this does not therefore impact further on the revised funding deficit position shown above.

Emerging Issues and Risks in Local Government Finance

Business Rates Reform

3.11 In April 2014, HM Treasury announced a review to discuss the administration of Business Rates in England with a mind to reforming the current system after April 2017 when the next revaluation of rateable values is planned.

3.12 The Government invited discussion on how properties are fundamentally valued, with a view to creating a simpler and fairer system, a consultation that we have contributed to. At present, the responses are being collated and reviewed, so there is no further information at this stage, but there is a risk that any changes could have an adverse impact on Lambeth.

3.13 On top of the current consultation, there have been a number of calls for further local devolution of business rates to local government, on top of the 50% that already exists. Whilst there is clearly scope to generate additional resources by growing the local business rates baseline, this would magnify the risks of losses and the impact of appeals. For example, in Lambeth we are already expecting a significant reduction in our local share as a result of the

Shell Centre going out of rating as it is redeveloped. This impact would be magnified if any increase in the percentage of the local share was introduced.

New Homes Bonus

3.14 Following the General Election, it would now seem that there is no longer an immediate threat of the New Homes Bonus scheme being ended, (something that might have negatively impacted on Lambeth as a net beneficiary of the scheme).

3.15 It should however be noted that there is a drive for early delivery of the announced £13bn, (now £20bn post Summer Budget), of departmental savings, and that although it has been confirmed that the Local Government settlement will not be re-opened in year, other sources of funding such as this could well be viewed as available for further cuts.

3.16 The majority of the funding for NHB is topsliced from the core allocation for Local Government, but there is a £250m Central Government contribution to the scheme to fund the initial element of the cost. This element could be seen as particularly at risk as it was effectively additional money to Council's at the time of the scheme's creation.

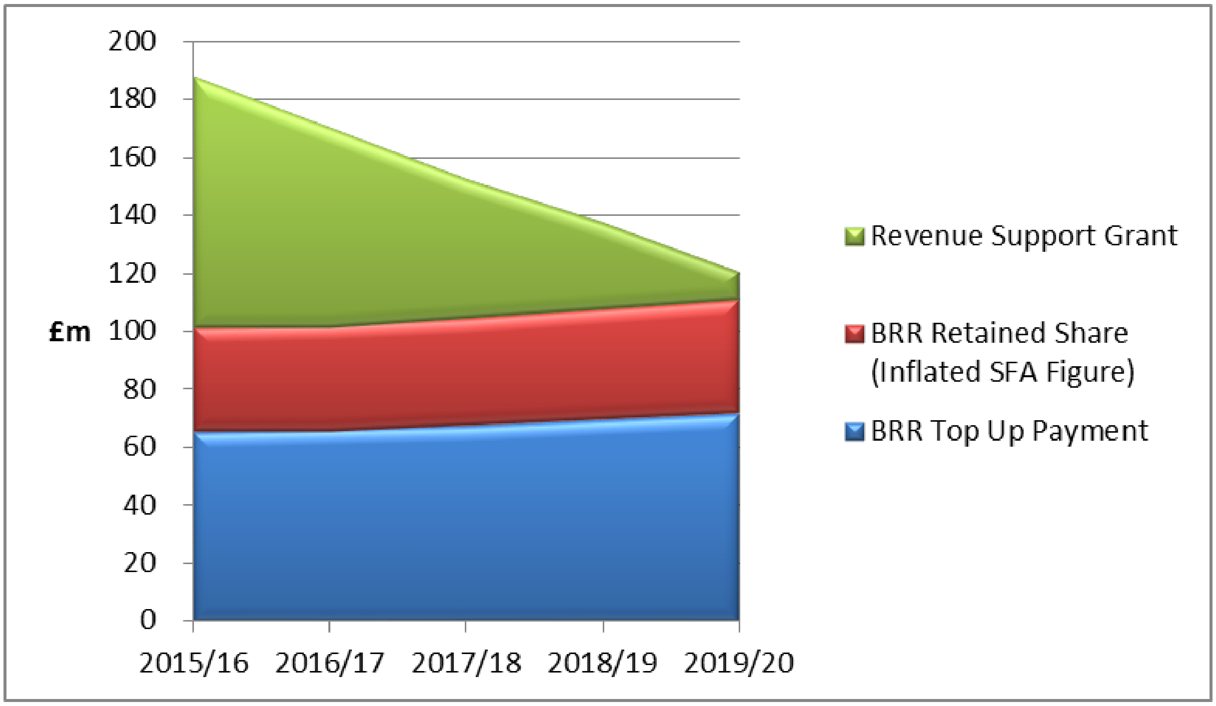
3.17 It should be noted that NHB forms part of the Council's baseline funding and underpins the overall revenue budget. The only element that relates to specific new projects is that which is topsliced by the GLA and then handed to authorities to fund agreed projects. There is no confirmation of what will happen to this topslice beyond 2015/16 as there is currently no projection that it will continue, but it could therefore well be a further element of the grant that is at risk.

Revenue Support Grant within the Settlement Funding Assessment

3.18 The Settlement Funding Assessment is made up of three component elements, the localised share of business rates collection, the business rates top-up, (or tariff for some authorities) and a notional Revenue Support Grant line. When reductions are made, the SFA is cut at its baseline amount, but within that the business rates lines are inflated by the previous September's RPI figure, meaning that the RSG line is effectively a balancing figure from where all cuts are removed.

3.19 As the overall SFA gets cut and the elements for business rates slowly rise for inflation, the RSG line is slowly dwindling away and will get to a point where it ceases to exist beyond which there is no further way for the Government to reduce funding under the current methodology. The only way round this within the current funding system is for other sources of funding to be rolled into SFA and therefore increase the quantum of the available grant that can be reduced and therefore putting pressure on those previously ring fenced sources of funding. Beyond this, the Government would have to revise the system around retained business rates to be able to make further cuts.

3.20 Based on our current estimate, and rolling the current level of reductions forward into 2019/20, the movement in the SFA looks as follows:



3.21 The above graph shows expected remaining RSG within the SFA of approximately £30m in 2018/19 and at the current rate of reduction this will reduce to virtually nothing in 2019/20.

3.22 It should also be noted that within that total remaining amount are both the elements of rolled in funding that Government have claimed to have been protected within the overall envelope of the SFA, (Council Tax Support, Council Tax Freeze Grant etc.) and those that were rolled in with a fixed rate of reduction such as the Early Intervention Grant. In reality these have only been protected in the most notional of senses as the total cut to SFA is applied at the bottom line, but by 2018/19 it will be apparent that the total remaining grant is less than those supposedly protected elements.

Council Tax Support Scheme

3.23 In April 2013, council tax benefit was replaced by a local council tax reduction scheme. People who are entitled to council tax reduction get money off their council tax bills. Under the old council tax benefit scheme the council received 100% grant from the government to cover the cost of the scheme. However, this was reduced by 12% in 2013/14 which resulted in a significant shortfall in funding.

3.24 Lambeth introduced its local council tax support (CTS) scheme in April 2013 following extensive consultation in 2012 based on the principles that:

- Lambeth will protect certain vulnerable claimants;
- Lambeth will protect those impacted by the overall benefits cap;
- Lambeth may continue to limit the maximum support available;
- Lambeth will ensure those who are better off contribute more to their council tax payment;
- Lambeth will reduce complexity in its local scheme; and,

- Lambeth's scheme will incentivise work.

3.25 Lambeth's local council tax support scheme has proven successful in supporting our most vulnerable residents.The key features of which offer additional protection to:

- Pensioners;
- All disabled people;
- Carers;
- Families affected by the overall benefits cap; and,
- War widows and widowers.

3.26 Lambeth's scheme is unique in London in providing protection from a reduction in CTS to this whole group of vulnerable residents. Residents of pension age are automatically protected from any changes to the levels of CTS they receive by law. The table below sets out the current numbers in each group and the cost of the protected groups, which are redistributed across the 13,000 non-protected working age CTS claimants.

CTS Protected Group	Number of Households	CTS Spend (£'000)	Cost of protected groups (£'000)
Benefits Cap	289	272	43
Disabled residents	5,282	4,596	729
Carers	1,009	947	150
War Widows	9	8	1
Pensioners	9,865	8,187	1,299
CTS non protected groups			
Working age	13,398	9,166	0
Total	**29,852**	**23,176**	**2,222**

Future Proposal

3.27 In August 2015, Lambeth proposes to consult residents on the existing local council tax scheme. The reasons for this are to firstly ensure that the local scheme continues to support the strategic priorities of the council, that finite resources are directed to those most in need as well as make some technical adjustments to take account of the introduction of universal credit.

3.28 In addition, the council would like to increase the number of protected groups to include families subject to the removal of Spare Room Subsidy ('bedroom tax') as part of their housing benefit award. This is to ensure CTS is consistent with our broader approach to welfare reform and in particular our discretionary housing payment (DHP) policy.

3.29 The impact is that a further 373 households would receive a CTS discount at the levels of the previous council tax benefit scheme. The cost resulting from this change is forecast at £57k. If the cost of protection was to be spread across the non-protected working age CTS claimants it would increase their contribution by 0.53% from 15.86% to 16.39%. The additional weekly cost for unprotected households would be 12 pence a week.

3.30 For context, 16.39% is still lower than the minimum contribution built in to many other schemes. Currently 250 local authorities in England and Wales have a scheme with a minimum contribution with 129 schemes having a minimum contribution of 20% or more.

3.31 The government reduced Lambeth's funding for CTS by 12% and subsequently rolled up the CTS grant into the council's overall SFA, and is now subject to the same reductions as set out elsewhere in this report. The council, due to significant financial pressure is not able to meet the funding gap and is not consulting on this element of the CTS scheme.

3.32 The equalities impact of the change to the scheme is expected to mirror that of the original EIA with all residents without protected characteristics sharing the burden equally. A full EIA on the cohort receiving protection through the change as well as those who will meet the cost of this is now underway.

CTS Consultation

3.33 It is worth noting that at this point, that any approach to consultation which is agreed will need to adhere to the learning emerging from recent case law in this area, namely:

- Consultation must be undertaken at a time when proposals are still at a formative stage;
- It must include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response;
- Adequate time must be given for this purpose; and,
- The product of consultation must be conscientiously taken into account when the ultimate decision is taken.

3.34 Learning from the Haringey Judicial Review[1] given on 29 October 2014, it is key that the council is clear and transparent about the options open to it and the reasons why some may have been rejected. We will need to explain what options we considered but rejected and explain our reasons for doing so as part of the consultation pack. This will include options for funding the additional protection. We also will need to seek resident's views on the change we are recommending and give them the opportunity to comment on the proposals.

Public Health

3.35 In advance of the July Budget, it has been announced that there will be some in-year savings across a number of Government departments. There is a total of £200m earmarked as savings against Department of Health Non NHS spend, which has subsequently been confirmed to be a reduction in the Public Health grant.

3.36 The current Public Health allocation for Lambeth is £26.5m, (with an additional £1.4m from the CCG) and, based on pro-rating the national reduction on the grant received, we would expect to see a reduction in the region of £2m in-year to our allocation. Alternatively the government may use a method of apportionment that impacts those authorities that are allocated more grant than their 'target', which is derived from a needs based formula. As Lambeth is below its

[1] R (on the application of Moseley (in substitution of Sterling Deceased)) (Appellant) v London Borough of Haringey (Respondent) [2014]UKSC 56

target allocation, if this method were to be utilised it may result in a lower reduction. In either instance however, there is likely to be a significant in-year pressure for 2015/16. Of the total public health grant, a significant sum is spent on mainstream NHS services. This gives rise to two difficulties; these are open access, demand-led services so the council cannot use any of the normal mechanisms for managing access to services; and the price paid to local hospitals for those services (known as the tariff) is set by the NHS. The tariff is set with the intention of ensuring that hospitals are financially sustainable. There is also Public Health funding held nationally which may contribute to the overall saving and reduce the amount that impacts Councils.

3.37 This potential reduction in funding is a significant issue for the Council because we are about to agree contracts for funding in 2015/16 which will formally commit us to funding service costs and are already contractually committed to the provision of services in-year. As a result, as soon as any in-year reduction is confirmed, plans will rapidly need to be put into place to ensure that this saving can be delivered and that we do not enter into any contract that would no longer be affordable.

Health Integration

3.38 Savings of £20m in Adult Social Care from the integration of Health and Social Care services were agreed as part of the 2016/17 budget proposals. The integration project is a complex area requiring the redesign of services with a number of partner organisations in the system with potential benefits in terms of the outcomes that can be achieved for clients and patients. It is also seen as an area that could provide significant cost savings across the Health and Social Care system through more efficient service delivery. The opportunities for integration are being explored and developed at present and there are risks that savings may not be achieved on the scale currently anticipated or could be delayed. These risks are primarily due to the scale of the change that is required and the complexity of implementation. As the new Health and Social care delivery models become more developed the expected savings will be modelled and compared to anticipated savings. The current timeline for the new care delivery models is for development during the current financial year with implementation occurring during 2016/17.

Deprivation of Liberty

3.39 A Supreme Court Judgement in March 2014 increased the number of people that would use the Deprivation of Liberty Safeguards and increased the likelihood of the Council making applications to the Court of Protection in regard to deprivations of liberty that fall outside of the Deprivation of Liberty Safeguards. Initial estimates of the impact to Lambeth of the extra activity indicated increased on-going costs of approximately £340k per annum. £160k of funding has been made available to Lambeth from central government and therefore there is a risk of a shortfall between increased costs and the funding received. Actual increased activity resulting from the judgement has not yet been fully established and therefore this area remains as a potential risk.

Welfare Reform – Housing Benefit Overpayments

3.40 The Council has previously set aside funding to mitigate the impact of Welfare Reform. However, risks remain with regard to Housing Benefit Overpayments. The Council currently holds £25m debt on its balance sheet which is either recoverable from debtors through reductions in their on-going benefits or reduced by cash collection. We do expect the debt to grow as overpayments are identified by data matching exercises which had an impact in 2014/15 and are expected to continue to do so.

3.41 The ultimate risk is the council will be left with the Housing Benefit debt when the service transfers to the DWP. We are having on-going discussions with the DWP through various forums to understand what DWP future plans are around the debt, as to whether the council will be expected to hold all the debt or whether some or all will be transferred to the DWP. The rollout of Universal Credit has been delayed significantly, and at the moment it is expected that the rollout will take place in 2017 at Lambeth, but this is also still open to discussion.

Identified Risks to Capital Investment Programme

3.42 The housing bill, announced in the Queen's speech will include an extension of the right-to-buy scheme, allowing England's 1.3 million housing association tenants to purchase their homes with the same discounts offered to council tenants. To compensate housing associations for these discounts it is expected that councils will be forced to sell their most valuable housing once it becomes vacant. Part of the proceeds are also expected to be used for building more affordable, cheaper properties in the local area. In the Government's view, this would mean that notwithstanding the additional homes lost under the new RTB initiative, the number of affordable homes will double for each home sold thus increasing the national housing supply. Residual proceeds from the sale of high value council stock will go towards freeing up brownfield land for development.

3.43 It is difficult to anticipate how this will work in practice; a Conservative press release outlined what would constitute an expensive property in different regions of the country. In London that varied from £340k for a one-bed property, to £1.2m for a property with five or more bedrooms. This has not yet been confirmed but, if the approach is on a regional basis then London, and Lambeth, would be disproportionately affected. Whilst the tenanted 'high value' council housing stock may rarely become vacant, new build properties may be affected and in terms of building replacement affordable homes, it is likely to be difficult for local authorities in London to find suitable land for this purpose. On the face of it, this is a disincentive to build social housing and, as such, officers will continue to monitor developments. With the lack of detail to go on, it is not possible at this stage to assess whether these proposals will have a material impact on the availability of resources to fund the Capital Investment Programme.

3.44 There are further uncertainties and risks that any capital receipts generated through sales could potentially end up going to fund Housing Association RTB discounts instead of Local Authority replacements and furthermore, there is no guarantee at this stage that if replacements were to be built that they would necessarily have to be in the same authority in which the sale was made.

4. FINANCIAL MANAGEMENT AND PERFORMANCE

Overview and Update

4.1 In February, the Council agreed an updated Financial Management Strategy for the period 2015 – 2018 which sets out an overview of our approach to make the best use of our financial resources to help achieve the Council's vision and ambitions for Lambeth and to maximise sustainable benefits for our residents. There are no further amendments to this proposed at this time.

Revenue

2014/15 Draft Outturn

4.2 2014/15 continued to be another year of difficult expenditure pressures to manage in the General Fund after applying savings of £25.4m against annual budgets, and throughout the year management reporting of overspend pressures stayed consistently high for services (at about £7-10m), which was mitigated by underspends on corporately held budgets.

General Fund Outturn

4.3 The 2014/15 General Fund budget was £314.8m incorporating previously agreed savings of £25.4m. The overall outturn position was an overspend of £1.3m. However, below this top-level figure, it should be noted that there was an overspend in services of £7.3m, which was offset by an underspend in corporate items of £6.0m. The table below summarises the Council's outturn position by cluster:

Cluster	Annual Budget (final) £000's	Adjusted Outturn £000's	Variance £000's
Commissioning	20,972	21,535	563
Delivery	354,943	361,621	6,678
Enabling	31,216	30,020	(1,196)
Co-operative Business Development	4,211	5,520	1,309
Clusters Sub-total	**411,341**	**418,696**	**7,354**
No Recourse to Public Funds	4,425	4,401	(23)
Services Sub-total	**415,766**	**423,097**	**7,331**
Corporate Items	(100,936)	(106,976)	(6,040)
Total - General Fund	**314,830**	**316,121**	**1,291**

4.4 The **Commissioning outturn of £0.6m overspend** is mostly attributable to the Communities service group, where Leisure Services has recognised backdated VAT liabilities, and in overspends against staffing budgets.

4.5 The **Delivery overspend of £6.7m**, is principally due to the following areas:

- **Children's Social Care –** There was an overspend of £5.9m due to overspends on staffing, placements, legal costs and unaccompanied asylum seeker children.
- **Temporary Accommodation –** There was an overspend of £3.1m, mostly attributable to the fact that the number of households in nightly paid accommodation has nearly doubled. Securing a supply of accommodation in sufficient volumes within the limits of the government's subsidy level continues to present difficulties;

- **Libraries –** There was an overspend of £1.7m due primarily to the one-off need to top-up the provision to cover costs relating to single status pay**;** and,
- **Communities, Housing & Environment –** After excluding Housing and Property Services there is an underspend of £4.7m, partially offsetting the above pressures, relating primarily to the Waste & Streetcare, Street Management and Parking services.

4.6 The **Enabling underspend of £1.2m** is due to vacancies, and a higher rebate than budgeted on agency staff, since numbers have increased while awaiting restructuring. However, within this general underspend, there was an overspend of £1.1m incurred on Benefits.

4.7 The **Co-operative Business Development** overspend of £1.3m was largely due to a shortfall on the income budgets in the Events team, including the Country Show not fully covering its costs, and overspends in the Co-operative Transition service.

4.8 The **No Recourse to Public Funds** team's outturn was broadly in line with budget.

4.9 **Corporate Items and movements in reserves had a net underspend of £6.0m.** Corporate Items includes a number of contingent sums set aside to help manage expected risks and cost pressures within the year, which either did not fully materialise or were partially mitigated by action to control costs. Examples of this include a lower than expected call on the contract inflation contingency, lower salaries inflation (as the salaries increase only applied from January 2015 without backdating) and the restructure contingency not being required as the costs were covered from specific reserves instead.

Housing Revenue Account

4.10 The Housing Revenue Account gave a balanced outturn after allowing for a budgeted contribution to balances of £2m and adjusting for contributions to earmarked reserves. The HRA balances now stand at £10m together with total earmarked reserves of £26.5m.

4.11 The net increase on total earmarked reserves was £2.6m, from £23.9m to £26.5m. The largest change was an additional £11.5m to the capital reserve, (after the previous balance had been fully used) which will be set aside to fund the ongoing Housing Capital Programme and was funded primarily from:

- Reduced interest charge to the HRA;
- General revenue underspends of £4.5m;
- Lower levels of SERCoP[2] recharges to the HRA; and,
- The release of the contractual "pain and gain" performance bonus adjustment to revenue.

Balances and Earmarked Reserves

4.12 As at 31 March 2015, the General Fund (GF) balance (i.e. the cumulative surplus on the GF) stood at £23.6m. This is within the range advised by the Strategic Director of Enabling in his capacity as s151 Officer, who, in the February budget report, stated that 'I have consistently

[2] The SERCoP recharge is the apportionment of the back office costs to frontline services to show the true cost of operations.

advised members that in my professional opinion the minimum level of balances (i.e. unallocated reserves) that the Council needs to maintain to ensure financial stability, and so provide a strong environment within which outcomes can be continuously improved, is 5% and that the Council should plan to hold balances of approximately 10% of net revenue expenditure.

4.13 According to the most recent audited Statement of Accounts, at the 31 March 2014 Lambeth had the second lowest level of reserves in comparison to 2013/14 net revenue expenditure of all Inner London Boroughs. General Fund balances and earmarked reserves have reduced further during 2014/15; HRA and schools balances have increased.

4.14 The aim of maintaining the balance between these percentages is to ensure financial stability and provide a strong environment within which services can be delivered. The use of these balances as a temporary mitigation measure against budget reductions would put the Council in a vulnerable financial position in the event of a sudden future economic downturn at either local or national level.

4.15 Movements in balances are summarised below:

i. The General Fund balance as at 31 March 2015 (excluding schools balances) is £23.6m compared with £24.9m at the start of the year.
ii. The Locally Managed Schools balance as at 31 March 2015 stands at £20.5m, compared with £18.6m at the start of the year.
iii. The HRA as at 31 March 2015 stands at a £10.0m surplus, compared with £8.0m at the start of the year.
iv. Long term PWLB debt outstanding as at 31 March 2015 stands at £412.7m, compared to £412.7m at the start of the year.

4.16 The Council is holding £23.6m of general fund balances against an annual expenditure of approximately £1bn. This balance represents the only resource available to the council to deal with unexpected emergencies, or a failure to deliver services against budget. A 5% overspend on the net general fund budget would result in a call on balances of approximately £15m – which is in line with the level of risk currently identified in paragraphs 4.22 – 4.31, and which, if it materialised, would reduce balances to an unacceptably low level. Because of the magnitude of change and savings required this scenario is not far-fetched.

4.17 In addition to balances, the Council holds earmarked reserves to meet the cost of specific projects or to mitigate known risks. In closing the 2014/15 accounts, and in line with our Financial Management Strategy objectives around financial resilience, we have started to utilise the previously set aside earmarked reserves to help us manage the transition to a Co-operative Commissioning Council through a period of high financial risk caused by severe funding reductions. Effective balance sheet management provides the tools to facilitate change and to weather the impact of financial risk. Reserves and balances can only be spent once: in setting the Council's budget, it would be imprudent to use them to substitute for the need to make savings in underlying budgets in the longer term.

4.18 The annual review of all earmarked reserves has been carried out at year-end by the Section 151 Officer to determine the appropriate level of each balance based on the best information available at the time.

4.19 In addition to the s151 Officer's statutory assessment, the Deputy Leader (Finance & Investment) has reviewed the reserves and balances held on the Council's Balance Sheet and confirmed that in his view, having the right level of both is essential for the financial health of the organisation in a time of unprecedented resource reductions and service demands.

4.20 A review of reserves has identified those that could be released as they are no longer needed and drawdowns have been made against items previously identified. The overall outturn position on both the General Fund and the HRA for 2014/15 has meant a significant decrease in General Fund earmarked reserves of £4.3m and an additional contribution to HRA earmarked reserves of £3.3m. These drawdowns are in line with our strategy of using the strength of the balance sheet in order to manage the financial challenges facing the Council – the transformation to a Cooperative Commissioning organisation, mitigating key financial risks and supporting capital investment in the infrastructure of the Borough.

4.21 Whilst the overall total of the earmarked reserves has reduced, there are a few specific items which have been increased to cover specific issues. Key additions to reserves include:
General Fund

- Increasing the Capital Investment Reserve by £2.9m. The Capital Investment Programme (CIP) and Pipeline are underpinned by an active disposals programme as the level of government support reduces and revenue resources are not available to fund borrowing. However, the Council cannot rely on these proceeds going forward as its marketable asset base reduces. Accordingly, it must set aside resources to ensure investment in its infrastructure is maintained; and,
- Increasing the Earmarked Grants reserve by £2.6m. This reflects where we are using grant income to deliver service transformation and have needed to spread the expenditure over more than one financial year. This increase to reserve means that this funding will be available in 2015/16.

Housing Revenue Account

- The Welfare Reform Reserve has been increased by £1m. This increase will allow the Council to manage the risks and pressures arising from the implementation of Welfare Reform and Universal Credit; and,
- The Housing Capital Reserve has been increased by £5.2m, (net of drawdowns in 2014/15) which will be set aside to fund the ongoing Housing Capital Programme.

General Fund – Risk Assessment 2015/16

4.22 Overall, the General Fund has identified the risk of potential budget pressures totalling approximately £16m for 2015/16.

4.23 **Adults Social Care** –There are £2.6m of identified risks due to:

- £0.6m: Specialist disability client packages;
- £0.5m Learning Disability transitions from children's services; and,

- £1.5m: various pressures on delivery of current savings.

4.24 It should be noted that this is based on a current snapshot of client activity in Framework-i. This is a worst case scenario as it does not show the impact of service and care package changes expected during the year.

4.25 **Children's Social Care** – There are identified risks of £6.3m due to:

- £1m: staffing (though this is subject to the establishment review work);
- £4m: placements (key assumption: the underlying data is a roll-forward of the 2014/15 outturn – *now a review of placements is required to obtain a) clean activity data and b) to identify opportunities to reduce*); and
- £1m: unaccompanied asylum seeking children where there is insufficient Home Office grant to cover expenditure.

4.26 **Communities, Housing & Environment –** There are identified risks of £4.0m:

- **Parks** – £0.4m: pressure on the responsive repairs and maintenance budget and pressure in relation to capitalisation, but work is underway to review the capital programme to ensure that all allowable expenditure is capitalised;
- **Waste & Streetcare** – £1.0m: staffing budget pressures in Customer Engagement, Noise Enforcement and Trading Standards, the savings target relating to the closure of Vale Street Recycling Centre not being achieved in 2015/16 and the Recycling Bin Hire savings being short due to incorrect data from the IT system creating a higher than expected income target; and,
- **Accommodation and Property** – £2.4m: increased use of nightly paid accommodation and activity in Temporary Accommodation.

4.27 **Education, Learning and Skills** –There are identified risks of £1.1m:

- **Special Educational Needs –** £0.8m: this represents a historic pressure within the home to school transport budget in respect of transport for statemented pupils with prescribed travel plans; and,
- **Libraries –** £0.3m: employee costs and under-achievement of income on rental space and CDs/DVDs.

4.28 **Enabling** – There is an identified risk of£1.6m, based primarily on pressures in Business & Customer Services around Housing Benefit subsidy of £1.1m.

4.29 **Co-operative Business Development** – There is currently an expectation that the cluster will be able to manage identified risks for 2015/16. Within that overall position however, there is an identified risk of £0.3m on Co-operative Transition offset by underspends elsewhere.

4.30 **Commissioning** – there are identified staffing budget pressures of £0.7m. Further work is being done to reconcile the position as part of the establishment review exercise across the organisation.

4.31 **No Recourse to Public Funds –** Following the allocation of additional baseline resources in 2014/15, it is expected that NRPF will not have any further risks to its budget in 2015/16.

Revenue Virements

4.32 As discussed in paragraph 2.3, there are a number of existing in-year budget pressures that have been identified to be covered with a virement from contingent sums held in Corporate Items. Members are requested to approve the following transfers of resources in accordance with the Scheme of Delegation.

Virement	Amount £'m
Temporary Accommodation	2.0
Adults Social Care (Physical Disabilities)	1.0
Events Income	0.5
Integrated Support – People Management	0.4
Total	**3.9**

4.33 The rationale for the virements is as follows:

4.34 **Temporary Accommodation –** There continues to be an increase in demand on the service over and above that seen in 2014/15 for which additional resources were provided. If demand continues to grow at the current rate it is estimated that a worst case scenario could see a £4.7m pressure in this area. £2.0m is required to deal with the immediate pressures with an expectation that the service will review activity and aim to control the worst of any increase in cost beyond that.

4.35 **Adult Social Care** – £1.0m is required to address the ongoing demand led budget pressures on Physical Disabilities client packages. In 2014/15 this pressure was mitigated by the use of one-off funds, but the pressure still remains and now requires additional base budget funding.

4.36 **Events Income** – £0.5m required to address a base budget issue in Events where there is a previously identified pressure on undeliverable income budgets.

4.37 **Integrated Support – People Management** – £0.4m required to address unachievable income budgets in relation to room bookings in the former Children's and Housing teams.

4.38 **Financial Resilience** – In addition to the above, there is a further temporary virement required for 2015/16 and 2016/17. The Cabinet Sub-Group on Financial Resilience received a report on the extension of financial resilience projects the funding for which runs out in 2015/16. In light of the Government's allocation of additional formula funding to reflect their response to lobbying after the withdrawal of their support for Local Welfare Assistance schemes , it was agreed that it was appropriate for the funding to continue for these valuable services which will have a positive impact on our most vulnerable residents. The funding traverses two financial years and the sums required total £189,000 in 2015/16 and £115,000 in 2016/17. This has been agreed under delegated authority.

Housing Revenue Account

4.39 Since the rent and budget for 2015/16 was set and agreed by Cabinet in December 2014, inflation rates have fallen significantly. The HRA Business Plan Base Model that was agreed in December 2014 was based on CPI inflation of 1.2% and therefore a rent rise annually of 2.2%. The impact of lower inflation is being modelled as part of a refresh of the Business Plan.

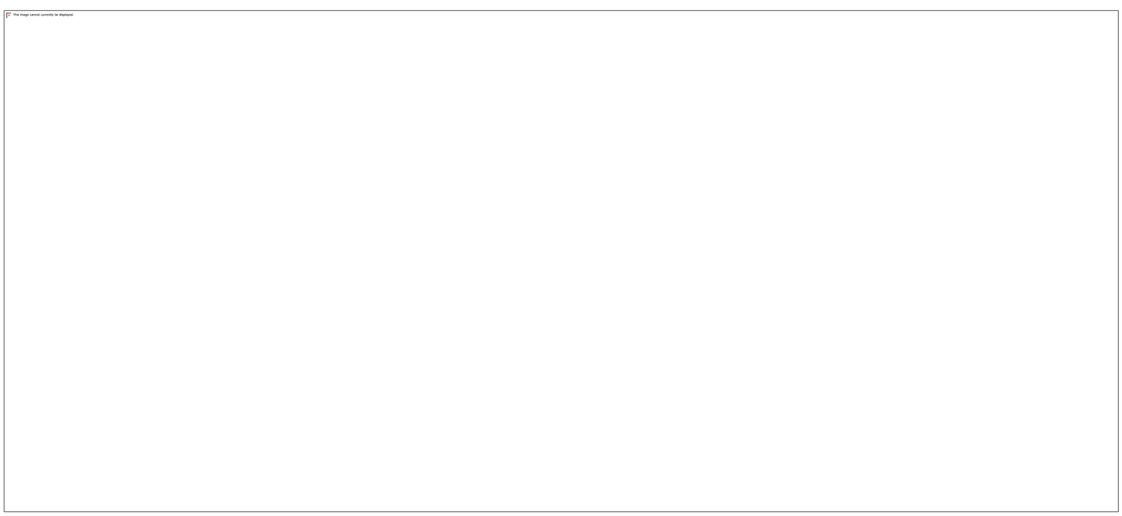
4.40 The Summer Budget 2015 introduced rent reductions for social housing and the changes to the Pay to Stay Scheme. Details of the proposals and how they will operate are still being developed. Both of these policy changes will have an impact on the business plan and further analysis will be undertaken to identify the extent.

4.41 The ongoing delivery of the Lambeth Housing Standard Capital Programme along with the Estate Regeneration Programme may require the council to consider an alternative rent policy, to make savings within the revenue budgets and/or release some of the HRA general reserves.

4.42 Lambeth Living has now been re-integrated within the Council and work is currently underway to fully understand the revenue budget implications of the transition.

Income Collection Performance
Rent Collection

4.43 The chart below shows the 2014/15 rent collection rates. In-year collection relates to how much rent due this year has been collected and BV66a[3] relates to how much of the total collectable rent (including arrears) has been collected. As at the end of 2014/15, in-year collection was 99.3% which is slightly above the target of 99% and BV66a was 95.9% compared to a target of 95.1%. The position as at the end of 2014/15 therefore shows the in year collection on target and the BV66a indicator slightly above target for the year.

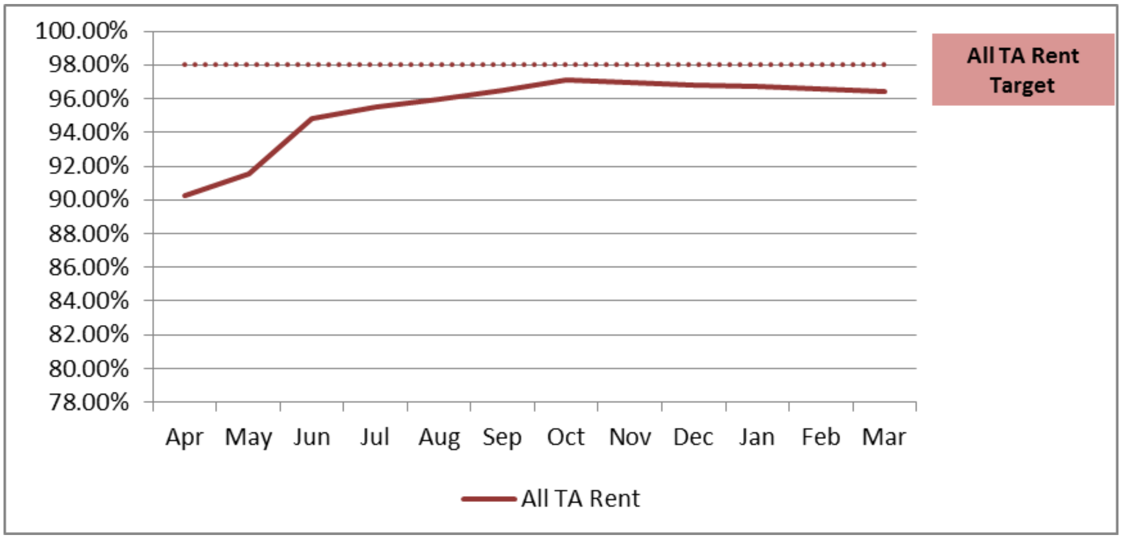


Rent Collection – Temporary Accommodation

4.44 The chart overleaf shows the 2014/15 rent collection rate for all types of TA, (including hostels, bed & breakfast and private sector leasing) against target. Collection relates to how much rent

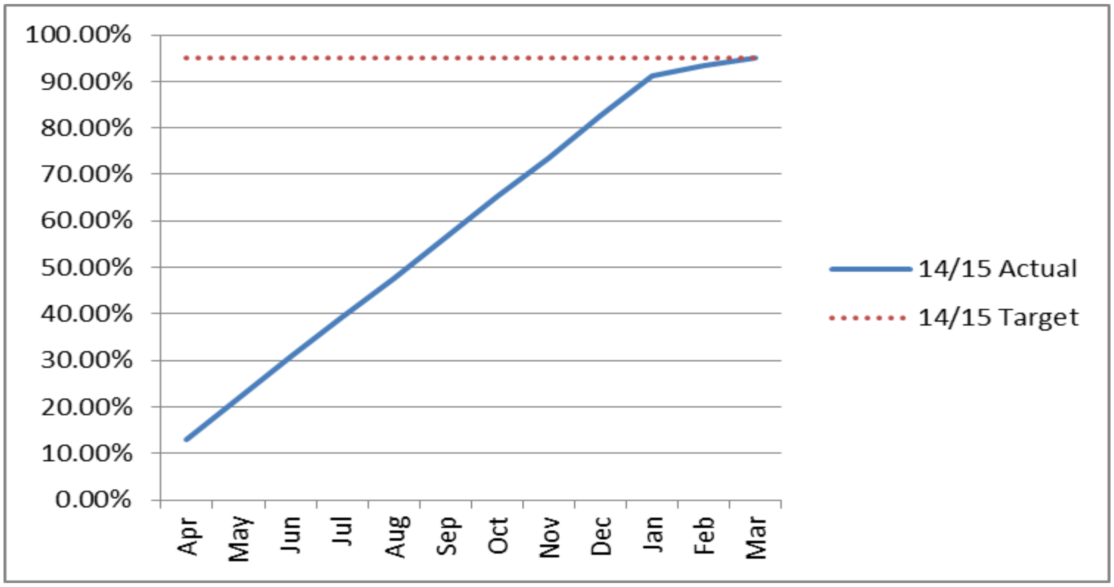
[3] Best Value Key Performance Indicator 66a

due this year has been collected. As at the end of 2014/15, collection was 96.39% against a target of 98%.



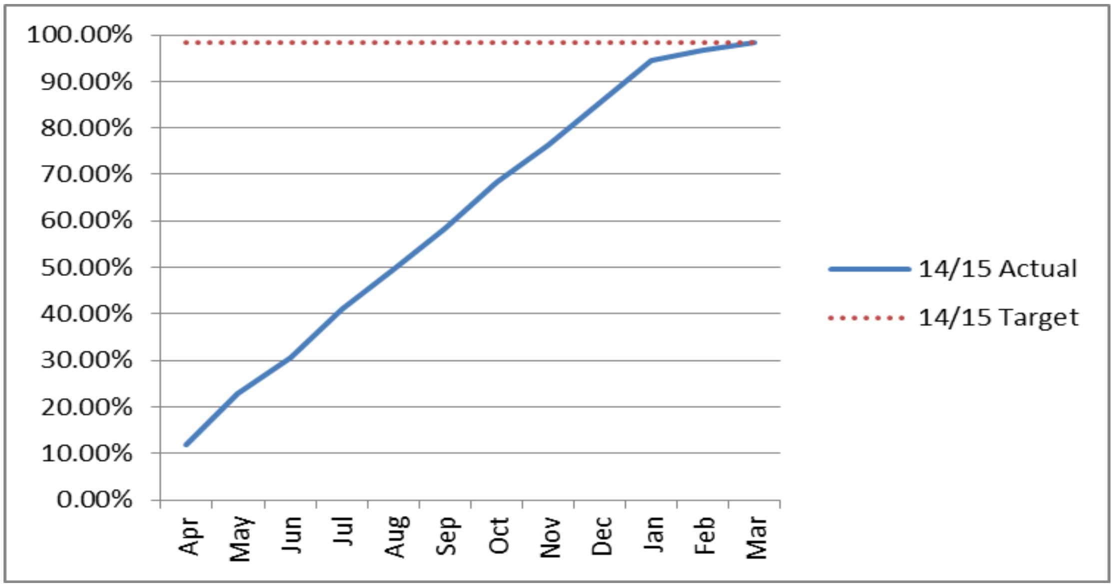
Council Tax

4.45 The chart below shows the 2014/15 Council Tax collection rates. This is measured as a cumulative collection rate against the annual target. As at the end of 2014/15, collection was 95.0% which is slightly below the target of 95.2%.



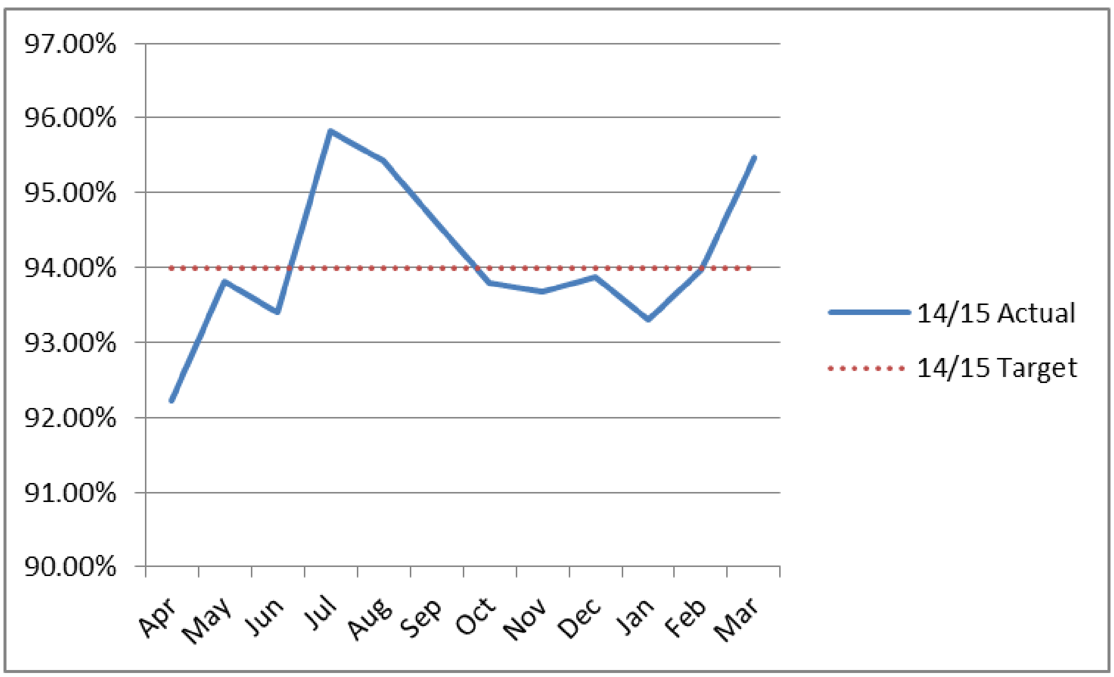
Business Rates

4.46 The chart overleaf shows the 2014/15 Business Rates collection rates. This is measured as a cumulative collection rate against the annual target. As at the end of 2014/15, collection was 98.5% which is slightly above the target of 98.4%.



Sundry Debt

4.47 The chart below shows the 2014/15 collection rate for sundry debt. This is measured on a rolling 12-monthly position against a target collection rate of 94%. During 2014/15 the monthly collection rates varied between a low of 92.2% in April up to 95.8% in July. The full year collection during the period, (i.e. the March 2015 figure) was 95.5%.



5. CAPITAL

Maximising the impact of our future capital investment: the implications of successful growth borough-wide

5.1 The Council set an ambitious Capital investment target totalling £579.8m for the 4 financial years 2014/15 – 2017/18, Within that the target for the current 3 year planning cycle is £328m . This comprises the investment needed to maintain and enhance our existing estate together with investment in developing our asset base through transformational upgrades or new build/acquisition.

5.2 However, in addition to this, the Council has recently been working in close partnership with our key strategic partners including the NHS and TfL on a far-reaching model of the future infrastructure that will be needed across the borough if the population continues to increase as predicted by the GLA. This strategic Infrastructure study is linked to the Local Plan growth targets post 2017 and covers the 15 year period 2017-2032 (hence follows on from the current CIP period).

5.3 The study has sought to capture a projected cost for infrastructure in significant categories: Education, Health, Transport, Parks and Open spaces, Children's play space, Sports and leisure, Libraries and Community hubs, Public Realm. Although the projections are not yet finalised, initial costings suggest a total requirement of over £370m for the period, with over £120m needed in the first four years 2017-2021.

5.4 The study has also started to model the potential CIL income from development which could be used to fund infrastructure in order to accommodate and mitigate the effects of growth. Investment of these development income streams into our assets will allow the council to maximise the benefits from our Investment and Opportunity strategy and maintain and improve our asset base for future generations. Together with external grant income, development income will need to be the council's main source of funding to meet these investment needs as capital receipts from rationalisation of the council's existing asset base are now dwindling. The current forecast non-RTB disposal receipts for the next 3 years of £61m is analysed in paragraph 5.23.

5.5 The imminent completion of the strategic infrastructure study will allow the council to link the existing capital programme with these longer term ambitions into a single, cohesive capital investment strategy for the organisation. A recent internal audit of capital highlighted that in the absence of such a longer term strategy, it is currently difficult for AMCAP to ensure it considers holistically how the Council can use capital resources to prioritise those projects which will assist in achieving relevant strategic objectives and deliver the most value.

5.6 Alongside this, there is also an opportunity to align the decision making processes for strategic capital investment whilst at the same time facilitating direct community input into capital investment decisions at neighbourhood level including through CLIPs. The development of the methodology for Cooperative Local Investment Plans ("CLIPS") is now well advanced. Whilst the strategic infrastructure work focuses on 75% of income from CIL, the CLIPs will shape the priorities for the 25% of CIL that will be collected and retained locally.

5.7 However, it will be critical to ensure that as capital is invested in the development of essential new infrastructure, capital funding is also prioritised for the continued maintenance and enhancement of the assets. To this end, there needs to be a renewed focus on using our assets to generate on-going revenue where possible since this will give the council greater financial flexibility.

Capital Expenditure and Achievements

2014/15 Capital Outturn

5.8 The Authority had originally planned to invest £209.6m capital in the financial year 2014/15. This was revised upwards in November 2014 to £211.3m.

5.9 The total capital spend at the end of 2014/15 was £178.3m against the revised budget of £211.3m, which represents 84% of planned amount. An exercise is currently underway to support programme managers to more accurately project in year expenditure and hence reduce outturn variances. The unspent funds have been rolled forward to fund revised expenditure projections for future years.

5.10 Details of Capital Expenditure in 2014/15 by Community Outcome are shown in Appendix 1, along with variances against budget. Key outcomes achieved through this investment included:

- Refurbishment of 5,302 properties to achieve Decent Homes standard (£96.9m);
- Progress in expansion and enhancement of 7 Primary Schools partly funded by the Targeted Basic Needs Grant (£17.9m);
- Resurfacing of 125 streets (54 footways and 71 carriageways) covering 41 miles in total (£12.4m); and,
- Streetscape works including Clapham Old Town, Lower Marsh, Van Gogh Walk and Binfield Road. (£4.4m).

5.11 There were a number of variances across the programme due to project management and delivery issues which are being addressed by the Capital Delivery Group. Underspend occurred in projects mainly in the following areas:

- **Improvement of social care provision -** There was a delay in start on site of the Coburg Crescent project owing to an extended feasibility process;
- **Expansion and Enhancement of Primary Schools -** The targeted basic needs programme is a seven school programme jointly funded by DfE/EFA and Lambeth. The DfE is providing £19.8 million of funding, and will ultimately deliver 1,820 primary school places and 45 places for pupils with Special Educational Needs. There were a number of delays related to the delivery of this programme arising mainly from the changes in the construction market. These have now been addressed;
- **Investment in Libraries -** Some delays to the delivery of this programme have occurred as legal negotiations and consultation on the nature of the works have taken longer than anticipated. Some projects are also on hold pending the outcome of the consultation on the Culture 2020 proposals; and,
- **Housing Development Projects -** The Council is investing £5m per annum within the CIP for 5 years in a broad programme both to improve the housing conditions for residents in existing council stock and provide new affordable homes (including new homes at council rent levels). A number of RTB buybacks were initially planned for 2014/15 to facilitate these ambitions. However, during the year it was decided to re-focus acquisitions to those estates that will be regenerated. As a result, only those properties where leaseholders wished an early sale regardless of sale price were progressed during 2014/15 in advance of the forthcoming Cabinet decisions on these estates

14/15 Disposals

5.12 The disposal target for non RTB assets for the financial year 2014/15 was set in the February Budget Report Appendix 4 at £21.4m. As at 31st March 2015, disposals have raised £12.3m capital receipts as summarised in the table below:

Non RTB Asset Disposals 2014/15

Disposals	£m
Shortlife Assets	8.1
Other Assets	4.2
Total Receipts YTD	**12.3**

5.13 In addition, 251 council housing stock properties to the value of £30m have been sold under Right to Buy legislation during financial year 2014/15. Of this total receipt, the council is permitted to retain £5m as a contribution to the council's single capital pot and a further £22m as Recycled RTB receipts for reinvestment in replacement housing, subject to stringent criteria.

5.14 Key non-residential disposals made in 2014/15 include:

- 6-10 Wynne Road (£1.3m) linked to Your New Town Hall programme;
- 96 Riggindale Road (£1.2m) linked to the co-operative Libraries and Community hubs programme; and,
- Shortlife (various properties) (£8.1m).

Major projects update

5.15 The following significant projects have been underway during 2014/15:

- **<u>Future Brixton</u>** – 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 £350m 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 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.

- **<u>Brixton Central</u>** – The draft Brixton Central masterplan is now in its final stages of completion and work has begun in earnest on the delivery strategy to bring development forward so that a procurement process can start early in 2016.
  The Council has secured £869k from the Mayor of London's High Street Fund and has begun to deliver of a programme of works. This will include major public realm improvements to Electric Avenue, alongside improvements to the public toilets on Pope's Road.

The first phase of the “Meanwhile on Pope’s Road” project, now called Pop Brixton opened in May 2015. The Council has provided its land for free until at least October 2017 and levered in over £1m of private investment to build and fit out the scheme. Over 85% of current tenants either live or were previously based in Lambeth and all tenants will both volunteer to support the local community and look to recruit locally too. Later phases include an events space, subsidised retail, commercial and community space and a co-working space, which will house the Impact Hub Brixton, utilising High Street Fund grant.
Discussions have now begun with owners towards the implementation of the first phase of works to buildings in Electric Avenue and Atlantic Road, funded by the £1.95m Heritage Lottery Fund Townscape Heritage Initiative grant together with £650k match funding from the Council.

- **Brixton Recreation Centre (BREC)** – Brixton Rec is a hugely important community space in Brixton and has a significant place in Lambeth’s social and cultural history. There are three quarters of a million visits each year and, as the borough’s population increases, so too will the number of people using the centre.
  The Council has already committed £900k during 2014/15 for remedial and compliance works together with new equipment and layout. An additional investment of £600k in further improvements is planned for 2015/16. Further maintenance and repairs in the order of £6m, based on engineers’ surveys, are required to keep the building open. This is while detailed reports are concluded to identify the scale and costs of the refurbishment required to secure the long term future of the BREC, to make it fit for the future and the next generation of Lambeth’s residents.
  It is proposed that the £6m will be added to the council’s pipeline of capital investment. Further work will take place to firm up the detail of the works required from the engineers’ surveys which will in due course be reported to the Asset Management Cabinet Advisory Panel (AMCAP). In order to prioritise this work other items in the pipeline will need to be deprioritised, such as the Highways or Housing investment programmes.
  The Council is currently considering the feedback it received through the Culture 2020 consultation with regard to the Brixton Recreation Centre. A full report on Culture 2020 will be brought before Cabinet in the autumn.

- **Your New Town Hall** – This is the major development of a 2.5 acre site in the heart of Brixton. It will see the current town hall carefully restored and improved with better spaces for the whole community including an area to support local businesses. It will deliver 194 new homes, 720 construction jobs and apprenticeships for local people and up to 14,000 sqm of new, fit for purpose customer facilities and offices.
  The project is self-financing using the value and savings derived from the surplus office sites as the Council reduces from fourteen to a far more efficient two, one of which will be a new energy efficient office and customer access centre. These reductions will save at least £4.5m a year in running costs, but will also improve efficiency in the way the Council operates. This rationalisation of office space is already being supported by moving all office staff to more flexible and efficient working in early 2015.

- **Somerleyton Road** – This is a £128m mixed-use scheme which includes the proposed relocation of the Ovalhouse Theatre. Design for this project is well advanced with a detailed planning application for the entire site due to be submitted at the end of August 2016. The latest scheme consists of 302 homes, a new theatre and a range of commercial and non-commercial uses. The scheme is being delivered in partnership with Brixton Green and Ovalhouse Theatre. The planned construction programme that would see the theatre and a proportion of the new homes completed by end of 2017. The project is a Council-led development and will be funded through Council borrowing against the revenue income generated from the 302 new homes. External funding has already been secured from the GLA (£7.8m) as well as £2.8m towards the Extra Care provision from the Mayor's Covenant 2011/15 programme. Further funding applications have been submitted to the Arts Council and the Heritage Lottery Fund. Ovalhouse will be contributing the value of their existing site in Kennington. The Somerleyton Road CPO 2014 was agreed at Cabinet in November 2014 with land assembly costs including the buyback of 16-22 Somerleyton Road and the relocation of the Angela Davies depot.

- **Regeneration of Waterloo** – The Council has supported the attracting of significant activity from private development and central government in the Waterloo area, including:
    - Redevelopment of the Shell Centre, Elizabeth House and Doon Street;
    - Major Public Transport infrastructure – Waterloo Station Masterplan and potential extension of the Bakerloo Line beyond Lambeth North;
    - Public Realm Projects – TfL lead: IMAX/Waterloo Road and its under crofts, and Westminster Bridge Road Roundabout; LBL lead: Westminster Bridge Road; Multi-partner: refurbishment of Leake Street; and
    - Public and Green Spaces – extension of Jubilee Gardens, capital investment in Millennium Green and Archbishop's Park.

  Over the next 5 years the following opportunities are on the horizon specifically with primary employers in health, education and community/social assets. These include:
    - Waterloo Station Masterplan outside operational need;
    - St. Thomas' Hospital and the Guy's and St. Thomas' Charity Royal Street land holdings;
    - Redevelopment and enhancement of King's College London;
    - Waterloo East/The Cut with the potential of a council leading a masterplan in partnership with multiple landowners;
    - Redevelopment of the ITV buildings and Gabriel's Wharf; and
    - Potential redevelopment of the land in Lower Marsh currently occupied by the library and the Waterloo Job shop, subject to the conclusions of the cultural strategy and statutory consultation.

- **Regeneration of the Vauxhall and Nine Elms areas** – The Council has granted planning permission for most major development in this area, although detailed issues of delivery, especially in relation to rights of light mean that further negotiations are required by developers to bring forward their developments. Work continues on redevelopment of the Albert Embankment with Damien Hirst scheduled to open his gallery in the early summer. Network Rail is working through a strategy of

improvements throughout their railway arches that will increase the variety of uses and improve connectivity throughout the area.
Working with TfL, the Council recently completed the principles of developing a district centre, returning a two way road network and retaining a transport interchange. This was positively received and TfL are working on a definite scheme to be consulted upon in the autumn. In the meantime, the main site, ("the island site") has been marketed and it is understood that a new development partner will be announced shortly.
The Transport Works Act for the Northern Line Extension was approved on the 13th October 2014 and construction has commenced. Completion is due in 2020.

- **Regeneration of the West Norwood and Tulse Hill area** – The Council continues to support opportunities for new development and is progressing plans for West Norwood Library and Nettlefold Hall to become the first cinema in the area with improved library facilities. Also, the West Norwood Fire Station scheme is being progressed to provide a nursery and new residential accommodation.
  Added to these major developments, the Council is leading on refreshing the 2009 Masterplan for the area, which will encompass a KIBA health check and Economic Vision for the future. This will be co-produced with the local community and stakeholders and should commence in July. As part of this process, the Council will also start creating a West Norwood CLIP to ensure that the Neighbourhood CIL created by the new developments can be invested in the area through viable projects put forward by the local community. The removal of the Tulse Hill gyratory is to commence this year, with the Council providing £2m towards TfL's £5m funding of the project.
  The Council is progressing the development of a West Norwood & Tulse Hill BID, with over £55k secured from the GLA and £50k from Lambeth CIF to support this process.

- **Regeneration of the Stockwell area** – The Council is finalising the Stockwell CLIP, which would be the first of seven CLIP strategies to be produced borough wide. The first draft should be presented in the Autumn, following a period of engagement of the local community stakeholders: Stockwell Partnership and the Vassal and Coldharbour Forum. This engagement process has secured the list of regeneration project priorities that residents would wish to see in their areas, funded by the Neighbourhood CIL that would come forward.

- **Primary and Secondary expansion –** In line with the Pupil Place Planning Report, a total of £57m (£55.7m Primary and £1.3m Secondary) is currently included within the CIP for the next 3 years from 2015/16 to 2017/18, to fund the expansion of Primary and Secondary schools, providing 2,415 new Primary places (equivalent to 11.5 new forms of entry) and feasibility & design planning for future Secondary expansion. This includes £53m of Basic Needs Funding and Targeted Basic Needs Funding together with £2.6m s106 monies. A further £19.5m Basic Needs Funding has recently been awarded and £1.7m banked secured s106 funds identified which it is proposed to address the demand for future additional Secondary School places.
  Feasibility studies are currently underway for potential Secondary expansion projects with the creation of a new 6FE provision at Woodmansterne, subject to statutory consents, being the proposed priority project which creates the most places and is the most cost effective. Additionally it is proposed to develop feasibility and design

proposals to expand Bishop Thomas Grant, initially from 6FE to 8FE, which would be the next priority for expansion when funding becomes available with potential to expand by a further 2FE, should demand for places warrant. The works to undertake Woodmansterne and the feasibility and design proposals to expand Bishop Thomas Grant are to be funded by recently announced additional Basic Needs funding and future identified s106 monies.

Primary Expansion projects in progress include:

- **Paxton Primary (Brixton):** rebuild of the existing 1FE school into a new 3FE school to provide 420 additional places;
- **Sudbourne Primary (Brixton):** expansion across a split site from 1.5 FE to 3FE to provide 315 additional places;
- **St John's (CofE) Primary (Norwood):** rebuild of the existing 1FE school into a new 3FE School to provide 420 additional places;
- **St Leonard's Primary (Streatham):** expansion from 1FE to 2FE to provide 210 additional places;
- **Woodmansterne Primary (Streatham):** expansion from 2FE to 4FE to provide 420 additional places;
- **Telferscot Primary incl. Teferscot road and New park road (Clapham):** expansion across a split site from 1FE to 4FE to provide 630 additional places; and
- **Glenbrook Primary (Clapham and Stockwell):** expansion from 2FE to 3FE providing a further 210 places. This project is being funded by the EFA under the PSPB programme.

- **<u>SEN expansion</u> –** A total of £11m is included within the CIP for the next 3 years 2015/16 – 2017/18 to fund SEN expansion and to bring places back into the Borough. This includes a balance of circa £1m of the previously awarded £1.4m Targeted Basic Needs Funding.
  SEN expansion projects in progress include:
  - **Michael Tippett School (Coldharbour):** refurbishment and expansion providing 20 additional places;
  - **Kennington PRU and Wyvil ASD (Oval):** refurbishment and expansion providing 45 additional ASD places;
  - **Turney School (Thurlow):** expansion to provide 15 post 16 ASD places;
  - **Bonneville, Crown Lane, Archbishop Sumner and Lark Hall:** resource base expansion to provide an additional 45 places overall;
  - **Landsdowne Special School(Larkhall):** refurbishment and expansion providing 10 additional places. This project is being partly funded by the EFA under the PSPB programme; and,
  - **Allen Edwards Primary School (Clapham and Stockwell):** expansion to include a 15 pupil SEN provision. This project is being partly funded by the EFA under the PSPB programme.

  Further planned projects include an Early Years Assessment Centre and Sensory Resource space (HIVI).

- **Highways –** As mentioned above, the Highways Investment Programme resurfaced 125 streets (54 footways and 71 carriageways) covering 41 miles in total during 2014/15. Over the next 3 years capital investment in highways will include:
    - 150 Carriageway renewals and 225 Footway renewals;
    - Removal of mounds in Vauxhall Pleasure Gardens (already complete);
    - Starting in Autumn 2015, a 12 month, concurrent review and evaluation of existing parking infrastructure and borough-wide pressure. This will then enable a comprehensive assessment of what and where enforced controls are or will be required;
    - Implementation of 20MPH restrictions across the borough (signs and lines only) in 2015/16;
    - Implementation of physical measures required to reduce speed to 20MPH in 2016/17;
    - Implementation of Neighbourhood Enhancement Programme from 2015/16 to 2016/17;
    - Implementation of West Norwood Major Scheme - design work in 2015/16 with bulk of implementation in 2016/17;
    - Implementation of Loughborough Junction Public Space Improvement and Area Wide Traffic Reduction Project with road closures in 2015/16 and public realm works in 2016/17; and,
    - Implementation of Central London Cycle GRID by April 2016.

- **Coburg Crescent Day centre** – 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 new residential accommodation dedicated for adults with learning difficulties on a long and short term basis. The anticipated completion date is February 2017 as there was a delay in start on site of the Coburg Crescent project owing to an extended feasibility process.

- **Capital investment in Housing** – The Council is making very substantial investments across the borough improving our existing housing and providing new homes for our residents with a total of £319m already earmarked to be spent over the 4 years 2014/15 to 2017/18. The Council has pledged to deliver 1,000 additional new homes at Council rent levels over the next 5 years and is progressing innovative approaches to providing these such as the Somerleyton Road scheme (see summary above).

- **Housing investment within the HRA** – The Housing capital programme is primarily investing in improvement of Lambeth Housing Stock together with Private Sector Housing and disabled facilities grant funded schemes. The investment for 2015/16 is budgeted at £150.5m with the primary objective being to continue the programme to bring the our housing stock up to the Lambeth Housing Standard (LHS) which is above the Decent Homes Standard. Within the £150.5m budget, approximately £88.3m is targeted directly at the Lambeth Housing Standard (LHS), with other amounts covering Long Cycle Voids (£3m), Technical Services (£32.3m), Health & Safety (£7.2m) and

Other Improvements (£7.7m). The capital programme has also embarked on a major initiative to improve sheltered housing schemes which will see over £12m spent over the next two financial years.

- **<u>Affordable Housing investment –</u>** The Council is exploring a number of different strategies to maximise the delivery of new affordable homes within the borough. On Lollard Street the Council has negotiated via a s106 agreement to deliver 70 homes at Council rent levels, 19 private sale and a new nursery. The new homes and the new nursery will be constructed by the private sector partner, significantly reducing the risk profile to the Council and increasing the speed at which the new homes and facility can be built. The profit from the 19 private sale homes will be reinvested by the Council in delivering more affordable homes.
  The resolution of the Shell centre planning permission means that Lollard Street will start onsite in summer 2015.
  This model is being explored on a number of different sites, including those where the new homes could provide an essential catalyst to the wider regeneration of the neighbourhood. A further opportunity is to allocate Right to Buy receipts to such agreements, therefore enabling 30% more homes to be built as a result.

- **<u>Estate Regeneration</u>** – The estate regeneration programme is a further opportunity to invest in our neighbourhoods, focussing on the renewal and redevelopment of Lambeth-owned Council estates; improving the living conditions for existing residents and providing more opportunities for genuinely affordable housing. In November 2014 Cabinet agreed the first two phases of the programme which include Cressingham Gardens, Fenwick, Central Hill, Knights Walk, South Lambeth and Westbury. Reports will be taken to Cabinet meetings in July recommending that masterplanning of Cressingham Gardens, South Lambeth, Westbury and Knights Walk gets underway. Capital funding has been agreed via AIMG to fund these masterplanning works. Further funding will be sought at the appropriate stage for land assembly costs such as site acquisitions and leasehold buy backs.

- **<u>Small Sites Programme</u>** – The first phase of the small sites programme is well advanced with 8 new social rent homes to be completed at St Oswalds by October 15. Construction of a further 9 new social rent homes is underway at Akerman Road. More significant developments are at the design stage for Patmos, Hemens and Fitch Court. These small sites will contribute significantly to the Council's pledge to deliver 1,000 additional new homes at Council rent levels.

- **<u>Myatt's Field North estate regeneration</u>** – This PFI scheme commenced in May 2012 and is part-way through a 5 year construction and refurbishment programme. The project has already delivered 172 refurbished homes and over half of the planned 808 new build homes. To date, 238 (85%) of the council properties have been re-provided together with 154 (for sale) and 114 (shared ownership) new properties handed over. A new community centre which is part of the project also completed in November 2014. The new build phase is on target to be complete in 2017 together with new streets, park and play areas. Following construction and refurbishment, Regenter will manage all the council houses and community spaces for the contracted period to 2037. Whilst a number of issues have arisen during the course of this large and very complex regeneration project, these are not insurmountable and are in process of being resolved with the close co-operation between the council, Regenter consortium partners, councillors and residents.

Looking forward: future Capital investment

5.16 The Council has been working closely with partners to project both the costs of future infrastructure needs across the borough and the potential income sources to fund them. As the borough population grows, there will be significant opportunities for capital investment but we are very unlikely to be able to raise sufficient funds to take them all forward. Instead, the council will need to prioritise investment proposals rigorously and ration available funding to secure the best outcomes for the whole borough while minimising the associated revenue costs burden.

5.17 In particular, we will need to develop a sophisticated package of investment to respond to the challenge of the Culture 2020 strategy and the consultation feedback from the community. In the meantime, we will need to identify funding in the order of £6m for essential works to Brixton Recreation Centre to ensure it can remain operational while we develop longer-term proposals and identify and secure an investment funding package to progress them.

5.18 A Capital Investment Programme ("CIP") was set by the Council in February 2015 reflecting the resources that were known to be available at the time. The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes and is analysed to show how capital investment is spread across the 3 areas of focus of the Outcome Panels as well as by Community Outcome. It also shows where investment is supporting the entire organisation through enabling projects.

5.19 Since the Budget report in February 2015, the programme has now been updated with new information including the addition of new projects and finalisation adjustments for others. A small number of virements have also been necessary as summarised at Appendix 5.

5.20 Together with the outturn position for 2014/15, these amendments have resulted in a revised working Capital Investment Programme for the next 3 years 2015/16 to 2017/18 which totals £327.8m.

5.21 Appendix 2 shows the analysis of this working CIP for the next 3 years 2015/16 to 2017/18 while Appendix 3 demonstrates how this 3 year CIP will be financed. This planned investment includes £214.5m in relation to the HRA.

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

5.22 The total planned capital investment over the 4 years 2014/15 to 2017/18 comprises those projects formally incorporated into the CIP together with planned investments totalling £98.8m held in the capital pipeline. The total for those 4 years is now planned to be £579.8m. This target includes £318.8m in relation to the HRA.

Forecast Disposals for the 4 years 2014/15 to 2017/18

5.23 The forecast for non RTB asset disposals for the 4 year period of 2014/15 to 2017/18 was revised to a total of £73.3m. The detail of this forecast can be found in Appendix 4 and is summarised in the table below:

Revised Forecast of Non-RTB Asset Disposals 2014/15 – 2017/18

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Other assets	4.2	18.6	10.5	14.1	**47.4**
Short life assets	8.1	17.8	0.0	0.0	**25.9**
Forecast	**12.3**	**36.4**	**10.5**	**14.1**	73.3

5.24 The working 3 year target for disposal receipts now stands at £61.0m.

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 2015/16 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 (SDE) 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 2015/16, 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.

Council Tax Support Legal Comments

7.6 The Local Government Finance Act 2012 amends the Local Government Finance Act 1992 (the 1992 Act) so as to provide for the introduction of local council tax reduction schemes (CTS) in place of council tax benefit. The Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 contains the mandatory requirements for any local scheme; including those provisions which must be applied apply in respect of pensioners. The Council adopted its current CTS scheme in 2013 and it is considered lawful.

7.7 Paragraph 5 of Schedule 1A to the 1992 Act, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires that the Council consider for each financial year whether to revise or replace its CTS scheme. Where the CTS scheme is to be revised or replaced the procedural requirements specified in paragraph 3 of that Schedule apply. Those procedural requirements specify inter alia that the Council must in the following order:

a) consult any major precepting authority which has power to issue a precept to it;
b) publish a draft scheme in such manner as it thinks fit; and,
c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

7.8 The Council must adopt any revised/replacement scheme by the 31st day of January in the financial year preceding that in which the proposed scheme is to take effect.

7.9 The following principles of consultation were set out in a recent High Court case. First, a consultation had to be at a time when proposals were still at a formative stage. Second, the proposer had to give sufficient reasons for any proposal to permit of intelligent consideration and response. Third, adequate time had to be given for consideration and response, and finally, the product of consultation had to be conscientiously taken into account in finalising any statutory proposal or reaching a decision. The process of consultation had to be effective and looked at as a whole it had to be fair. Fairness might require consultation not only upon the preferred option, but also upon discarded options. The Council is obliged to take account of any representations made during the consultation period and all objections received must be properly considered in the light of administrative law principles, Human Rights law and the relevant statutory powers.

7.10 Section 149 of the Equality Act 2010 sets out the new public sector equality duty replacing the previous duties in relation to race, sex and disability and extending the duty to all the protected characteristics i.e. race, sex, disability, age, sexual orientation, religion or belief, pregnancy or maternity, marriage or civil partnership and gender reassignment.

7.11 The public sector equality duty requires public authorities to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;

- Advance equality of opportunity; and,
- Foster good relations between those who share a protected characteristic and those who do not.

7.12 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.

7.13 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.

7.14 This proposed key decision was entered in the Forward Plan on 22 May 2015 and the necessary 28 clear days’ notice has been given. In addition, the Council’s Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

8. CONSULTATION AND CO-PRODUCTION

8.1 This report has been consulted on with the people listed in the audit trail. Our commitment to being a cooperative council means that we want to involve citizens in the process of allocating resources as well as designing and delivering services. The proposals being implemented in the 2015/16 budget have either already involved citizens or have plans in place to engage citizens over the coming year. This will be mirrored in allocating resources and developing activities for 2016/17 and beyond. Rather than having occasional one-off consultations with citizens we hope to have ongoing dialogue about the borough and local neighbourhoods, with citizens involved at each stage of the commissioning cycle.

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 council has a robust Equalities Impact Assessment (EIA) process in place. All changes being delivered through the 2015/16 budget included an EIA in the development process, and we have also produced a cumulative EIA which looks at the equalities impacts across the entire budget which will be updated and monitored through the year. We don’t see equalities as something that is only considered at the end of the commissioning process; rather the consideration of equalities impacts is embedded into the commissioning cycle, and this includes the role of Cabinet members in applying their public interest test. This will continue as we develop the budget for 2016/17, in particular in ensuring that we achieve the equalities objectives as set out in our Community Plan.

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

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

Staffing and accommodation implications:

12.2 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.

13. TIMETABLE FOR IMPLEMENTATION

13.1 If necessary, Cabinet will reconsider the matters covered by this report in the context of the November / December Financial Planning Report 2015 or the February 2016 Budget Report as appropriate.

Audit trail				
Consultation				
Name/Position	**Lambeth cluster/division or partner**	**Date Sent**	**Date Received**	**Comments in para:**
Guy Ware, Strategic Director	Enabling	27/06/15	30/06/15	Throughout
Alison McKane, Legal Services	Governance and Democracy	08/07/15	15/07/15	7
David Rose, Democratic Services	Governance and Democracy	13/07/15	13/07/15	
Councillor Paul McGlone	Cabinet Member for Finance & Resources	27/06/15	12/07/15	Throughout
Informal Cabinet		16/07/15		
External				

For internal reports, list internal meetings where issue has been considered				

Report history	
Original discussion with Cabinet Member	15.05.15
Report deadline	15.07.15
Date final report sent	17.07.15
Report no.	58/15-16
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	22.05.15
Key decision reasons	1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework
Background information	• December Financial Planning Report – Revenue & Capital Budget 2015/16 - 2017/18 • Revenue & Capital Budget 2015/16 – Provisional Budget Strategy 2016/17 – 2017/18 • Draft Statement of Accounts 2014/15 • May 2014/15 Monitor
Appendices	• Appendix 1 – 2014/15 Capital Outturn • Appendix 2 – 3 Year Working Capital Investment Programme 2015/16 – 2017/18 by Community Outcome • Appendix 3 – Financing the 3 Year Capital Investment Programme 2015/16 – 2017/18 Summarised by Outcome Panel • Appendix 4 – Forecast of Non RTB Asset Disposals for the 4 Year Period 2014/15 – 2017/18 • Appendix 5 – Virements to the 4 Year Capital Investment Programme 2014/15 – 2017/18 since the February Budget Report