Lambeth

Cabinet

28 November 2016

Financial Planning Report 2016/17 to 2019/20

Wards: All

Report Authorised by: Strategic Director Corporate Resources: Jackie Belton

Portfolio: Deputy Leader (Investments and Partnerships): Councillor Paul McGlone, Deputy Leader (Finance): Councillor Imogen Walker

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Report summary

The final local government finance settlement was published on 10 February 2016. This delivered a further reduction in funding of 24% over the period April 2016 to March 2020. The council faces the most challenging time for local government and an unprecedented period of reductions in funding with a combination of an estimated 56% reduction from core Government funding between 2010 and 2018. The Secretary of State made an offer to councils of a four year financial settlement for future years and on 10 October 2016 the Council accepted this offer as the only one on the table from the government. We expect to be able to confirm the exact funding for 2017/18 following the funding settlement in December 2016.

The October Finance Planning Report reconfirmed our Medium Term Financial Strategy (MTFS) and the need to find £55m savings over the three year period 2017/18 to 2019/20, in order to manage the cut in core funding from Government, inflation and increasing demand and the transfer of risk from central government around business rates and council tax support

Our refreshed 2016-2020 Borough Plan was agreed in September 2016, and our MTFS has been developed to ensure that it underpins and supports the delivery of our Borough Plan priorities and outcomes. We will continue to have a relentless focus on delivering cost effective services and maximising the opportunity that digitalisation provides. We are committed to ensuring that we prioritise protection of our front line services. We want to continue to maintain resident satisfaction at current levels (72%, the highest satisfaction recorded).

Our MTFS will support the Borough Plan to drive inclusive growth, maintain strong and sustainable neighbourhoods and tackle inequalities. Inward development will provide funding through Community Infrastructure Levies (CIL) and S106 income for the Capital Investment Programme which is aligned to deliver our Borough Plan aspirations. We want public places that bring people together and maintains the cohesion and diversity of the borough. We want Lambeth to continue to be a thriving and desirable borough in which to live and work.

This reports sets out the detail of the £46.5m of savings that have been identified so far and outlines how we will deliver a balanced budget over the three years; using technical adjustments to reduce the savings burden, reducing staffing, delivering non-staffing efficiencies, increasing income and only where necessary making service reductions. The reduction in core government funding and pressures of £55m over this period is not

evenly spread, with more falling in the first year. This makes it more difficult to plan the reductions required. We have proposed savings that reflect our Borough Plan Priorities and also supports the Children's Social Care improvement strategy. Therefore we will use the Council's balances to spread the savings over the three year planning period. We also expect further savings to be delivered from Children's Social Care services over the three year period as a result of the successful delivery of the improvement strategy, thereby ensuring that balances are replenished.

The level of savings delivered in 2016/17 and the challenge in delivering the next phase of savings has meant that corporate oversight, monitoring and management is ever more important and has been further strengthened to ensure we deliver our full savings to the agreed timescales. The Lambeth 2025 Board (formerly the Strategic Transformation Board) will continue to closely monitor the delivery of the transformation necessary to deliver the savings that are proposed.

Finance summary

This whole report concerns the Council's financial position.

Recommendations

Cabinet

(1) To approve the Council's Medium Term Financial Strategy set out within this report.

(2) To note the continued uncertainty with regard to elements of government funding, price and demand pressures and the need to ensure that budgets set each year are sustainable during the settlement period to 2019/20 and beyond

(3) To approve the saving proposals detailed within this report totalling £46.5m for 2017/18 to 2019/20 subject to consultation

(4) To approve the use of £4.6m of balances in 2017/18 to help smooth the funding gap

(5) To approve the need to find additional savings in 2017/18 to 2019/20, so that balances are used as a temporary measure only and will be paid back

(6) To note the financial position of the Council's budget in 2016/17 and the actions in place to balance it over the period.

(7) To approve the capital virements as set out in Appendix 6.

(8) To note the revised total of £345.7m for the three year Capital Investment Programme 2016/17 to 2018/19 as described in section 4 and summarised in Appendix 2

(9) To agree that the S106 consultation protocol in 2009 is withdrawn, as detailed in paragraph 4.36

1. Context

Borough Plan 2016-2021

1.1 On 19 September 2016 Lambeth Council's Cabinet agreed and adopted Future Lambeth; Our Borough Plan. This is the five year vision and strategy for the borough, developed and agreed by the partnership of public, private and third sector organisations in the borough. It sets out three priorities:

- Driving inclusive growth
- Tackling inequalities
- Building strong and sustainable neighbourhoods

1.2 Beneath this there are a set of detailed goals that describe the change we want to achieve as partners to make a difference to the borough and its communities. Over the next few months, we will be engaging with partners, stakeholders and communities to discuss how we can work together to achieve these goals, and developing a shared implementation plan. As an organisation, we will also be agreeing business plans that align our budget strategy with the borough plan and organisational strategy, so we're focusing our resources on our core priorities.

Four Year Financial Settlement

1.3 Cabinet reluctantly agreed to accept the Government's four year Financial Settlement as it is the only offer on the table. Our efficiency plan was set out in the October Finance Planning Report (OFPR) approved by Cabinet on 10 October 2016. Confirmation of acceptance with links to our efficiency plan was sent to the Department for Communities and Local Government (DCLG) by the deadline of 14 October 2016.

1.4 DCLG have confirmed receipt of our acceptance of the four year Settlement, and if they have points of clarification they will let us know. Otherwise they will provide the final confirmation of the offer shortly.

2. Proposal and Reasons

Medium Term Financial Strategy

2.1 This report seeks to agree the series of proposals which help to reduce the funding gap of £55m over the three years (2017/18 to 2019/20), so that we have a balanced budget over the period. This report sets out the indicative budgets for the next three years to 2019/20 in order to manage the cut in core funding from Government, increases in inflation, increasing demand on services and the transfer of risk from central Government around business rates, council tax support, Emergency Support Grant and Public Health funding.

2.2 The Council's Budget report was agreed at Council in February 2016 and detailed the need for efficiencies and reductions in services of £96m over the four year planning period. It presented a series of savings proposals that contributed £40m in 2016/17 in order to deliver a balanced budget. The report set out that between the period 2017/18 to 2019/20 a further £55m of savings are required based on the assumptions made. These have taken into account the reduction in Settlement Funding Assessment last confirmed in February 2016, as well as other areas of pressure on budgets; the rising demands on Adult Social Care, the costs of supporting the improvement in Children's Social Care following the Ofsted inspection, costs associated with the historic child sex abuse investigation as well as pressure on housing benefit payment recovery and the need to remove the rebate income from the agency staff contract.

2.3 The Council's Medium Term Financial Strategy was set out in the October Financial Planning report to Cabinet. This identified the targets for savings set for each Department across the 3 year planning period as set out in Table 1 below. The strategy aims to provide relative protection to frontline services, recognising the extent of savings and efficiencies achieved in previous years, ensuring this supports the delivery of the Borough Plan.

Table 1 Medium Term Financial Strategy Targets

	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)	Total (£m)
Funding Gap & Pressures (Growth)	(26.87)	(15.84)	(12.63)	**(55.34)**
New Savings Targets by Department /Area				
Adults & Health	7.24	4.27	3.40	**14.91**
Children's	6.70	3.95	3.15	**13.80**
Neighbourhoods & Growth	2.44	1.44	1.15	**5.03**
Corporate Resources	1.75	1.03	0.82	**3.60**
Corporate Items	3.88	2.29	1.83	**8.00**
Organisational Redesign	4.86	2.86	2.28	**10.00**
Revised Funding (Gap)/Surplus	**0.00**	**0.00**	**0.00**	**0.00**

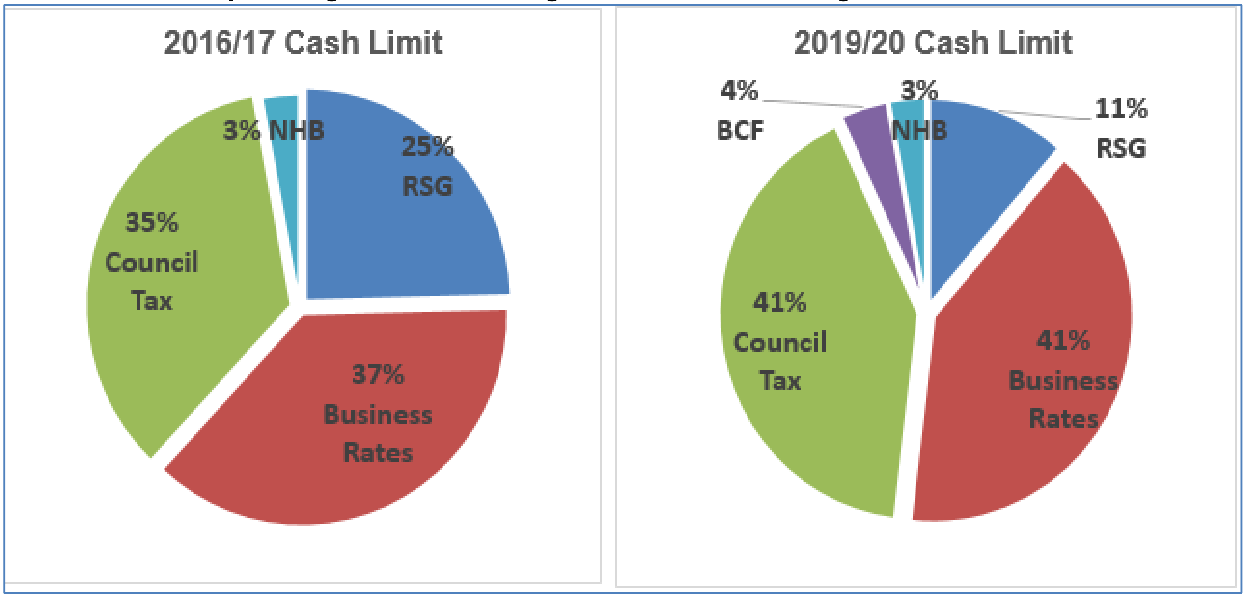
2.4 It should be noted that within our MTFS we have assumed growth of Council Tax at 1.99% increase plus the 2% Adult Social Care precept for each of the three years 2017/18 to 2019/20. Alongside this we have also made some assumptions on the general growth of the council tax base through this period, on average we expect each year to gain approximately a further £1.4m income through growth in the tax base, £2.1m from the 2% Adult Social Care precept and £2m from applying 1.99% increase. This is subject to formal agreement in February 2017.

Spending Power

2.5 The spending power of the council continues to decrease, as the Government continues its economic and local government austerity agenda. Our spending power consists of a number of items as set out in the Settlement Funding Assessment as well as Council Tax:

- The Revenue Support Grant (RSG) - this is expected to be completely phased out by 2020 and has been rapidly decreasing year-on-year, resulting in the increasing proportion made up from business rates and council tax in our 'core' funding. In 2016/17 RSG is 25% of our cash limit, but reduces to 11% in 2019/20, as demonstrated in the pie charts below (Table 2).
- Council Tax income is projected to be 31% (£98.9m) of our 2016/17 core funding but 41% (£115.8m) in 2019/20.
- Business Rates Income - this is made up of our proportion of the business rates we retain, a top-up from central government and an allocation of section 31 grants for some business rates reliefs granted by Government- in total these are projected to be 37% (£105.3m) of our 2016/17 cash limit but 41% (£114.1m) in 2019/20.
- New Homes Bonus (NHB), is projected to stay constant representing 3% of the cash limit (£8.3m) in both 2016/17 and 2019/20, but we will see a sharp decrease from 2020.
- Better Care Funding (BCF) is introduced in the cash limit from 2017/18, and by 2019/20 it is projected to be 4% of the cash limit (£10.8m)- a general rule here is when BCF increases NHB decreases.

Table 2 Spending Power – Change in our core funding 2016/17 and 2019/20



2.6 At the same time our spending power is reducing we have to manage and fund a number of pressures, which are directly linked to demographic growth and demand led pressures within the borough. Government funding formulas ignore these pressures and, are not accounted for within the Financial Settlement. The demand led pressures within Adult Social Care and Children Services continue to grow, and we have built assumptions around these key areas within our Medium Term Financial Strategy, however, although an additional £2m and £6.7m was released in 2016/17 to Adult Social Care and Children Services respectively, demand led pressures continue to grow beyond those budget assumptions, as described in paragraphs 3.3 to 3.19.

2017 Business Rates Revaluation

2.7 The next business rates revaluation is due to come into effect on 1 April 2017 and all business properties have been reassessed based on rental value as at 1 April 2015. The Valuation Office has kept to its indicative timetable and the revised rateable values were published in September 2016 and businesses have been able to view their new rateable value from October 2016.

2.8 Revaluation does not raise extra money for the council. The multiplier applied to the rateable value is amended to ensure that nationally no additional revenue, other than would have been due allowing for inflation, is collected as a result of revaluation. Our baseline figure provided by Central Government within the Financial Settlement also does not change as a result of revaluation, therefore although our retained element will increase, the top-up payment will decrease at the same value, so that we are back to the agreed baseline.

2.9 There is the likelihood that we will see an increase in the level of appeals as a result of the change in rateable values and therefore we will experience a period of uncertainty until these are resolved. This will have an impact on the level of appealing a rateable value, which is free and a high number of businesses have appealed within the current scheme with a considerable Valuation Office backlog still too clear on both the 2005 and 2010 valuation lists, so the 2017 list will simply add to the backlog.

2.10 We are concerned that the proposed revaluation of business rates will have a disproportionate impact on Lambeth's businesses. The revaluation will see significant business rate rises, particularly in central and inner London where some businesses could face rises of up to 45% on April 1st 2017. The increase in rateable values in some parts of the borough means that Lambeth businesses, including some small and medium enterprises, could face such a massive increase with only months to prepare. This could dramatically impact business growth in the borough, which is one of the highest in London currently and force some businesses to close. The council is working with Business Improvement Districts, local businesses, the Mayor and organisations across London to protect our businesses and to call on the government to provide transitional relief, mitigate the impact on London and commit to a long-term review of the effectiveness of business rates.

London Finance Commission

2.11 It is worth noting that the London Finance Commission (LFC) is to help the Mayor and London's local authorities improve the tax and public spending arrangements for London in order to promote jobs, growth and greater equality. The LFC first met in 2012/13, but recently the Mayor of London, Sadiq Khan, has re-formed the London Finance Commission to review, refresh and revise its original recommendations in light of the changed circumstances, following the UK's vote to leave the European Union.

2.12 In reconvening the Commission, the Mayor stated: **"**London needs a stronger voice so that the city continues to thrive - creating jobs, growth and remaining internationally competitive." The London Finance Commission will report their revised recommendations by the end of 2016, which will be following reviewing the views submitted by councils as part of the recent consultation. We hope that the recommendations that come out of the LFC further support our MTFS and Borough Plan aspirations.

Strategy to Deliver the Borough Plan

2.13 We have worked to ensure that our financial strategy supports the delivery of the Borough Plan, by ensuring we are investing to better focus our service provision for both vulnerable children and adults, so we help to bridge the inequality gap. In parallel, however, we must continue to transform our universal service provision to enable us to manage within the ever decreasing cash limit.

2.14 The financial strategy relies on the priorities in the Borough Plan to drive inclusive growth and have strong and sustainable neighbourhoods. Lambeth must support inward development because this provides funding for the Capital Investment Programme through Community Infrastructure Levies (CIL) and S106 income, to further contribute to our Borough Plan aspirations.

2.15 Planning targets were set for departments that were in line with the priorities of the Borough Plan, and the targets were confirmed within the October Financial Planning Report, which went to Cabinet on 10 October 2016.Tables 3 below reconfirms the departmental targets, the level of savings found to date and the application of growth to the Adult Social Care budgets funded from the precept.

2.16 From the table it is clear that in total balances of £4.3m will be utilised across the 3 year planning period in order to balance the budget. However, it is expected that these will be paid back during the period as further plans for savings come forward across the organisation in line with the original targets that were set. Further Children's Social Care savings will be delivered by the successful implementation of the improvement strategy. This is to ensure that the council's overall balances remain within the prudent levels identified by the Director of Finance as S151 Officer.

Table 3 Savings Proposals by Department

Net Revenue Budgets	2016/17 Budget £'000	Savings Target 2017-2020 £'000	Saving Proposals 2017/18 £'000	Saving Proposals 2018/19 £'000	Saving Proposals 2019/20 £'000	Total Savings Proposed 2017-20 £'000
Adults and Health	**82,904**	**14,910**	**4,889**	**3,512**	**664**	**9,065**
Children's	**67,584**	**13,800**	**4,196**	**2,467**	**2,240**	**8,903**
Neighbourhoods and Growth	**56,873**	**5,029**	**1,678**	**748**	**2,138**	**4,564**
No Recourse to Public Funds	**4,255**	**0**	**700**	**0**	**0**	**700**
Corporate Resources	**54,068**	**3,600**	**1,780**	**620**	**85**	**2,485**
Corporate Items	**16,217**	**8,000**	**6,500**	**2,300**	**2,000**	**10,800**
Organisational Redesign	**0**	**10,000**	**1,000**	**5,000**	**4,000**	**10,000**
TOTAL	**281,901**	**55,339**	**20,743**	**14,647**	**11,127**	**46,517**
Target Savings as per MTFS			26,870	15,837	12,632	**55,339**
Total Savings Currently Identified			(20,743)	(14,647)	(11,127)	**(46,517)**
Application of Growth (ASC Precept)			(1,500)	(1,500)	(1,500)	**(4,500)**
(Use)/Top-Up of Balances Required			(4,627)	310	(5)	**(4,322)**
Revised Funding (Gap)/Surplus			**0**	**0**	**0**	**0**

2.17 The council has developed a set of saving proposals that support the Borough Plan priorities; inclusive growth, tackling inequalities, and strong and sustainable neighbourhoods. The £46.5m savings that have been identified so far have been achieved by using technical adjustments to reduce the savings burden, reducing staffing levels, finding non-staffing efficiencies in service delivery, increasing income and only where necessary making service reductions. This has helped the council deliver a three year balanced budget for 2017/18 to 2019/20. The proposed savings have been categorised, and the breakdown is shown in the Table 4 below:

Table 4 Savings by Category

Net Revenue Budgets	2016/17 Budget £'000	Efficiency-Staffing £'000	Efficiency; Non-staffing £'000	Income £'000	Other £'000	Service Change £'000	Total Savings £'000
Adults and Health	**75,052**	**1,843**	**6,174**	**0**	**0**	**1,048**	**9,065**
Children's	**82,658**	**0**	**5,595**	**60**	**2,281**	**967**	**8,903**
Neighbourhoods and Growth	**49,651**	**0**	**2,045**	**1,943**	**430**	**146**	**4,564**
No Recourse to Public Funds	**4,255**	**0**	**700**	**0**	**0**	**0**	**700**
Corporate Resources	**53,214**	**0**	**2,385**	**100**	**0**	**0**	**2,485**
Corporate Items	**17,071**	**0**	**3,000**	**5,000**	**1,500**	**1,300**	**10,800**
Organisational Redesign	**0**	**10,000**	**0**	**0**	**0**	**0**	**10,000**
TOTAL	**281,901**	**11,843**	**19,899**	**7,103**	**4,211**	**3,461**	**46,517**
Percentage of Total Savings		25%	43%	15%	9%	7%	100%

Saving Proposals by Category

2.18 Summary detail of the savings can be found below, but further detail around the savings and the identified risks and mitigations can be found in Appendix 1.

Efficiency- Staffing Saving Proposals

2.19 We are proposing to make savings of £11.84m through staffing efficiencies. As reported in February 2016 and reconfirmed in the October Finance Planning Report the council has embarked on developing a programme to deliver a fundamental organisation redesign. This will reduce management layers and increase spans of control, optimise digitisation and automation of processes for both residents and staff, and control access to services through one front door, reducing duplication and fragmentation. The overall savings from staffing efficiencies over 2016/17 and 2017/18 is anticipated to be £20m. Savings of £3m have been achieved by the voluntary severance offer made to staff and the remaining £17m must come from the organisational redesign. This impacts mainly on support services, the majority of which are in Corporate Resources.

2.20 In addition to the £10m Organisational Redesign saving confirmed above, staffing savings are proposed as follows:

2.21 **Adult Social Care** saving of £1.15m, through the staff integration model begun in 2016/17.

2.22 **Supporting People** saving of £0.09m, through staffing reduction in the Lambeth Move on Team.

2.23 **Public Health** saving of £0.61m, through staffing reductions across the division.

Efficiency Non-Staffing Saving Proposals

2.24 We are proposing to make savings of £19.9m through non-staffing efficiencies. The saving proposals under this category are ensuring we make best use of resources, so it is about changing the way we work and do things, so that processes and procedures are more streamlined. Public Health savings have been developed whilst keeping in mind the reduction of £3m in grant funding over the period. Public health savings will be applied to other activity within the council, which contribute to Public Health outcomes. The proposals identified as an efficiency non-staffing are as follows:

2.25 **Adult Social Care** total savings of £1.85m, made up of:

- Savings of £0.6m through the impact of the reablement model
- Disabilities enablement savings of £0.35m through effective operating model for the enablement centre
- Residential / Nursing placements in integrated disabilities saving of £0.2m, by introducing banding payment levels for providers of residential and nursing care
- Reviewing domiciliary care packages in integrated disabilities saving of £0.1m
- Reducing demand in community services (integrated disabilities) saving of £0.1m, through working with employment colleagues to develop employment opportunities for clients
- Supporting over 55s, saving of £0.25m, by providing individuals with appropriate accommodation offer; moving from residential and nursing placements into lower cost provision.

- Living Well Network Alliance saving of £0.25m, by implementing an alliance model of delivering council and Clinical Commissioning Group mental health contracts.

2.26 **Supporting People** total saving of £0.3m, made up of:

- Supporting adults with learning disabilities, through a single delivery model, that will operate in accordance to the level of need, thus providing a more flexible service arrangement

2.27 **Public Health** total savings of £4.02m, £2.98m of which are related to the grant reduction in 2018/19. The council will ensure that the public health grant will support our commitment in the Borough Plan to reduce health inequalities; that is avoidable differences in health, wellbeing and life expectancy between populations. The Public Health outcomes will delivered across a broad range of council services.

- Health improvement saving of £1.091m, through redesigning and re-commissioning a single integrated adult health and wellbeing improvement service

- Sexual Health saving of £2.619m, through implementing a new London-wide integrated sexual health tariff, which will ensure the right price is paid for activity undertaken.

- Substance misuse saving of £1.159m, by working with partners in the Integrated Treatment Consortium to reconfigures pathways and redesign service delivery

- Children's saving of £2.136m, by working across the whole system to develop an Early Years Integrated Pathway and Integrated adolescence service.

2.28 **Children Social Care** total savings of £5.6m, made up of:

- Independent Fostering Agency saving of £1.626m, through reviewing high cost packages, development of standardised agreements and ceiling rates, develop and train existing foster carers to be able to provide more specialist care and increase the number of fostering households.

- Residential Placements saving of £2.244m, through increasing the usage of framework providers, standardising agreements for all providers and re-specifying the framework contracts to reflect current and predicted needs.

- Adoption and special guardianship order allowances saving of £0.828m, by reviewing all current agreed packages, re-establish system of annual review of packages and set up a robust and effective system for financial assessment.

- Children with Disabilities packages, saving of £0.257m, through better usage of bulk purchase of respite packages

- Children Social Care management saving of £0.4m, through rationalisation of managerial posts arising through the integration of Early Help and Youth Offending Services.

- Legal disbursements saving of £0.24m, through improvements in practice and greater managerial oversight.

2.29 **No Recourse to Public Funds** total saving of £0.7m, through effective management intervention.

2.30 **Major Capital Programmes** total saving of £0.06m, through increased capitalisation of staffing costs within the division.

2.31 **Housing** total saving of £0.25m, through a frontline services review, which will merge a number of teams and functions, to provide a larger pool of housing advisers

2.32 **Strategic Housing and Communities** total saving of £0.146m, through capitalising costs within Homes for Lambeth.

2.33 **Neighbourhoods, Environment and Employment** total savings of £1.04m, made up of:

- Arts saving of £0.05m, by reviewing the revenue for arts organisations, but retaining the staff to focus on securing external funding for arts/culture in the borough

- Leisure Estate saving of £0.4m, through savings on the leisure estate management contract.

- Depot security saving of £0.08m, by reviewing depot security and replace with CCTV

- LED Central Management System saving of £0.05m, through reducing energy costs for street lighting

- Recommissioning the Financial Resilience Strategy to achieve a saving of £0.36m.

- £0.05m saving by charging a proportion of staffing costs to S106, where activity is focused on employment related activity funded from S106 agreements.

- Reviewing employment support to identify and eliminate duplication saving of £0.05m

2.34 **Regeneration** total savings of £0.497m, through transferring eligible costs from the general fund to S106 and CIL.

2.35 **Planning** total savings of £0.05m, through a system review to identify process efficiencies.

2.36 **Corporate Resources** total savings of £2.39m, made up of:

- Receive a continuing discount of £0.055m by rescheduling the Capita contract payment profile.

- Customer demand review at Gracefield Gardens and West Norwood Health & Leisure Centre to achieve savings of £0.25m.

- Stop paying for additional car parking at Phoenix House saving of £0.034m.

- Merging the housing call centre with the customer services call centre saving of £0.25m.

- Review of the Mayor’s budget to achieve a saving of £0.01m

- Print Reprographics Archive Mail project savings of £1.43m, through digitalising outbound and inbound post, gateway process for designed print services, removal of dedicated courier service and using second class post for all mail.

- Review of Oracle contract, saving of £0.05m, through a full audit of Oracle licensing arrangements

- Digital bundling saving of £0.165m saving, through sending bundles to court, third party solicitors and barristers electronically.

- Review funding to Youth Council to achieve a saving of £0.04m.

- Insurance premium saving of £0.1m, through undertaking joint procurement exercise for the renewal of corporate insurance contracts.

2.37 **Corporate Items** total saving of £3m, through reducing the past service pension contribution. Actuaries for the Pension Fund are in the process of completing the triennial valuation and analysis shows we can reduce the contribution going forward.

Income Saving Proposals

2.38 We are proposing to make savings of £7.1m through maximising on income generating opportunities. The income proposals have been carefully considered as to not make any of our services more expensive than neighbouring boroughs. We have also ensured a balance between these proposals helping to reduce the funding gap, whilst considering our residents and not wanting to maximise income at the expense of some residents being costed out of using our services. The proposals identified as income generating are as follows:

2.39 **Education, Learning and Skills** increased income of £0.06m, through increased trading with schools.

2.40 **Strategic Housing and Communities** increased income of £0.2m, through increased fees and charges within Community Safety.

2.41 **Neighbourhoods, Environment and Employment** total increased income of £1.74m, made up of:

- Increasing garden waste fees, £0.05m

- Parking income of £1.3m based on assumed increase in demand from residents of permit sales and short term parking.

- Review of all parking charges charged to diesel vehicles, £0.15m

- Grimebusters £0.04m, through increased sales by marketing and widening the service offer.

- Highways income, £0.2m, through increased development related works.

2.42 **Corporate Resources** total increased income of £0.1m, through developing opportunities in sponsorship packages.

2.43 **Investment Income** of £5m, generating an ongoing revenue income stream from capital investment. Opportunities for investment would be assured via a gateway review process.

'Other' Saving Proposals

2.44 We are proposing to make savings of £4.21m through the 'other' category. The savings categorised as other, generally relate to technical and accounting adjustments, or are made up of a number of elements, making them difficult to put into one of the alternative categories, as above. The proposals identified as 'other' are as follows:

2.45 **Childrens Other Services**, total savings of £1.525m, are made up of:

- Three years ago the council planned a programme of reduction in grant funding with the adventure playground sites and one'oclock clubs. This saving brings forward phases 2 and 3 of the planned reductions.

2.46 **Education, Learning and Skills** total savings of £0.76m, as a result of reviewing and reshaping the schools Research and Statistics team, the Education Strategy team, the Early Year Quality Improvement team and the School Improvement team.

2.47 **Neighbourhoods, Environment and Employment** total savings of £0.43m, to be achieved through:

- Community sports and healthy lifestyle saving of £0.2m, relating to reducing the team to operate with external grant funding and by securing external commissions to consider alternative operating models

- Active communities funding, saving of £0.23m, reflecting the emerging VCS strategy

2.48 **Corporate Items** total savings of £1.5m, through technical and accounting adjustments: £1m through reduction in Minimum Revenue Provision, which is based on information from Treasury advisors following the review of the calculation of the Capital Financing Requirement, and £0.5m saving through reducing Bad Debt Provisions.

Service Change Saving Proposals

2.49 We are proposing to make savings of £3.46m through service change. Wherever possible the council has worked to devise savings, which do not stop or reduce services. However, the council has ever increasing demand pressures to manage within Adult and Children's Social Care, which has meant that we have had to make difficult decisions, and in some cases reducing or stopping a service has been unavoidable. Where we are proposing to reduce the level of service are as follows:

2.50 **Supporting People** total savings of £0.77m, reflecting a reduction in 92 bed spaces across a number of providers over the 3 year period.

2.51 **Public Health**- Offending saving of £0.28m, through decommissioning of current day programme and review and reshape the current targeted services.

2.52 **Children's Other Services** – Children's Centre saving of £0.967m, by moving to a cluster model which will retain the service in each building and be based on geographical grouping of children's centres and aligned to health visiting teams. There is a risk that further reductions by the government in Direct Schools Grant could undermine the council's strategy.

2.53 **Neighbourhoods, Environment and Employment** total saving of £0.146m, the majority of which relates to the review of the food flagship programme.

2.54 **Corporate Items** Council Tax Support Scheme total saving of £1.3m, through technical adjustments to the scheme which are subject to future consultation for 2018/19.

Managing the Delivery of Savings - Lambeth 2025 Board (Previously known as Strategic Transformation Board)

2.55 To ensure the continuous monitoring of savings the Strategic Transformation Board was set up in 2015, and will continue to monitor the achievement of savings throughout the course of the Medium Term Financial Strategy. The name of the Board has recently changed to reflect the additional scope.

2.56 Under the portfolio's five key priorities, activities that the board has carried out since the summer include:

Organisational Redesign & Transformation

- Oversight of the scoping and design phase for the Organisational Redesign and ways of working transformation
- Monitoring the project delivery of critical ICT transformation projects covering new forms of telephony, desktop working and electronic document management

Health & Social Care Transformation

- Approved the strategic business case for Health and Social Care Integration
- Monitored the ongoing implementation of Mosaic Social Care systems

Children and Young People Improvement

- Continued to receive assurance on the Children's Social Care Improvement Programme

Regeneration and Growth

- Received programme assurance on the following:
  - Estate Regeneration / Establishment of Homes for Lambeth
  - Brixton Central
  - Somerleyton Road
  - Controlled Parking Zone expansion

Budget Delivery

- Reviewed savings delivery performance through the new Budget Savings Tracker

Portfolio

- Reviewed programme and project governance arrangements
- Provided oversight to the development of the Portfolio's resources profile and financial arrangements

3. Financial Management and Update

3.1 In February 2016, the Council agreed an updated Financial Management Strategy for the period 2016 – 2020 as part of the Revenue and Capital Budget 2016/17 Report that sets out an overview of our approach, which includes:

- Making the best use of our financial resources to help achieve the council's vision and ambitions for the Borough
- Maximise sustainable benefits for the people of Lambeth
- Support transparency, probity and propriety in the stewardship of all public monies and help partners minimise the risk of errors, financial mismanagement, fraud or corruption arising.
- The delivery of the strategy is monitored through the Financial Management Group and regular budget monitoring reports are produced and reviewed at the Corporate Management Team.

Revenue

2016/17 Revenue September Forecast Position

3.2 The current position on the General Fund is a forecast overspend of £7.5m for 2016/17. This continues to be managed down and progress monitored at Corporate Management Team and Cabinet. Last year at this point the forecast overspend was £20.7m and the final outturn was a small underspend. The forecast is shown in Table 5 below and the key pressures on budgets are:

- Children's Social Care & Early Help - £5.2m;
- Education & Learning - £2.3m;
- Adult Social Care - £2.6m;

- Benefits & Customer Services - £1.3m;
- These are offset by underspends in Neighbourhoods and Growth. - £1.9m.

3.3 This needs to be considered in the light of the wider transformation of the council and, in particular, the improvement plan for Children's Services, which has been recognised by Ofsted in its visit of July 2016 as making some progress, though still requiring further steps in order to achieve consistency of service provision. It should therefore be considered to carry significant risk to 2016/17 budgets; however, over the medium term, the whole system redesign is envisaged to both improve the service and address the financial context.

3.4 The overspend in Adults Social Care should be seen in the light of the pressures experienced nationally in Adult Services. These are in large part due to slippage being incurred on transformational activity as the service responds to the financial challenge, and in most areas the savings are expected to be delivered overall. However, in some areas pressures in client numbers will require close monitoring.

3.5 Work is being undertaken to gain further clarity as to how much of the overspends relate to one-off factors, and how much is due to possibly recurrent pressures.

Table 5 General Fund Forecast Outturn 2016/17

Department	**Full Year Budget £'000**	**FY Forecast £'000**	**FY Variance £'000**	**FY Variance%**
Adults & Public Health	84,358	86,995	**2,637**	3.1%
Children's Services	71,914	78,919	**7,005**	9.7%
Neighbourhoods & Growth	63,426	61,492	**(1,934)**	(3.0%)
Corporate Resources	60,038	60,519	**481**	0.8%
NRPF	4,267	3,539	**(728)**	(17.1%)
Corporate Items	(2,102)	(2,102)	**0**	0.0%
TOTAL - General Fund	**281,901**	**289,362**	**7,461**	**2.6%**

3.6 **Adults and Public Health** is projecting to overspend by £2.6m, mainly as a result of:

Mental Health- forecast overspend £1.2m

3.7 Mental Health is expected to overspend by £1.2m, mainly due to slippage in delivering the savings in the Integrated Personalised Support Alliance £300k, an increase in the staffing forecast due to agency cover of posts during a reconfiguration of the service offset by reductions in residential care spend of £40k and supported housing of £40k.

Integrated Disabilities (Learning, Physical Disabilities and Occupational Therapy) - forecast £325k overspend

3.8 This is mainly the balance of the reduction in the staffing forecast by £180k, a reduction in contribution to the HIV programme of £130k, an increase in the third party forecast due to domiciliary care of £430k, a decrease in residential care of £200k and an increase in equipment spend of £60k.

Older People's Services - forecast overspend of £2.3m

3.9 There has been an increase in the forecast of £888k, mainly due to the review of domiciliary care spend to date, which resulted in an increase of £1.5m. This contributed to an increase in third party forecast by £1m after a reduction in the extra care (£250k) and nursing (£150k) forecast, resulting in a total third party pressure of £1.7m.

Day Services - forecast overspend £202k

3.10 Day are expected to overspend by £202k. This forecast is based on the assumption of delivering £600k savings by reconfiguring the day service offer, significantly reducing staffing, and reducing external day care and transport costs.

Other Adult Services - forecast underspend £1.3m

3.11 Support and specialist services are expected to underspend by £1.349m mitigating demand driven cost pressures in core services. A large proportion of this underspend (£1,073k) is in senior management where funds from the Better Care Fund are held against cross cutting costs of implementing Care Act recommendations. There was a £233k increase in the forecasted underspend, due to receipt of grant funding (Community Voices- £100k), agreement for one off funding for a post and a reduction in the staffing forecast.

3.12 **Children Services** is projecting to overspend by £7.0m, mainly due to:

3.13 **Children's Social Care & Early Help – forecast overspend £5.3m**

3.14 The £5.3m pressure within CSC is made up of £3.3m staffing; £1.3m on client care costs and £0.7m on contracts and other costs. Whilst there has been a reduction in the overall headcount, the number of agency staff keeps the pressure on total staffing costs given the premium on agency social workers is c£15k-£20k pa per individual. We continue to focus on recruiting permanent staff which is essential to delivering Social Care improvement.

3.15 Looked after children: 40 residential placements compared to 34 budgeted, contributing to a £1.4m forecast overspend. 30 placements with a full year forecast cost of between: £100k-199k; 8 between: £200k-£299k; and 1 over £300k. 11 in specialist placements (supported accommodation/ parent & child accommodation etc), which is 27 fewer than the budgeted 38, consequently specialist placements are £1.2m under budget.

3.16 A further hidden pressure is the cost of asylum seeking children. Currently there are 24 children under 18 and a further 33 over 18. Projected costs are anticipated to be in the region of £0.6m for the year based on current numbers. Whilst some level of funding is provided by the Home Office, this only covers a small proportion of the spend.

Education & Learning- forecast overspend £2.3m

3.17 Special Educational Needs and Disabilities - £0.7m overspend on transport costs and £1.3m on pupil costs. Transport costs are already being addressed through a number of initiatives, including the recommissioning of the existing contract.

Strategy & Commissioning (Children)- forecast underspend £0.5m

3.18 The Service has undertaken a review of grant commitments for the next 3 years and identified reduced funding requirements which is now been reflected in the forecast. It was agreed at the Children's

Budget session with Members (September), that any further underspend would be carried forward to create a reserve to fund future requirement for landlord repairs and maintenance to adventure playgrounds and one o'clock clubs.

3.19 **Neighbourhoods and Growth** is projecting to underspend by £1.9m, mainly due to:

Housing Services- forecast underspend £1.5m

3.20 The temporary accommodation service is currently forecasting an underspend of £961k as a result of continuing effective management of this service. The main cost driver continues to be the use of nightly charged accommodation for individuals and families resulting from insufficient supply of leased properties. Whilst there has been an increase in the number of placements in such accommodation, this is being partially netted off by a reduction in net unit cost as a result of renegotiating rates and moving people to alternative, cheaper accommodation as well as making use of "nil cost" accommodation in council-owned stock on estates that are being redeveloped.

Strategic Housing, Regeneration & Communities- forecast underspend £0.5m

3.21 The underspend is due to staff vacancies across the service area.

Neighbourhoods, Environment & Employment- forecast underspend £0.02m

3.22 There is a £227k shortfall in Commercial Waste income as a result of not being able to meet the savings target for 2016/17. Officers are in place to address the shortfall over the remainder of the year. The service received inflationary uplifts for Veolia and WRWA which have mitigated some of the previously reported pressure, although there is still a £988k overspend on the Veolia Street Cleaning and Waste Collection services due to a shortfall in savings related to Waste Strategy Phase 3.

3.23 Parking is forecast to underspend by £874k, which represents the additional surplus above that which is budgeted for the Parking Service.

3.24 Parks is forecast to overspend by £362k due to slippage in the delivery of the staffing restructure which was planned as part of the £1.3m savings for 16/17. It is expected that this will be delivered in Q4.

3.25 The overspend projected in Registrars is due to unbudgeted redundancy costs that need to be covered by the service and for which there is no budget, the calculation for which has increased from last month.

3.26 Street Management is forecast to overspend by £131k, because of a number of pressures within the service relating to the shortfall in income under the New Roads and Streetworks Act against the increased budget, a shortfall in capitalisation of staff costs and a delay in implementing the LED lighting system to the borough. This latter pressure is a timing issue with delivery of the saving so will be resolved in 2017/18.

3.27 **Corporate Resources** is projecting to overspend by £0.5m, mainly due to:

Business and Customer Services- forecast overspend £1.3m

3.28 The overspend is mainly due to the early identification of HB overpayments through the introduction of real time data matching (RTI) coordinated by DWP, to identify claimants no longer eligible or fraudulent activity. The majority of overpayments will attract only 40% subsidy, so the reported overspend is largely the remaining 60% less claw back on existing benefit. The underlying pressure is estimated to be £1m annually.

Business Transformation- forecast overspend £0.5m

3.29 This is mainly due to additional costs in the telephony contract.

Finance- forecast underspend £1.3m

3.30 There are a significant number of vacancies within Finance Planning & Management and underspends within Supplies & Services. The forecast underspend of £673k has now been adjusted to take account of the part-year Organisation Redesign savings achieved as part of the recent restructure and the possible cost required to recruit to key vacancies.

3.31 Procurement is forecast to underspend by £930k; the current Matrix contract has been extended and as a result there is additional forecast rebate which is giving rise to the underspend.

3.32 Valuation & Strategic Property Services is forecast to overspend by £345k, this assumes a shortfall in income in respect of commercial rent and auction sales. At this stage an increase in the budget for commercial rent agreed as part of the 2016/17 budget setting process will not be fully achieved in 2016/17. Officers are continuing to look at opportunities for additional rental streams and once these have been formalised and agreed, they will be included in the forecast.

3.33 **No Recourse to Public Funds** is projecting to underspend by £0.7m, which is due to the effective management intervention and case management of individuals and families with no recourse.

3.34 **Corporate Items** is projecting a balanced position.

2016/17 Housing Revenue Account September Forecast Position

3.35 The Housing Revenue Account is projecting to overspend by £0.3m:

Table 6 Housing Revenue Account Forecast Outturn 2016/17

	Full Year Budget £'000	FY Forecast £'000	FY Variance £'000	FY Variance %
Housing Services (HRA)	62,242	63,613	**1,371**	2.2%
Central HRA Budgets	(83,152)	(83,402)	**(250)**	0.3%
Strategic Housing, Regeneration & Communities	16,954	16,148	**(806)**	(4.8%)
Corporate Resources - HRA	3,956	3,956	**0**	0.0%
TOTAL HRA	**0**	**315**	**315**	

Housing Services (HRA)- forecast overspend £1.4m

3.36 Overspending on electricity £1.4m due to a significant backlog in billing by the supplier which led to inaccurate accruals at the end of 2015/16, legal costs budgets are currently forecast to overspend by £470k, overspend of £719k which relates to the capitalisation of costs relating to boilers. The budget assumes a capitalisation of £2.2m which is unlikely to be achieved. This is offset by a reduction of £12m in employee costs following the enhanced VPRS exercise.

Central HRA Budgets- forecast underspend £0.3m

3.37 Income from parking and garages is exceeding the assumptions made as part of the 2016/17 budgets setting exercise and the full year income forecast has been increased by £467k from a breakeven position the previous month.

Strategic Housing, Regeneration & Communities- forecast underspend £0.8m

3.38 Within Strategic Housing, Regeneration and Communities employee costs are due to underspend by £914k due to vacancies within the service. This is offset by a £137k overspend following the identification of duplicate income transactions in prior years that have now been reversed out in 2016/17.

4. Capital

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

4.1 The Council has an ambitious Capital investment for the 4 financial years of the current political administration 2014/15 – 2017/18. This comprises of those projects formally incorporated into the CIP of £686.5m together with planned investments totalling £37.1m held in the capital pipeline. The target for the current 3 year planning cycle is a CIP of £354.7m. 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.

4.2 The Council has seen continued significant receipts from CIL and s106 development income. Together with external grant income, development income will need to be the council's main source of funding to meet capital investment needs as capital receipts from rationalisation of the council's existing asset base are now dwindling. The current forecast non-Right To Buy (RTB) disposal receipts for the 2 years 2016/17 and 2017/18 of £43.7m is analysed in paragraph 4.21. Although the forecast for development income remains strong, if the development does not happen, this income will fall away.

4.3 The Council is undertaking a huge range of significant regeneration projects in areas right across the borough including Waterloo, Vauxhall and Nine Elms, Tulse Hill and West Norwood as well as Future Brixton (encompassing Your New Town Hall, Somerleyton Road and Brixton Central). More details of these major projects are included at Appendix 8.

4.4 However, at the same time as capital is invested in the development of essential new infrastructure, capital funding is also being prioritised for the continued maintenance and enhancement of our existing assets. A number of key capital strategies are well underway including Culture 2020, the Parks Investment strategy and the Highways Improvement strategy which are bringing council owned roads and facilities right across the borough up to the highest standard.

4.5 There is also now a renewed focus on using our assets as a corporate resource to support and enable the Council to deliver on the community outcomes. In particular, there is a focus on how to use assets to generate on-going revenue where possible since this will give the council the greatest financial flexibility.

Looking Forward: Future Capital Investment

4.6 A Capital Investment Programme ("CIP") was set by the Council in February 2016 reflecting the resources that were known to be available at the time. The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes and is analysed to show how capital investment is spread across the Community Outcomes. It also shows where investment is supporting the entire organisation through Enabling projects.

4.7 Since the Budget report in February 2016, the programme has now been re-profiled and 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 6.

4.8 Together with the outturn position for 2015/16 (as detailed in paragraph 4.12 – 4.15 and appendix 4 and 5), these amendments have resulted in a revised working Capital Investment Programme for the next 3 years 2016/17 to 2018/19 which totals £354.7m.

4.9 Appendix 2 shows the analysis of this working CIP for the next 3 years 2016/17 to 2018/19 while Appendix 3 demonstrates how this 3 year CIP will be financed. This planned investment includes £204.3m in relation to the Housing Revenue Account (HRA).

4.10 The planned spend for the current 2016/17 financial year within the Capital Investment Programme now totals £242m. Forecast spend by the end of the year currently stands at £241m (99% of budget).

4.11 The proposed working CIP rolled forward for the three years 2017/18 to 2019/20 will be submitted for formal approval in February 2017.

Capital Expenditure Outturn 2015/16 and Achievements

4.12 The Authority originally planned to invest £241m capital in the financial year 2015/16. This was revised downwards in November 2015 to £216m.

4.13 The total capital spend at the end of 2015/16 was £156m against the revised budget of £216m, which represents 72% of planned amount. The unspent funds have been rolled forward to fund revised expenditure projections for future years.

4.14 Key outcomes achieved through this investment included:

- This financial year 5,556 properties within the Authority received decent homes work of which 2,159 were made decent.
- Progress in expansion and enhancement of 7 Primary Schools partly funded by the Targeted Basic Needs Grant (£17.9m);
- Resurfacing of 114 streets (48 footways and 66 carriageways) covering 34 miles in total (£9m);
- Streetscape works including Brixton Market Masterplan, 20mph Limit, Vauxhall Walk and Cycling Measures (£2.7m).
- Parks Refurbishment & Improvement Works including Brockwell Park, Vauxhall Pleasure Gardens, Slade Gardens and major investment in three cemeteries(£3.6m)
- This year saw the completion of a number of school projects including: the remodelling of the Michael Tippet main building and Wier Rd Annex; the extension of Elmwood Primary School, Turney SEN facility, Larkhall SEN, Clapham Manor external works and capital maintenance programme that carried out essential maintenance on 11 schools, ranging from roof repairs to Fire door replacement.

4.15 The Authority also successfully achieved planning approvals for St John's Primary School, Woodmansterne Primary School and Paxton Primary School. All three schools are currently in delivery and will be completed in 2016. External fees were also agreed with the National Children's Bureau for the team to deliver the LEAP initiative capital programme. This is 11 projects, mainly in Children's Centres and One o'clock Clubs that will enhance the buildings enabling LEAP to deliver support to mums to be and young children and parents.

Overview of Planned Capital Investment for the 3 Years 2016/17 to 2018/19

4.16 The total planned capital investment over the 3 years 2016/17 to 2018/19 comprises those projects formally incorporated into the CIP of £354.7m together with planned investments totalling £51.7m held in the capital pipeline. The total for those 3 years is now planned to be £406.4. This target includes £204.3m in relation to the HRA.

Overview of the Forecast Disposals for the 3 Years 2016/17 to 2018/19

4.17 The forecast for non RTB asset disposals for the 3 year period of **2016/17 to 2018/**19 has been revised to a total of £43.7m. The detail of this forecast shown in Appendix 7 and is summarised in Table 7 below:

Table 7 Revised Forecast of Non-RTB Asset Disposals 2016/17 – 2018/19

Non RTB Disposals	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Other assets	0.8	23.3	0	**28.3**
Short life assets	17.8	1.8	0	**50.2**
Total Forecast	**18.6**	**25.1**	**0**	**78.5**

4.18 These forecasts are based on our best estimates of disposal coming forward to date, but that as ever with the nature of property, things can change fairly rapidly (tenants moving on, services co-locating, or internal requirements such as housing and regeneration).

4.19 The council holds a list of assets surplus to requirements which are suitable for disposal. This list is regularly reviewed as new opportunities are identified. Following a recent review the assets listed below have been removed from the Council's surplus Asset Disposal list due to a change in council strategy for the future use of these assets:

- 2-64 McCall Close,
- Westcott House, Cranfield Close,
- Angell Town Boiler House, Overton Road
- Various Community Hubs Assets

Asset Disposals 2016/17

4.20 As at 31 October 2016, disposals have raised £1.4m capital receipts from non RTB assets for the year to date. In addition, 38 council housing stock properties to the value of £7.4m have been sold under Right to Buy legislation during financial year 2016/17. Of this total receipt, the council is permitted to retain £0.9m as a contribution to the council's single capital pot and a further £4.8m as Recycled RTB receipts for reinvestment in replacement housing, subject to stringent criteria.

Strategic Property Overview

4.21 The Valuation and Strategic assets team advises the council on properties where there is an opportunity to exploit the underlying value of the asset either through a third party letting, disposal or acquisition, leading to a capital, revenue or social-value benefit, and ensure the best use of our assets to deliver the community outcomes.

4.22 To be successful in this, we must regard our property assets as a corporate resource which is there to support and enable the Council to deliver on the community outcomes. We must therefore:

- Optimise the use and benefits of our asset base, maximising the underlying value, and ensure the best use of this valuable corporate resource.
- Review all our commercial property assets to ensure that we are maximising the revenue we receive from third party occupiers. We will roll out a programme of property principles to ensure fairness and transparency, with clear audit trails accounting for all decisions relating to occupiers.
- That we ensure that we are fully exploiting all the opportunities in the borough for new development, whether we undertake it ourselves or work with other partners to sweat our valuable assets to ensure we reap the maximum benefit from every plot of surplus land and space
- That we encourage innovative ways of looking at assets, including working with partners through JVs, exploiting marriage value opportunities which lead to our ability to develop and create new revenue streams, as well as creating capital receipts.
- That we capitalise on the opportunities provided by the wider public sector asset base of the borough through further integration with key partners such as the NHS and the Metropolitan Police, sharing assets, reducing revenue costs and improving community access to services;
- that we maximise the impact of the new Community Infrastructure Levy (CIL) income to further our critical infrastructure needs;
- that we facilitate direct community input into capital investment decisions at neighbourhood level including through the introduction of the Co-operative Local Investment Plans (CLIPs), and
- That we continue to support and refine mechanisms to facilitate community asset transfers or cooperative models of asset management.

Major Projects Update

4.23 The Investment and Growth team continues to lead on the monitoring and management of CIL and section 106. The forecast for this income remains strong, but if the development does not happen, this income will fall away.

4.24 This team's activity will be funded through the section 106 monitoring fee and the administration fee from both mayoral CIL and Lambeth CIL. Where appropriate the investment and growth team will be supplemented with advisors from across the council, for example highways, legal, finance and housing. Delegated authority will be given the Strategic Director for Neighbourhoods and Growth to authorise this expenditure on an annual basis in conjunction with the Deputy Leader Investment and Partnerships. This will relate to all section 106 monitoring fees and the administration fee set by the Mayor and the Localism Act, respectively, including subsequent revisions to these documents.

4.25 The Council will charge a project management fee of 10% of all projects and programmes that will be delivered through these funds. This will be included as part of any subsequent project approval.

4.26 In relation to Vauxhall Nine Elms, at the outset the Council contributed £125k to finance an independent delivery team to support the delivery of this programme. From March 2017 onwards, the Council intends to use this funding to support its own delivery team in this area, within the investment and growth team, part of the Neighbourhoods and Growth directorate.

4.27 During the last 10 years, the Council has implemented over £25m of projects funded from section 106. This has included everything from the installation of benches in our parks, the creation of Jubilee Gardens, delivery of the Neighbourhood Enhancement Programme to the construction of the Northern Line Extension. We continue to invest these funds in the borough to ensure that the effects of development are mitigated and that there are tangible benefits for Lambeth residents as a result.

4.28 In addition to investment from development, the implementation of Culture 2020 is now well underway with Waterloo and Upper Norwood services already up and running. It is expected that Carnegie library will reopen as a healthy living centre in 2017. Minet library is now the subject of further study in relation to the future location of the archive as the council continues to fund and support the cultural offer in the borough. This is further supported with pioneer parks at Myatts Field and Streatham Common being established alongside the ongoing delivery of the first phase of the parks investment plan. Future phases of parks investment will follow as part of the capital 2015/16 programme.

4.29 A further programme of capital work is being supported by the New Homes Bonus. This will see a series of interventions from public realm to signing to help underpin the vitality of the borough's town centres.

4.30 Council will continue to prepare a co-ordinated programme of capital investment funded by development and additional grants programmes where it can and where there is some assurance that revenue is available to maintain what is delivered.

4.31 Appendix 8 provides detail on the significant projects which have been underway across the borough during 2015/16.

Further Medium-Term Housing Investment within the HRA 2017/18 to 2021/22

4.32 **Affordable Housing investment-** Many of the schemes set are of a long-term nature, and are in different stages of development. However, most should be completed within this time period, and assist the Council in achieving the objective of starting the construction of 1,000 units let at the equivalent of Council Rents in the 4 years May 2014 to May 2018.

4.33 **Housing Investment 2017/18 – 2021/22**- Lambeth agreed the Lambeth Housing Standard (LHS) programme in April 2012, based on a 5 year programme targeted at the 49% of stock deemed non-compliant to the Decent Homes Standard (DHS) standards. The objective is to bring stock up to LHS, and thereafter maintain all stock to LHS standards. In reality, once on site it was found that 62% homes were non Decent Homes compliant and thus additional works were required and costs incurred.

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

4.35 The investment for 2016/17 is estimated at £129m of which £107m will be used to provide LHS improvements in relation to internal, external works, Landlord Electrics, water tanks and communal heating. The financial challenge in the HRA capital programme has grown and therefore the Council has to be prudent in deciding how best to spend the limited capital budget on LHS over the coming years, whilst also considering that these funds are needed to propel the housing regeneration programmes which are expected to gather momentum this year.

Changes to S106 Capital Governance

4.36 The Council prepares an infrastructure delivery plan which is adopted when the Local Plan is adopted. The most current adopted version is September 2015. Going forward the Community Infrastructure Levy will be the primary source of funding for much of this infrastructure. In tandem with this, the Council adopted a policy related to the preparation of Co-operative Local Investment Plans. These plans are designed to reflect local priorities and be taken into consideration when the Council is allocating the neighbourhood funding element of CIL which is 15% of the total CIL collected. In addition the Council has agreed to add a further 10% of CIL to be spent at a neighbourhood level to ensure 'a place based approach to delivery'. The process of preparing a CLIP is underpinned with consultation with the local community to understand their priorities. The Council is now starting to see the impact of the implementation of CIL and although there remains the capacity to apply Section 106 agreements still, much of the income is now CIL. Recognising this and in light of the implementation of CLIPs, the Council proposes the withdrawal of S106 consultation protocol, adopted by Cabinet in 2009 which set down separate arrangements for consultation in relation to the allocation of Section 106. It is believed that these requirements have been superseded by the provisions in the Localism Act relating to consultation around neighbourhood CIL.

5. FINANCE

5.1 This report is all about the Council's financial position and the implications of this for service planning and delivery.

6. LEGAL AND DEMOCRACY

6.1 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 2016/17 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.

6.2 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.

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

6.4 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.

6.5 In considering the advice of officers, and the weight to be attached to that advice, members should have regard to the personal duties placed upon the Director of Finance (DoF) as Chief Financial Officer. The Chief Financial Officer is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. In the event that the Council's overall financial position worsens considerably during the remainder of 2016/17, the DoF will need to have regard to the statutory obligations which are placed on her personally when deciding on any particular actions to be recommended to Members to address her concerns.

6.6 This proposed key decision was entered in the Forward Plan on 30 September and the necessary 28 clear days' notice has been given. The report will be published for five clear days before the decision is approved by Cabinet. A further period of five clear days- the call-in period- must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

6.7 Section 149 of the Equality Act 2010 sets out the public sector equality duty, i.e. that all public bodies are under an obligation to have 'due regard' to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, marriage and civil partnership, race, religion or belief, sex and sexual orientation

6.8 Section 149 (1)(b) of the Act states that: a public authority must, in the exercise of its functions, have due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. Part of the duty to have "due regard" where there is disproportionate impact will be to take steps to mitigate the impact and the Council must demonstrate that this has been done, and/or justify the decision, on the basis that it is a proportionate means of achieving a legitimate aim. Accordingly, there is an expectation that a decision maker will explore other means which have less of a disproportionate impact.

6.9 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. CONSULTATION AND CO-PRODUCTION

7.1 This report has been consulted on with the people listed in the audit trail. Our commitment is to involve citizens in the process of allocating resources as well as designing and delivering services. The proposals being implemented in the 2016/17 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 2017/18 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.

8. RISK MANAGEMENT

8.1 None for the purposes of this report.

9. EQUALITIES IMPACT ASSESSMENT

9.1 Lambeth Council takes its equalities responsibilities seriously. It is vitally important as the council is forced to take difficult decisions about reducing resources that the impact of these decisions is fully considered. Lambeth Council is committed to targeting its resources as far as possible to those most in need and to improving equality of opportunity in our borough. Therefore the council's approach to delivering a balanced budget has equalities considerations at its core. 'Future Lambeth: Our borough plan' 2016-2021 sets out the council and our partners' vision and priorities for the next five years. To achieve these aims the borough plan identifies three strategic priorities that all partners will work towards in order to make Lambeth a stronger, fairer and more prosperous borough. These are: inclusive growth; reducing inequality; and, building strong and sustainable neighbourhoods. Closer alignment of plan outcomes and the budget will be part of the business planning process from 2017/18.

9.2 Equality objectives have been integrated into the outcomes framework and as part of the Borough Plan's implementation plan we will need clear plans for how we achieve our equalities objectives, how they will be measured, monitored and reviewed.

Budget Equality Analysis Approach

9.3 An equalities relevance assessment has been undertaken for each of the proposals which brings forward new savings for 2017/18-2019/20. Of the total savings (excluding organisation redesign) for 2017-20 (£36,662k) 39.5% have been assessed as having equality impacts.

9.4 Each of these proposals has been discussed in depth at informal cabinet, and will be subject to further discussion at the Corporate EIA panel in December where members will scrutinise how officers are considering equalities in their proposals. It is anticipated that all of the proposals with relevance will be subject to further detailed Equality Impact Assessment (EIA) as the proposals are more fully developed throughout the year. In line with our equalities processes, the Corporate EIA panel will then consider the equalities impacts of the proposals before they are implemented.

9.5 Proposals agreed during 2016/17 for implementation in 2017/18 have undergone full EIAs, with high risk proposals to be discussed at the Corporate EIA panel.

9.6 Given the scale of budget cuts being faced by the council it is inevitable that citizens will be impacted. Understanding what the impact might be, and where possible putting in place mitigation to negate or reduce any adverse impacts is important. Our cooperative approach means that we will work closely with citizens to understand possible adverse impacts and put in place mitigations. We will also look to work with communities to build on the strengths that exist and enhance their resilience. By co-producing activities and building on what already is in place within communities and neighbourhoods we feel better able to mitigate some of the impacts of the changes outlined in this report.

9.7 A significant amount of savings proposed in this budget relate to staffing changes within Lambeth council. This reflects the principle that where possible, savings will be identified from back office services, in order to protect services to the public. It is not possible to identify equalities impacts at this stage, but these will be subject to full equalities impacts assessments, in line with the council's policy, as the proposals are developed and we are able to more accurately assess impact.

9.8 The list below outlines those proposals we believe have relevance to equalities. Based on the information we currently have available, we describe the groups with protected characteristics that could be disproportionately impacted by these proposals. These proposals are in the early stages of development, and in many cases we do not yet have an accurate assessment of risk, but where possible we describe potential mitigations that could be put in place to reduce or negate any adverse impacts. We also detail when further equalities analysis will be conducted. This information is to assist cabinet and Council in understanding the potential impact of these proposals in their decision-making.

Proposals

9.9 Analysis presented here is based on the detail included in budget proposals we consider high risk, combined with conversations with lead officers to explore potential equalities impacts in more detail where necessary. Based on our analysis of the savings proposals and their potential impacts, the equality groups most affected are: socio-economic; age (children and young people); disability; sex; race; and, health and wellbeing. For example:

9.10 The Supporting People proposal is about working with providers to generate efficiencies and reduce the number of hostel beds. Savings have been split between efficiency savings, reduction in provision and scheme closures. Efficiency savings were originally based on a blanket 5% saving across all of the hostels. However, providers fed back that they would prefer to vary the amount of savings per hostel while still delivering the same amount. Substance misuse and offending proposals entail service reductions and efficiencies which will impact some of our most vulnerable residents, who are more likely to be men on low incomes with multiple and complex needs including mental health issues. Residents accessing this support are more likely to be Black Asian and Minority Ethnic (BAME). Any potential impacts will be mitigated by recommissioning schemes, and ensuring people are able to access support through mainstream services. Further equalities analysis will be available in March.

9.11 Proposals related to domiciliary care intend to find savings from the domiciliary care budget, and invest them in a reablement service to support people, often leaving hospital, to regain their independence. The savings will not alter domiciliary care services for existing service users, but by investing in reablement evidence from elsewhere suggests that fewer people will require as much domiciliary care support in the future, thereby reducing future costs. Proposals relating to domiciliary care, children with disabilities will impact disabled children and adults, many of whom are likely to be on low incomes and have health issues. Investing in reablement is likely to have a positive impact for future service users.

9.12 The introduction of charging for some services, reduction in debt advice and reduction in Council Tax Support to some residents will disproportionately impact residents on low incomes, from BAME backgrounds and lone parent families.

9.13 Proposed changes to Children's Centres to move to a cluster model, Youth and Play to accelerate and make further savings across the youth and play estate and Public health proposals have potential to impact children and young people, their primary carers and wider families. The potential loss of access to services is more likely to be pronounced for low income, BAME and female residents, as well as those for whom English is another language. Given some of these services and facilities also provide specialist support to children with disabilities, there may also be relevance to disability. The proposals take account of the spread of services in the geographical area, level of need and other services run at sites for children and families to mitigate any potential disproportionate impacts. Consultation is required with the identified early adopter phase 2 providers about the proposals, and this will be used to identify any further mitigations necessary.We are working with the Young Lambeth Co-op to identify the impact of a reduction in grant and commissioning budgets up to 2017/18.

9.14 A range of planned mitigations are in place to reduce the impact of these proposals, including greater targeting of services on those in greatest need, a focus on communications, re-commissioning of services, partnership working and service redesign.

9.15 There will be ongoing development of a budget equalities tracker to monitor development of proposals, risk and mitigations.

9.16 It is important to note at this stage the analysis is indicative and as individual proposals are further developed and implemented they will be subject to further assessment incorporating information from available EIAs. The detailed budget equalities analysis can be found in Appendix 9.

10. COMMUNITY SAFETY

10.1 None for the purpose of this report.

11. ORGANISATIONAL IMPLICATIONS

Environmental implications

11.1 None for the purpose of this report.

Staffing and accommodation implications:

11.2 None for the purpose of this report.

12. TIMETABLE FOR IMPLEMENTATION

12.1 None

Audit trail
Consultation

Name/Position	Lambeth cluster/division or partner	Date Sent	Date Received	Comments in para:
Jackie Belton, Strategic Director	Corporate Resources	28/10/2016	11/11/2016	Throughout
Christina Thompson, Director of Finance	Corporate Resources	28/10/2016	11/11/2016	Throughout
Julian Ellerby, Director of Policy and Communications	Corporate Resources	10/11/2016	11/11/2016	Summary
Alison McKane, Legal Services	Corporate Resources	28/10/2016	17/11/2016	Section 6
David Rose/Henry Langford, Democratic Services	Corporate Resources	28/10/2016	01/11/2016	Para.6.6
Councillor Paul McGlone	Deputy Leader (Investments and Partnerships)	28/10/2016	10/11/2016	Throughout
Councillor Imogen Walker	Deputy Leader (Finance)	28/10/2016		
External				
For internal reports, list internal meetings where issue has been considered				

Report history	
Original discussion with Cabinet Member	15.05.15
Report deadline	01.07.16 (Cabinet)
Date final report sent	01.07.16
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	Revenue & Capital Budget 2016/17 – 2019/20 http://moderngov.lambeth.gov.uk/ieListDocuments.aspx?CId=142&MId=9374 Provisional Budget Strategy 2017/18 – 2019/20 http://moderngov.lambeth.gov.uk/ieListDocuments.aspx?CId=142&MId=9374 Draft Statement of Accounts 2015/16 https://www.lambeth.gov.uk/sites/default/files/ec-2015-16-Statement-of-Accounts-Draft_1.pdf October Finance Planning Report 2016/17 http://moderngov.lambeth.gov.uk/ieListDocuments.aspx?CId=225&MId=9752

Appendices	Appendix 1 – Saving Proposals 2017-2020 Appendix 2- Capital Investment Programme (CIP) 2014/15 to 2017/18 Appendix 3 - Financing of CIP 2015/16 to 2017/18 Appendix 4 - 2015/16 Capital Expenditure Outturn Appendix 5 - Financing of 2015/16 Capital Expenditure Outturn Appendix 6 - Capital Virements Appendix 7 - Revised Asset Disposals Appendix 8 - Major Projects Update Appendix 9 – Equalities Impact Assessment