

**Revenue & Capital Budget 2017/18
The Opposition Alternative Budget**

Advice from the s151 Officer

Senior finance support has been provided to assist the Conservative Group to formulate an alternative budget that reflects their policy priorities.

The Alternative Budget proposed by the Conservative Group would be a legal, balanced budget for 2017/18, as per the changes set out in Appendices 1 and 2. The potential implications for 2018/19 and 2019/20 have not been considered as part of these proposals.

I have previously reported to members that my professional view is that Council Tax increases should not normally be set significantly below the level of inflation. The 2016 Autumn Statement shows forecast levels of inflation of 1.4% (2017), 1.7% (2018) and 2.1% (2019). Section 2 of the Budget Report sets out the 3 year savings target for 2017/18 to 2019/20 totalling £55m. Failing to make any increase at all, (excepting the ring-fenced increase for Adult Social Care) permanently reduces the tax base and makes no contribution to the deficit and a reduction would worsen the position.

The additional savings proposals below are reasonable but require further detailed modelling to ensure that they are deliverable at the levels and within the timescales given. In particular, this modelling will need to ensure that there is no double counting of savings against existing proposals and that more detailed estimates can be drawn up.

There is an enhanced risk this year pertaining to the structural changes proposed by this Alternative Budget, in the context of the level of staff savings already built into budget proposals by the Administration. Accordingly, I must add that the proposals set out in this document can only be delivered with a significant degree of risk management and monitoring.

Conservative Group Alternative Budget

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Introduction

The alternative Budget proposed by the Conservative Group would be a legal budget.

There is a difference of £13,707m in the net structural savings proposals for 2017/18 from those proposed by the administration.

This budget also looks in less detail up to the 2019/20 financial position.

How data is used in these calculations

This budget uses projections provided by independent council finance officers, or factual evidence provided from other local authorities.

The changes to some of the figures provided in last year’s opposition budget are due to changes in the estimates made by finance officers, or as a result of more accurate evidence having been provided.

Labour members challenging the credibility of figures provided by finance officers attack the credibility of the same council officers that have made the calculations for their own budget.

The alternative budget is an amendment

Some Labour members have been confused about the status of the Opposition Budget.

The Opposition Budget is an amendment to their budget and accepts the huge majority of the income and spending proposals put forward by the Labour administration, whilst proposing some small amendments to try to improve the outcomes sought, albeit by different means.

Background

Since the economic crash of 2008 under the Labour government, the Labour administration in Lambeth has buried its head in the sand and refused to accept that reductions in funding were inevitable from a highly indebted central government, in order to allow more capital to flow into the profit-making parts of the economy.

In 2010 the Labour Government was itself planning huge cuts to local authority budgets of £52bn by 2014-15¹ to deal with the structural deficit it created. Local government was an unprotected department under its plans.

As a result of Conservative economic policies since 2010, the UK now has the highest number of people employed since records began, and the highest economic growth of any major advanced economy.

Local government has been required to become more financially self-sufficient. The challenges have been painful for a Labour administration in Lambeth more used to spending money than using it wisely.

All of which has created a culture of blame, and a record of failure. Lambeth under Labour is now the 29th poorest borough in the country.

Current financial situation

For two years the Labour administration has spun to residents that central government has 'cut its budget' by 56%. The 56% reduction was the estimated reduction in the central government grant, one of many sources of income, not the council's 'budget', or 'funding'.

¹ HM Treasury, Spending Review 2010, October 2010, p.78. Also HM Treasury, Pre-Budget Report 2009, p.8

Recent evidence from council finance officers shows that once all income was taken into account the real figure was just over 20%, which can be seen at **Appendix 2**. That equates to a 3.2% annual reduction, rather than the 9.6% a year being suggested.

Despite this, the Leader of the Council has refused to resign, insisting at the last cabinet meeting that 'it's not the statistics that matter'.

Yet if the voluntary reductions that took place last year had taken place in 2009, the council would have saved an extra £200m in expenditure, far more than the total amount of money taken out of the budget.

In other words with the kind of prudence and good management that Labour councillors have lacked, Lambeth could have undergone the same reductions in grant from central government but ended up with more money to spend on services.

Instead the Labour administration has failed to look at reductions in funding as an opportunity to reorganise how services are provided, and taken an inflexible, short-term approach to the challenges it faces, ignoring the big decisions it needs to take to make itself more financially independent.

As a result it has resorted to salami-slicing each small spending decision, rather than having a long-term economic plan.

Proposals

A long-term economic plan

We would steer the council towards becoming fully self-funded and as free from being reliant on central government as possible, by raising as much of its own revenue as possible.

There are two things a local authority can control, which are central to a sustainable, long-term economic future: income, and contract procurement, management and renewal.

At the moment there is a central procurement team that provides advice and support for council officers involved in procuring, managing and renewing contracts in their service area.

We would create a commercial contracts team to oversee contracts for all services across the borough, responsible for all contracts with suppliers, rather than approaching contracts from a council officer perspective.

Therefore having a new Commercial Director, answerable to the Strategic Director of Corporate Resources, is central to our long-term economic plan.

The Commercial Director would have responsibility for three areas in particular:

(1) Income generation on a strategic level for all services across the borough.

The Commercial Director would ensure new income streams and greater income from established income streams.

By way of example, now that parks maintenance has been brought in-house, the Commercial Director might look to set up a garden maintenance service like some other councils, given that the infrastructure and staff already exists.

(2) The Commercial Director would run a new centralised contracts team.

The Commercial Director would establish a body of expertise to apply a more holistic approach to contracts for all service delivery with contractors, alongside officers from the relevant department.

The centralised contracts team under the Commercial Director would run the procurement, maintenance, renewal, storage, and improvement of all council contracts. This would reduce the risk of corruption, evolve shared expertise for service contracts across the council, improve competition between contractors, help scrutinise and oversee the work done by suppliers more effectively, achieve savings and most importantly improve services for residents.

The Organisational Redesign in the Labour administration budget fails to look at contracts holistically from start to finish, or from a positive commercial perspective.

The centralised contracts team under the Commercial Director would also work with housing officers to get better value from all housing contracts, particularly contracts with contractors carrying out work for which leaseholders are charged.

The centralised contracts team would also review contracts to adjust them to market prices as part of any review cycles contained within the terms of the contract (usually a 10% variant), giving more structure and financial control to the council's relationship with subcontractors, which at present remains imbalanced.

For example, one leaseholder was quoted £7,000 for work on her roof, and 6 months later received a bill from the contractors demanding £44,000. This would end.

(3) The Commercial Director would seek to coordinate benefits from the shared staffing arrangements (see below).

Shared staffing arrangements

Yet again this year, Lambeth has failed to enter into a shared staffing arrangement of the type pursued by other local authorities in London.

The London Boroughs of Wandsworth and Richmond are now sharing staff, saving £10m each, annually. Both continue to be separate sovereign bodies with their own elected councillors, cabinets and leaders, maintaining their distinct identities and retaining the ability to develop policies and priorities that matter to their local residents.

Such a restructure would not only create savings but allows for improved governance, as lines of accountability within and between individuals and departments would be made clearer.

These changes would have a minimal effect on staff working face-to-face with residents. For example, there would be no reduction in social workers or health workers, since the number of residents requiring social workers or health workers remains the same. What would reduce is the number of managers needed, as the accountability of each employee to their manager would be made clearer.

Joint procurement, management and renewal of contracts

Jointly procuring contracts with another local authority, and extending contracts beyond their end date to ensure co-termination at the same time, is estimated to generate savings of at least £2m in 2017-18.

All the above savings are predicated on savings in the general fund, leaving further scope for savings in the Housing Revenue Account and capital investment programme, which would also benefit from a joint procurement arrangement.

Communications – ending the spin

Under Labour, the expanding Policy and Communications Department has been sold to members as being cost neutral, with a new trading arm set up to bring income from work with bodies outside the council.

The reality is that the increased funding, increased staff and increased responsibilities for Policy and Communications has simply increased the mistrust between the Labour council and residents, as the council tries to spin resident approval for policies which were not included in any manifesto and have no mandate, such as demolishing people's homes in order for the council to build on them and be able to say it has achieved its target, or taking away their secure tenancies.

According to the income and expenditure figures for Policy and Communications at page 1 of **Appendix 3**, the staff costs for the Communications team costs just over £1.15m.

£305,000 of the 'income' for Communications comes from other departments within the council, with just £50,000 coming from outside bodies, which means that the Communications department wastes £1.4m of public money that could go on services.

This is a disgrace and a national scandal that leaves the Labour administration open to the accusations of using public money for political purposes.

The Labour council also spends £350,000 a year on Communications employees in political offices serving the Labour administration, yet all administrative and office support has been removed from opposition councillors, leaving the Labour administration open to accusations of being a 'one-party state'.

The trading arm of Lambeth Policy and Communication Department does no better. This was sold to members as a successful team of spin doctors bringing in income by selling their service to other councils. The reality set out in **Appendix 3** is that the trading arm of the Policy and Communications Department trades at a loss, costing Lambeth residents £190,000 a year.

The work done by the Lambeth Communications Department for the marginal Labour-controlled council in Harrow ('Harrow Communications') also trades at a loss, and cost Lambeth residents £117,000 last year.

In other words, public money from Lambeth taxpayers is subsidising attempts for Labour to remain in control of another Labour council, on the other side of London. This is a disgraceful misuse of public money.

Labour also manages to lose £154,000 on a country show in Brockwell Park each year, whilst spending millions trying to convince residents that the Government is somehow responsible for its failures.

We would end the need for a head of Policy and Communications at Director level. All but a few staff employed to sell the redundant 'co-operative council' marketing idea would be made redundant. The remaining staff in the Policy and Communications department and a small Events team would report to Democratic Services.

We would end the collection and use of residents' data for political messaging by the Labour administration (free email 'newsletters', links to pages of Labour propaganda on council web pages), all of which should not be paid for with public money. Information from the council can be made available on the internet and in the remaining libraries without any political spin, or posted on estate notice boards.

This should save at least £1.4m a year with no discernable difference to the functions of the council, but without the spin and misinformation that has created so much mistrust.

Saving two Lambeth libraries at a time

We believe that libraries should be used as libraries, exclusively for books and reading rooms, with disabled access, and full-time library staff.

As Conservatives we believe that a good library service has two great purposes: first, as community hubs, and second, as a place where people of all backgrounds and vulnerabilities can realise their potential, and help the next generation of Lambeth residents to do the same.

As Labour councillors no longer want to fund Upper Norwood Library, we propose Upper Norwood and Carnegie Libraries both being run jointly by a not-for-profit provider. Next-door Conservative-controlled Wandsworth Council has done this and made a £1m saving, kept all of its libraries open with no loss of jobs for anyone working in them on a long-term contract, varied opening times to be more in line with what residents have said they want, all with excellent approval ratings.

We understand that the Labour administration's arrogant failure to listen to the wishes of residents has alienated many residents from wanting any kind of change to the libraries that they love, but we believe that given Labour's insistence on not providing a proper library service in these two buildings, this proposal is the most practical option. It means that the Carnegie and Upper Norwood Library would both stay open as proper working libraries.

We believe this proposal would be cost neutral, and the service could run in parallel with the Lambeth library service. Other libraries would continue within the Lambeth libraries service. In the event that Labour tried to close those libraries as well, the social enterprise model could be extended to other libraries at risk.

Over the next months we will look at what remaining options there are to save the other libraries at risk from being closed down by Labour, or turned into unwanted gyms.

Financial recommendations

Public health

At paragraph 2.27 of the Financial Statement, the Labour administration sets out making total savings of £4.02m in Public Health, £2.98m of which are relate to the grant reduction in 2018/19.

That means that the Labour council is cutting its preventative Public Health budget by an extra £1.04m.

We would accept the initial savings found by the Labour administration in reducing spending on Public Health, but target spending increases at the parts of the system that are under pressure.

This amounts to a reversal of the money cut by Labour, and an increase in spending on public health.

Extra spending on adult social care

We would spend more on supporting adults leaving hospital by ensuring they had the means to continue their recovery at home.

We would target resources towards having more occupational therapists to make assessments of the physical improvements needed in people's homes, and more effective monitoring of their conditions once they return.

An occupational therapist earns around £45,000 a year and has a caseload of about 30 clients. A new wet room bathroom and alarm costs around £6,000 to fit. Two additional occupational therapists, and 30 new bathrooms would cost £270,000.

In other words, we would improve the quality of the help older and vulnerable people receive in their homes, and the quantity of the help available.

To prevent public health issues early to save money later on, we would:

(a) increase funding for early intervention in mental health, by £250,000;

(b) increase funding to prevent GUM (genitourinary medicine) and for preventative sexual health services. Reversing a third of the current 2017-18 savings of £1.3m would cost £433,000.

Extra spending on children's services

We would increase funding and broaden the criteria for Early Intervention to include an 'Edge of Care' service for children at risk of needing intervention, making decisions earlier in the process.

This is a multi-disciplinary team set up by Children's Social Care composed of social workers, a specialist youth worker and psychologist that will cost £0.4m per year, and that is funded within the proposals set out in the Labour budget.

An Edge of Care service will be able to prevent children and young people from being taken into care through the provision of targeted support to enable the child or young person to remain at home. Our proposal is to set up a further 2 teams. It is anticipated that the intervention of one team will reduce 40 children from coming into care over a 3-year period.

This will also help families to stay together, take some of the burden from schools and teachers, and create successful habits and routines for children to escape from the effects of poverty and family difficulties. This would cost £900,000.

The budget for children's obesity and teenage pregnancy is £417,000, with an assumption of a £290,000 budget for teenage pregnancy, with teenage pregnancy now increasing.

We would increase preventative funding around teenage pregnancy by £100,000.

In total these measures in Public Health would cost £2m.

Extra spending on street cleaning

To end Lambeth's streets being strewn with litter and fly-tipping, we would engage 4 extra enforcement officers, to get rubbish collected properly and collections enforced properly.

This ties in with contracts being drafted by the centralised commercial contracts team to evolve to improve the quality of service from contractors.

Extra enforcement officers would increase income to the council by raising the number of fines levied across the borough, and enforcement officers would use the higher fine of £400 when appropriate.

Council officers estimate that each enforcement officer costs around £50,000, so 4 officers would cost £200,000 annually. However 25% of that cost would be paid for by income of £50,000 from fines. Once that is set-off against the £200,000 expense, it leaves an additional annual expenditure of £150,000.

Extra spending to repair amenities located on green spaces

The Council has a capital investment pipeline scheme for 2018-20 for renovating playgrounds, toilets and paddling pools on green spaces, but it has no funding source.

Funding the renovation of these amenities would cost £1.4m We would bring that scheme forward to 2017-18, to fund half of the £1.4m cost this year to improve life experiences for children and families, and help businesses located near green spaces to thrive, at a cost of £800,000 for 2017-18.

Wandsworth Council has also created a staff mutual from an in-house parks maintenance service, which has reduced its spending on parks by 20%, saved the jobs of its staff, and been able to procure work from other local authorities. We would follow this model and set up a staff mutual, which should generate savings of 20% without any effect on the service.

Parks maintenance staffing costs are £1.536m a year, so a 20% reduction in costs would create a saving of £307,000.

Freezing council tax but taking the social care precept

We would accept the 3% precept to fund social care paid for by the government, but would freeze council tax at 0%.

Whilst we understand that not increasing council tax each year by as much as possible presents a risk to the council's tax base, we believe that the proposed savings mitigate that loss, and that residents already suffering from poor services and lower living standards should not have to suffer year-on-year tax increases.

We believe that our amendment to generate new income streams, make more of existing income streams, and reduce waste, make a far better economic environment to encourage economic growth, jobs and investment than the Labour budget without our amendment.

The lost income to Lambeth Council in 2017-18 would be £2m, but that same amount would make its way into the local economy to the benefit of residents.

Replenishing reserves

Lambeth has a low level of reserves compared with other London councils, at around 33% of net revenue expenditure (£88m of £266m expenditure), compared to other comparable boroughs such as Hackney (67%), Greenwich (66%), or Wandsworth (113%). Although officers have expressed confidence that the level of reserves is adequate, we believe that it would reduce the council's exposure to risk to increase the reserves to a higher level, and would do so.

Therefore we would look to add the remaining saving of £6,308m to the reserve fund and continue to do so over the next few years.

Housing – including Right to Part Buy, and repairing our estates

The housing budget is contained within the Housing Revenue Account (HRA).

Although not part of the budget, and since the HRA is not dealt with at full council, the Conservative Group believes it is important to raise aspects of how housing is managed, to assist members to have a holistic understanding of how the priorities set out in this budget would help residents with Lambeth Council as their landlord, as part of our long-term economic plan.

It is noted that:

- (1) The Housing Revenue Account has only been balanced by an accounting change, reducing debt charges by £5.6m, taking 'an MRP holiday', and that the Housing Department has failed to reform effectively;

- (2) The fake £100m 'cut' mentioned at every opportunity by the Labour administration is simply the £100m one-off grant from Conservative central government to Lambeth finishing. This was the largest grant to any local authority in the country to improve its housing stock, and formed part of the government's Decent Homes Programme, repackaged by the Labour council as the 'Lambeth Decent Homes Standard';
- (3) Despite these huge sums of money from central government, the Lambeth Housing Standard programme appears to be running 30% over its original budget.

The focus on contracts with suppliers in our long-term economic plan would end poor repairs, rubbish tips, contractors not turning up, and payments being for work not done.

We would also toughen up the contracts that Lambeth Council has with major works contractors to stop hard-working leaseholders from being ripped off.

Good housing officers would be promoted and the Housing Department would be restructured. We would end the record of poor housing management to ensure that the worst rogue landlord in Lambeth was no longer Lambeth Council.

We would also introduce a 'Right to Part Buy' policy, to make ownership more affordable for many more Lambeth residents.

Council tenants owning their own council homes increases diversity, helps make it easy for residents to be proud of their community and own a stake in its success, and provides an opportunity for people on lower incomes to leave property to their children and loved ones. A similar scheme has been set up in Labour-controlled Barking and Dagenham Council.

Tenants could buy a minimum of 25% of their home at a discount and pay a low rent on the rest. 10% more equity could be bought at a time, 'staircasing' up to the full cost.

By way of example, 25% of the value of a 2-bedroom council flat with a market price of £300,000 is £75,000. Tenants can then get a discount of around 25% (so £25,000 of the total £100,000 discount available), which means that tenants would be able to part-buy their council home for £50,000.

With a minimum of 200 residents taking up the scheme, the income would be around £10m that could then be used to halt the demolitions on our estates, to repair all council homes properly, and to help build new homes.

At cabinet meetings the Leader of the Council has stated her dislike of council tenants owning their own homes. Conservative councillors will always try to provide real opportunities for everyone to achieve their goals, whatever their income or background.

Conclusion

Labour members should welcome this alternative budget, which allows for their spending priorities to continue or be improved, finds more money to spend on generating wealth and jobs that benefit all of our residents, and helps build in the kind of cost-effectiveness to the management of the council which has been ignored for so long.

Appendix 1 – Proposed Changes to 2017/18 Budget

Proposal	2017/18 £'000
<u>New Growth Items</u>	
Do not implement 1.99% increase in Council Tax	2,020
Extra Spending on Street Cleansing	150
Reverse Proposed Savings to Public Health	2,429
Enhanced Public Health Funding	2,000
Extra Spending on Repair Amenities located on Green Spaces	800
Contribution to Reserves	6,308
	13,707
<u>New Savings</u>	
Shared Staffing Arrangements with Other Boroughs	(10,000)
Joint Procurement and Management of Contracts	(2,000)
Communications Team Saving	(1,400)
Parks Maintenance Saving	(307)
	(13,707)
Total Additional Growths & Savings	0