Lambeth

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Council 22 February 2017

Revenue & Capital Budget 2017/18 to 2019/20

Wards: All

Report Authorised by: Strategic Director Corporate Resources, Jackie Belton

Portfolio: Deputy Leader of the Council (Finance): Councillor Imogen Walker

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Report summary

The local Government finance settlement published on 10 February 2016 delivered a further reduction in funding of 24% over the period April 2016 to March 2020. 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 reluctantly accepted this offer, as this was the only option on the table from the Government. The Council faces the most challenging time for local Government and an unprecedented period of reductions in Government funding, with Lambeth loosing over half of its Government funding between 2010 and 2018. In November the Council reported the gap in funding of £55m and the Council's Medium Term Financial Strategy to address this.

In December the Government announced the Local Government Financial Settlement. Despite promising a four year settlement last year, this year's settlement has resulted in an overall increase in the funding gap of £5m over the next 3 years. This report explains how this will be tackled. The November Financial Planning Report put forward a series of saving proposals for consideration and this report confirms the proposals and the £274.426m net general fund cash limit. We expect further savings to be delivered throughout the three year period, so that the balances used to smooth the delivery of the budget are replenished. This report also recommends a 1.99% increase in the level of Council Tax and the Government's 3% adult social care precept.

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 of driving inclusive growth, tackling inequality and building strong and sustainable neighbourhoods. 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).

This report presents:

- The General Fund budget for 2017/18 and planning totals for the following two years
- The Medium Term Financial Strategy

- The Financial Management Strategy
- A summary of the draft capital investment proposals for 2017/18 to 2019/20
- The Housing Revenue Account (HRA) budget is set in a separate HRA Rent and Budget Setting Report, which was agreed by Cabinet on 16 January 2017.

Finance summary 2017/18

It commits the Council to a new revenue budget for 2017/18 – with a 1.99% increase, plus 3% Government's adult social care precept in the Lambeth element of the Council Tax (resulting in the Lambeth element of Band D increasing to £1,030.32) – and a revised Capital Programme of £173.4m for the years 2017/18 to 2019/20.

Recommendations

Cabinet

(1) To recommend Council to note or adopt the recommendations listed below.

(2) To approve the disposal of the properties identified as 'new disposals' in Appendix 8b

Council

(1) To adopt the General Fund (GF) revenue budget for 2017/18 as set out in this report, which, for the avoidance of doubt, includes:

- The Council Tax model set out in Appendix 3; and
- The cash limits arising from the above, as set out in paragraph 2.17, a total cash limit of £274.426m.

(2) To require officers to continue to carry out the necessary detailed reviews and consultations of services and expenditure across the Council to develop further saving proposals to ensure that the budgeted use of balances, is only temporary in balancing the budget for 2017/18- 2019/20. Further proposals will be reported to Cabinet in July 2017 for consideration and decision.

(3) To adopt a 1.99% increase in addition to Government's 3% adult social care precept increase to the Lambeth element of the Council Tax for 2017/18.

(4) To adopt the updated Financial Management Strategy attached at Appendix 2.

(5) To adopt the Reserves and Balances Strategy detailed in Appendix 1.

(6) To note the current General Fund budget forecasts for 2016/17 in Section 5.

(7) To note the proposed increases to fees and charges as set out in Appendix 12.

(8) To approve the capital virements as set out in Appendix 5.

(9) To note the revised total of £173.4m for the three year Capital Investment Programme 2017/18 to 2019/20 as described in section 7, and summarised in Appendix 6.

(10) To adopt the statement of Minimum Revenue Provision policy as detailed in Appendix 9.

(11) To adopt the Treasury Management Strategy (incorporating the debt and investment strategies) proposed for 2017/18 to 2019/20, as set out in Appendix 10.

(12) To adopt the prudential indicators and limits, and the investment thresholds and limits for 2017/18 – 2019/20 set out in Appendix 10.

(13) To note Appendix 11- the Overview and Scrutiny Report budget recommendations

(14) To note the formal advice of the Director of Finance, as the Council's statutory officer for the purposes of s151 of the Local Government Act 1972, pursuant to s25 of the Local Government Act 2003, as set out in section 8 of this report.

(15) To note the financial risks set out throughout this report.

(16) To note that, at its meeting of 26 January 2017, Corporate Committee agreed the amount of 103,505 as the Council Tax Base for the year 2017/18 in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, Article 3 of the Localism Act 2011 (Commencement No 1 and Transitional Provisions) Order 2011 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

(17) That the following amounts be now calculated for 2017/18 in accordance with sections 31A and 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011:

(a) Aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) thereof:

£902,052,338

(b) Aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) thereof:

£795,409,066

(c) The Council's Council Tax Requirement under Section 31A(4), being the amount by which the aggregate at 17(a) above exceeds the aggregate at 17(b) above:

£106,643,272

(d) The amount at 17(c) above divided by the Council's tax base in 16 above, in accordance with Section 31B(1) of the Act, as the basic Band D amount of its Council tax for the year:

£1,310.34

(e) The amounts given by multiplying the amount at 17(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of dwellings listed in different valuation bands.

Band A	**Band B**	**Band C**	**Band D**
£686.88	£801.36	£915.84	£1,030.32
Band E	**Band F**	**Band G**	**Band H**
£1,259.28	£1,488.24	£1,717.20	£2,060.64

(18) To note that for the year 2017/18 the Greater London Authority and its functional and predecessor bodies have provisional precepts (i.e. still to be formally adopted as at dispatch of this report), in accordance with Sections 88 and 89 of the Greater London Authority Act (1999) as amended by section 77 of the Localism Act 2011, for each of the categories of dwellings shown below:

Band A	Band B	Band C	Band D
£186.68	£217.79	£248.91	£280.02
Band E	**Band F**	**Band G**	**Band H**
£342.24	£404.47	£466.70	£560.04

(19) That having calculated the aggregate in each case of the amounts at 17(e) and 18 above, the Council approves the amounts of Council Tax for the year 2017/18 for each of the categories of dwellings as shown below:

Band A	Band B	Band C	Band D
£873.56	£1,019.15	£1,164.75	£1,310.34
Band E	**Band F**	**Band G**	**Band H**
£1,601.52	£1,892.71	£2,183.90	£2,620.68

(20) To delegate authority to the Director of Finance in consultation with the Deputy Leader (Finance & Investment) to change the Council Tax amounts set out in recommendation (19) if necessitated by changes to the precept amounts as set out in recommendation (18).

(21) To note that, at its meeting of 26 January 2017, Corporate Committee agreed the amount of £165,397,153 as the National Non-Domestic Rates Base (the business rates tax base) in accordance with Section 59A of The Local Government Finance Act 1988, as amended by The Local Government Finance Act 2012.

1. Medium Term Financial Strategy and Borough Plan

1.1 The Council's Medium Term Financial Strategy (MTFS) for 2017/18 to 2019/20 was agreed by Cabinet on 28 November 2016, and the detailed strategy can be found in Appendix 1. This captured our current financial position and confirmed the saving proposals which have been agreed for this period. Our MTFS supports the Borough Plan 2016-2021, which was agreed by Cabinet on 19 September 2016. The Borough Plan is a five year vision and strategy for the borough, which has been developed and agreed by the partnership of public, private and third sector organisations in the borough. It sets out three overarching priorities:

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

1.2 Cabinet accepted the four year Financial Settlement, as there appeared to be no other offer available. Our efficiency plan was published within our October Financial Planning report, and was approved by Cabinet on 10 October 2016. 97% of Councils accepted the offer, and now the provisional 2017/18 Settlement has been announced we have seen changes to the funding, which are detailed below in section 2.

Strategy to Deliver the Borough Plan

1.3 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.

1.4 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.

1.5 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 2016, and reconfirmed within the November Financial Planning Report 2016.

2. Medium Term Financial Plan

Financial Position and Local Government Finance Settlement 2017/18 to 2019/20

2.1 The Council's financial position as outlined in the November Financial Planning Report showed a total funding gap over the period 2017/18 – 2019/20 of £55.3m . Since those figures were calculated, there have been a number of further announcements, primarily the Provisional Local Government Finance Settlement 2017/18 to 2019/20. Alongside this we have also calculated our final Council Tax and Business Rates baseline figures which have been agreed by Corporate Committee on 26 January 2017.

2.2 The funding figures for 2017/18 are now indicative, and the figures for 2018/19 and 2019/20 are provisional, so they are still open to change as we move through the MTFS. The main change was the announcement on the switching of funding from New Homes Bonus (NHB) to the new adult social care grant. The Settlement has also increased the assumption about the amount of retained business rates that we will collect and a corresponding reduction in the business rates top up that we receive. This does not fully match and we expect to lose over the three year period. All of these has resulted in a worsening of our funding gap by £9.7m.

2.3 We will receive a one-off adult social care support grant in 2017/18. This only applies to 2017/18, and has to a large extent been funded by reducing New Homes Bonus, so it's not really new funding.

2.4 One of the main announcements as part of the Settlement was the flexibility introduced in respect of the adult social care precept. As part of the 2016/17 Settlement Councils were able to apply a 2% adult social care precept alongside the standard 1.99% increase to Council Tax; however, as part of the 2017/18 Settlement, Councils have been advised that they can bring forward the increase, so that a 3% adult social care precept can be applied in both 2017/18 and 2018/19, but then with no adult social care precept in the final year (2019/20).

2.5 We are proposing to take the 3% rate of the Government's adult social care precept, and for 2017/18 we are working on the basis that this increase (3% adult social care precept and 1.99% increase) will be applied. We are also forecasting within our MTFS that we will apply the Government's 3% adult social care precept and 1.99% increase in 2018/19, so again utilising the maximum adult social care precept permissible.

2.6 In mitigation of the increase in the gap, the proposed increase to Council Tax of 1.99% and the Government's adult social care precept of 3% in both 2017/18 and 2018/19 will contribute a further £3.1m over the three year period. We are able to revise our Council Tax base upwards to 103,505 Band D equivalents. When all these factors are taken into account we are back to the same funding gap (£55.3m) as detailed in our previously reported MTFS.

2.7 The overall funding gap has not changed, but the profile has slightly changed over the three years, and therefore the temporary use of balances has adjusted, and this revision is now captured within our MTFS found in Appendix 1. The 2017/18 budget is now balanced, which includes £17.8m of identified pressures/growth, and £16.9 m of new savings. The savings of which were confirmed within the November Finance Planning Report and therefore agreed by Cabinet on 28 November 2016.

Saving Proposals

2.8 The full list of agreed savings can be found in Appendix 4. Some amendments have taken place since the list of savings was confirmed in the November Finance Planning Report. These changes are as follows:

2.9 A minor amendment has taken place to the insurance saving, with ref: 17.18.CR-023, which has been increased to £200k in 2017/18 (was £100k in 2017/18).

2.10 The Organisational Redesign saving has been re-profiled, and £0.578m originally due to be delivered in 2017/18 has been moved back to 2018/19. This is in-line with Overview and Scrutiny recommendations, as confirmed in Appendix 11, whereby additional time is required to develop the strategy, and thereby providing greater assurance around deliverability.

2.11 As part of our Organisational Redesign programme we will put digital at the heart of our change programme, which includes: use of technology to help us transform our service delivery and change the way we work, increase our efficiency and reduce our costs.

2.12 We will empower, train and equip our workforces and residents to build self-reliance and those who can, be able to take and embrace opportunities to achieve their full digital potential. We will continue to challenge the way we work and engage with our community. We will automate our key transaction by digitising the back office and ensuring that data can be shared across the Council and reduce manual processes.

2.13 As part of the Organisational Redesign programme we will reduce management layers, review all back office services from across the Council. We will continue to consolidate services and reduce the costs of business support and customer contact. As part of this three year programme we will also review the way we undertake assessment and focus on savings from improved contract management. This is a whole Council programme and will also deliver savings for the HRA.

2.14 The investment for income saving (ref: 17.18.CI-001) profile has changed, and now no saving is detailed in 2017/18 (was £2m), and instead an additional £1m has been added to both 2018/19 and 2019/20. The amendment to the profile of the saving is due to taking on board the recommendations of the Overview and Scrutiny Committee, whereby it has been acknowledged that additional time is required to fully develop a robust strategy.

2.15 The Children Social Care savings have been re-profiled (refs: 17.18.CHN.002-003, 005-006 and 014-015), so that no saving is expected in 2017/18, and with a reduced saving of £0.7m in total in 2018/19, and then the remainder moved to 2019/20. This is to allow Children's Services time to fully embed the improvement plan, and to ensure that agreed savings are delivered both in terms of quantum and timing.

2.16 As part of the regular review of service budgets, we have acknowledged that we must ensure that our libraries are appropriately funded. In light of this we will ensure that funding is made available next year for both Tate South Lambeth and Durning Libraries.

Lambeth Pension Fund and Triennial Valuation

2.17 The Council is the administrating authority for the Local Government Pension Scheme which it administers on behalf of 23 Employers including the Council. The Local Government Pension Scheme Regulations 1997 specify that the Pension Fund's Actuary must carry out periodic actuarial valuation of the scheme to determine the scheme's liabilities, its assets and make the recommended contribution that needs to be paid by the employer.

2.18 The results of the valuation are that the funding level has improved from 73% in March 2013 to 80% in March 2016. Expressed in monetary terms, this corresponds to a deficit of £286m (deficit of £359m as at 2013). This improvement in funding levels combined with a refreshed Investment Strategy has enabled the Council to reduce the General Fund pension deficit contribution from £15.3m to £8.5m. However, the exercise has also identified that the cost of providing future pension benefits has increased from 16.8% to 18.3% of pay. This equates to an additional £1.3m of general fund cost.

2.19 The resulting savings will in part be used to mitigate the requirement for additional resources for Children services as part of the Improvement Programme and £3m (ref: 17.18.CI-005) will contribute towards savings to close the funding gap.

2017/18 Cash Limit

2.20 The table below shows the cash limit for 2017/18 based on the key output from the provisional finance settlement and the Council Tax base set by Corporate Committee on 26 January 2017. The Revenue Support Grant (RSG) figure stated below is the amount currently confirmed within the provisional Settlement and for future year analysis we have also used the RSG amounts currently confirmed. There is a risk that the Government's distribution methodology will take into account Council Tax increases in the future, but on the balance of information currently available we are taking the indicative Settlement figures at face value.

Funding Source	2017/18 £'m
Notional Revenue Support Grant	53.556
Top-up Payment	58.662
Retained NDR	45.490
Settlement Funding Assessment	**157.708**
New Homes Bonus	11.340
s31 Grant	2.459
Net gains / losses on NDR	-6.302
Council Tax	106.643
Better Care Fund	1.063
ASC Support Grant	1.516
Total Cash Limit	**274.426**

Council Tax

2.21 The Council froze Council Tax for a period of six years, this was to help residents by reducing their bill at a time when we could. The severity of funding cuts means that we are not able to continue with this freeze, which would erode our tax base further. We must now build the base back up because the challenge of the funding gap is so great. In 2016/17 we increased Council Tax by 1.99%, plus the 2% Government's adult social care precept.

2.22 As part of addressing the funding gap, it is proposed to increase the Lambeth element of the Council Tax by 1.99% in 2017/18, plus the 3% Government adult social care precept. It was confirmed by the Government for the first time in 2016 that Councils could increase Council Tax by the standard 1.99%, whilst also applying the 2% adult social precept without the need to hold a referendum. However, as part of the 2017 Settlement the Government has confirmed that in both 2017/18 and 2018/19 their adult social care precept can be increased to 3%, but if that option is selected then no adult social care precept may be applied in 2019/20. Applying these increases over the two years will reduce our base budget gap by £3.1m.

2.23 We have modelled a further 1.99% increase in 2019/20, below the level required for a referendum, which is what has further helped us in balancing the Council's budget over the Settlement period. This assumption is included in the figures, and the recommendation to increase Council Tax in 2018/19 to 2019/20 is subject to decision by Cabinet and Council and will be addressed in future years budget reports.

Business Rates Retention Scheme

2.24 The introduction of the Business Rates Retention Scheme provided an incentive for authorities to grow their business base by virtue of retaining a proportion of business rates growth achieved, in Lambeth's case 30%. However, it also means that Councils must manage the down side of changes to the business rate base, and as Business Rates are susceptible to economic downturns, and as our funding reliance grows in respect of Business Rates, the future risk around this important funding stream further increases.

2.25 The Government is to continue with its plans to allow Council's to retain full business rates by 2020. It is unclear as to the exact year this will happen; current information suggests it could happen in

2019/20 or 2020/21. It took one year from the end of the New Homes Bonus consultation to be confirmed, but Business Rates devolution is far more complex and as the consultation for Business Rates ended on 26 September 2016, it will be some time until we get the results confirmed. The Department for Communities and Local Government (DCLG) has said that there will be a full re-examination of levels of need in Council areas as part of the full devolution of business rates to authorities, and a new way to assess need would be developed as part of the redistribution system for retention. It is not possible to speculate on the results of this as it appears that the criteria for the review are as yet unknown. Once we have full devolution of Business Rates, we will see both the grant from Whitehall end and additional responsibilities passed to us in exchange for the additional funding from this new regime. The DCLG maintains the stance that the switch will be fiscally neutral.

Fees and Charges

2.26 The Council's agreed funding strategy includes increasing income from fees and charges, having due regard to our social and environmental responsibilities. The authority levies fees and charges for a number of activities and services that it provides. These services/activities are provided where statute places a duty on the authority to do so or where they are discretionary services that contribute towards the agreed community plan outcomes.

2.27 The purpose of the Council's Fees and Charges Policy is to provide a framework for how the Council approaches the question of charging for its services. The application of the policy is designed to bring clarity to the process of setting charges and therefore assist the Council to achieve its Borough Plan outcomes.

2.28 The council is committed to setting reasonable fees and charges which reflect its strategic objectives and outcomes. These proposals will ensure fees and charges are increased proportionally to the increased costs associated with providing the service or activity.

2.29 An inflationary increase for 2017/18 is being proposed where permitted by statute and in the spirit of the principles set out in the Fees and Charges Policy.

2.30 The inflation rate used for the purposes of this report is the CPI forecast for 2017 of 2.7% from the Bank of England Inflation Report November 2016. The inflationary increase has been rounded for ease of collection.

2.31 The only exceptions are where new charges are being introduced as a result of budget proposals which have been agreed by Council as part of the Financial Planning Report; where contractual arrangements with 3rd parties prescriptively set out an alternative inflationary indexation model; or where comparisons with other Local Authorities have shown that our charges are significantly different of other authorities and the service is not recovering its full costs.

2.32 Summary information for each group of fees and charges is set out in the table below and detailed the fees and charges are included in Appendix 12.

Service	Budget 2016/17 £'000s	Expected Income 2016/17 £'000s	Budget 2017/18 £'000s	Expected Income 2017/18 £'000s
Adult Social Care and Supporting People	9,741	9,858	9,741	9,858
Pest Control	765	765	795	795
Grimebusters	256	256	300	300
Animal Welfare Services	3	3	3	3
Waste Services	2,337	2,337	2,387	2,387
Commercial Waste	2,550	2,300	2,550	2,550
Traffic Management Orders And Notices	180	180	180	180
Streetworks – Licenses, Permits and Penalties	1,680	1,680	1,880	1,880
Parking Charges, Permits and PCNs	25,905	26,760	26,055	26,055
Parks	300	300	300	300
Licensing Services	788	764	764	764
Cemeteries and Crematoria	1,920	1,920	1,920	1,920
Statutory Funerals and Associated Services	2	5	5	5
Registrars	671	671	671	671
Libraries and Archives	311	311	311	311
Planning Charges	1,795	2,065	2,065	2,065
Building Control And Regulatory Charges	689	651	651	651
Housing Improvement Notices and HMO Licences	60	85	85	85
Local Land Charges	1,453	1,560	1,453	1,453
Hire of Halls and Rooms	50	-	50	-
Electoral Services	63	12	63	12
TOTAL	51,519	52,483	52,229	52,245

Managing the Delivery of Savings- Lambeth 2025 Portfolio Board

2.33 To ensure the continuous monitoring of savings the Strategic Transformation Board was set up in 2015, and continues 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.

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

2.35 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
- Oversight of the design phase for the Oracle upgrade.

2.36 Health & Social Care Transformation

- Approved the re-scoping of the Mosaic Social Care systems programme to a more transformative agenda
- Authorised the delivery of the Social Worker Recruitment & Retention business case

2.37 Children and Young People Improvement

- Continued to receive assurance on the Children's Social Care Improvement Programme
- Authorised the establishment of the new Edge of Care service

2.38 Regeneration and Growth

- New governance arrangements for the Vauxhall and Waterloo Regeneration programmes

2.39 Budget Delivery

- Agreed the Savings Delivery Planning and Assurance process for 2017-20 and signed off completed plans.

2.40 Portfolio

- Provided oversight to the development of the Portfolio's resources profile and financial arrangements
- Signed off the new Portfolio Risk Management Framework

Future Lambeth – Lambeth's Borough Plan

2.41 Lambeth's Borough Plan has a series of focussed and targeted goals, developed in dialogue and partnership with people in the borough, that signal the way that progress will be made. Working together towards these goals has added impetus as the public sector goes through an extended period of financial contraction resulting from reductions in central Government funding, and the borough more broadly faces a period of uncertainty in the wake of the EU referendum outcome.

2.42 Lambeth's Borough Plan is an ambitious plan looking to harness the success our borough has already enjoyed and ensure that the ongoing benefits are felt as widely as possible in the most important aspects of people's lives.

2.43 We have identified three priorities where we will focus our efforts over the next five years. These three priorities are equally important, and mutually reinforcing.

Inclusive Growth

2.44 Our people, location, character and assets make Lambeth a great place to invest. We will encourage investment and regeneration and make sure that it benefits all. By improving transport infrastructure, increasing labour market participation, building more housing and increasing the number of businesses in the borough we will increase opportunities for local residents and tackle disadvantage.

2.45 We will focus on playing our part in the economic success of London by attracting more businesses in to the borough from the creative, digital, higher education and clean technology sectors. We will strengthen infrastructure so that more of the borough benefits from growth and investment and people can connect with the opportunities London offers. We will work together so our young people have the skills they need to succeed in London's future economy. In turn, we want to see more good jobs, more and better apprenticeships for young people, and more of our residents paid the London Living Wage or higher. We will increase new homes for sale and rent, and use this to cross subsidise affordable housing, ensuring Lambeth is a place for all.

Reducing Inequality

2.46 We will use the opportunities and proceeds of growth, regeneration and housing to reduce inequality. Our focus will be on giving our children and young people the best start in life and ensuring they have a fair chance to fulfil their potential by reducing inequalities in education, skills, employment and general life chances. We will protect and support our most vulnerable children and adults, supporting them to be resilient and to have fulfilling lives. We will promote and protect health and wellbeing and reduce health inequalities.

2.47 We want to make sure that children can fulfil their potential, and that all partners are working together to make Lambeth a great place for children and families. So we will work to reduce inequalities in school readiness and attainment, particularly between children living in poverty, from black Caribbean and Portuguese backgrounds, children in care and the general population. We will work with schools so that children in the most deprived wards have the same chance of going to a good or outstanding school as children in other areas. We want more people to have the opportunity to improve their lives through work, and so we will work to reduce long-term unemployment, particularly for people over the age of 50. We want life expectancy to rise for all, and for the gap between the poorest and wealthiest to narrow.

Strong and Sustainable Neighbourhoods

2.48 We will invest in our communities so that they are places that bring people together, maintaining the cohesion and diversity of the borough. We will seek to maintain the social mix of our neighbourhoods through better quality housing, and our parks and cultural facilities will help to improve health and wellbeing. By working with residents and businesses we will make sure our streets are places people are proud to live and work in, we'll continue to make Lambeth a safer borough, and we'll support people to act more sustainability to improve the quality of our neighbourhoods.

2.49 We will maintain our streets so they are clean and tidy, and increase the amount of waste that is sent for reuse, recycling and compost, to play our part in making London a more sustainable city. We will work together to reduce violence and its impacts, and in particular empower and support those who have experienced gender based violence. Over the next 5 years we want more residents engaged in sport, physical activity and culture.

3. Context & Economic Outlook- Key Risks

Welfare Reform

3.1 The Council currently holds £32m debt relating to Housing Benefits Overpayments on its balance sheet which is either recoverable from debtors through reductions in their on-going benefits or reduced by cash collection. The debt position has been impacted by Real-Time Data Matching exercises conducted by the Department for Work and Pensions (DWP), which uses more up to date information on Housing Benefit claimants applied to previous year's Housing Benefit Subsidy claims that have already been audited and closed. Resources have been allocated in order to try and collect more of the debt and it is under continual review due to the scale of risk attached.

3.2 Responsibility for Housing Benefit Payments transfers to the DWP under Universal Credit. Universal Credit was introduced in Lambeth from February 2016 to a limited number of new benefit claimants. Expansion to all new benefit claimants and those with a change in circumstances is expected in December 2017 (Brixton and Stockwell Jobcentres) and February 2018 (Streatham and Clapham Jobcentres). Some Lambeth residents will be affected earlier if they are in the catchment area for a

Southwark Jobcentre. Currently we are able to manage the recovery of over payments by the reduction of current claimants' payments. This flexibility will be removed when the claimants transfer onto Universal Credit. Migration to Universal Credit for claimants of existing benefits is expected to take place after 2019.The ultimate risk is the Council will be left with the historic Housing Benefit debt when the service transfers to the DWP. We are having on-going discussions with the DWP through various forums to understand what the DWP future plans are around this historic debt, as to whether the Council will be expected to hold all of the debt and if that is the case how DWP will help us to recover it, given our only means of doing so is normally seeking to reclaim it via current benefit payments.

Public Health

3.3 The ring-fenced Public Health Grant was based on historic funding in the NHS which transferred to Councils along with the contractual commitments that it was spent on. Following the 2015 election, the Government announced in year cuts of 6.2% to Public Health which totalled £1.9m for Lambeth in 2015/16. This has been followed with reductions in funding in 2016/17 of £0.743m which resulted in a total savings being required in 2016/17 of £2.7m because the reduction in 2015/16 was announced too late to be able to make the saving. In the period 2017/18 to 2019/20 the grant will be reduced by a further £2.5m, approximately £0.8m per year.

3.4 The level of savings announced is a huge challenge for the Council and further savings of £4.9m are proposed to be made from public health expenditure as part of the budget savings proposals contained in this report. This is required due to the overall resource reductions that are being applied to local government. Savings of this size will require working closely with partner organisations in order to minimise the impact of the reductions to services, although reductions of this magnitude mean that some impact on services will be inevitable. The savings proposed for Public Health are set out within Appendix 4. We propose to make current Public Health services commissioned services, this meaning the expenditure on Public Health is extended across a wider range of Council services delivering Public Health services.

3.5 The Spending Review set out two other main issues relating to Public Health. Firstly, it stated that the Public Health grant would remain a ring-fenced grant in 2016/17 and 2017/18. Secondly, it stated that the "Government will consult on options to fully fund local authorities' public health spending from their retained business rates receipts, as part of the move towards 100% business rates retention". It is difficult on the information available to predict what impact this will have on the finances of the Council as a whole and will be an area where further information is sought and lobbying will be targeted towards.

New Homes Bonus

3.6 It has taken over a year to receive the outcome of the consultation held, and the results have not been favourable, in respect of our future New Homes Bonus (NHB) funding. The changes proposed have caused a funding reduction of £7.7m for Lambeth, this has been caused by a number of factors. Primarily, the switching of funding from NHB to the one-off adult social care grant, plus, it has affected our planned use of some of the NHB income to hedge against loss of Business Rates income due to appeals.

3.7 The impact has been deepened due to the transition from six year payments to four, with the first year of transition being 2017/18, when the payments will reduce to five years, and subsequently will fall to four years from 2018/19.

3.8 In addition to reducing the legacy payments, the Government has confirmed that from 2017/18 onwards, only growth above 0.4% will attract NHB payments. The Government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.

3.9 The Government is seeking for Councils to have local plans in place by 2018/19. The Government has confirmed that it will not implement the proposal to withhold payments for areas without a local plan in 2017/18, but will revisit the issue for 2018/19. The proposal is to withhold payments where no local plan is available, this would mean no new NHB payments would be made, but the legacy payments would be protected. As part of the Settlement 2017/18 the Government also advised that they would be reducing payments for homes built on appeal utilising data produced by the Planning Inspectorate.

Dedicated Schools Grant

3.10 In December 2016, the DfE launched the second phase consultation for School funding, providing detailed proposals for the design of the new national funding formulae for schools and high needs, and for the new central school services block for local authorities. Analysis by London Councils suggests that around 70% of London schools will receive less funding as a result of the changes with Lambeth being amongst the worst affected. All 77 Lambeth mainstream schools will see funding reductions of -1.4% in 2018/19 with a further -1.4% in 2019/20.

3.11 At the same time the funding arrangements for early year's settings were also confirmed with a minimum amount of funding to be passed through to providers, a local universal base rate for all types of provider, to be set by 2019-20 and supplementary funding for maintained nursery schools. The changes will see a reduction in the level of funding that can be retained by the Council which will fall from £2.8m to £1.6m in 2017/18. The reduction in the level of the retention, which is used to support 3 and 4 year old learning in Children's Centres as well as costs of the Early Years quality improvement, will mean remodelling of both the services.

Education Services Grant

3.12 The November 2015 Spending Review announced that further savings of around £600m would be made from the Education Services Grant (ESG). It has now been confirmed that the ESG will cease from September 2017 with transitional funding being provided for local authorities from April to August 2017. The current level of ESG in 2016/17 is £2.9m but will fall to £1.5m in 2017/18. The general duties rate is ending and funding previously allocated through the ESG retained duties rate (£15) will be transferred into the schools' block (DSG); local authorities will need to use other sources of funding to pay for elements of central education services, once the general funding rate has been removed. By reducing this grant it means that the General Fund must now find additional funding to cover this, or a reduction in activity needs to occur.

4. Financial Management Strategy

4.1 The Financial Management Strategy (FMS) for the period 2017/18 – 2019/20 is recommended for adoption and included in Appendix 2. It sets out an overview of our approach to make the best use of our financial resources to help achieve the Council's vision and ambitions for the Borough and maximise sustainable benefits for the people of Lambeth. The strategy focuses on three key areas:

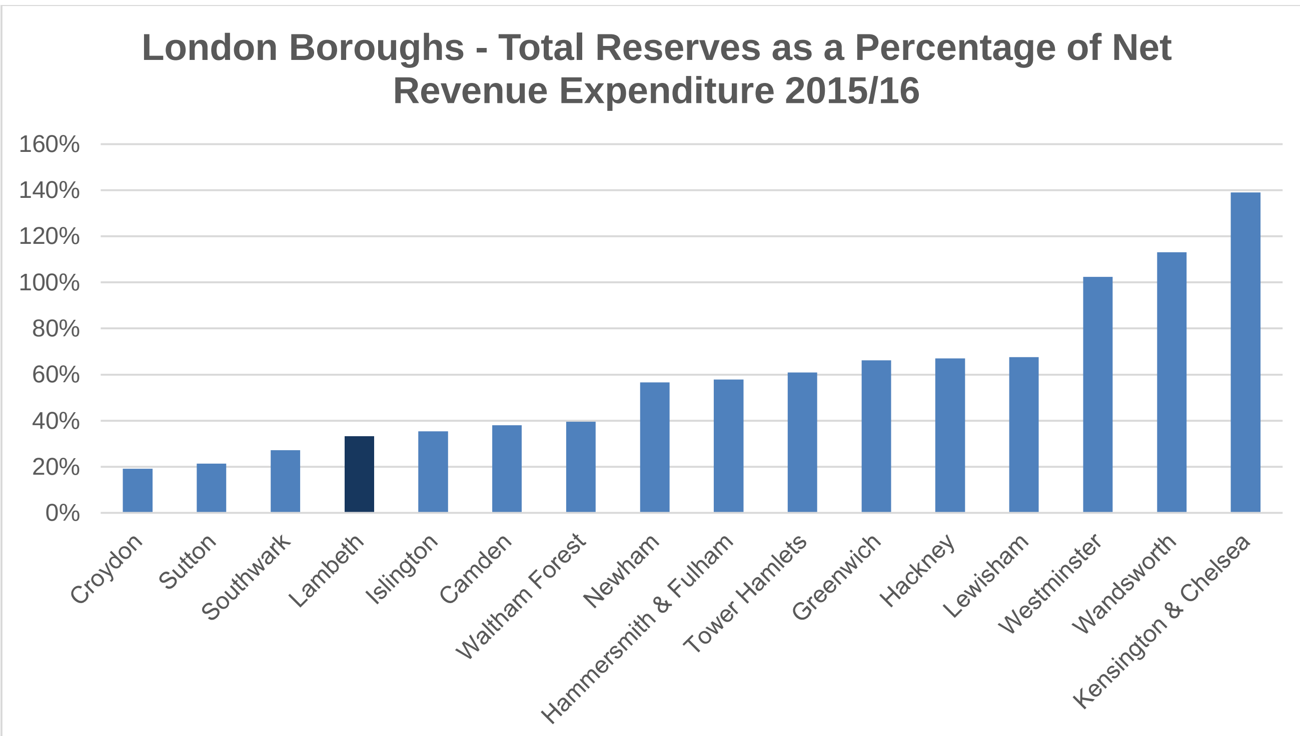
- **Building financial resilience within both the Council and its communities** - Developing strategies to minimise our dependency on Central Government funding as well as driving local economic growth and development.
- **Managing our assets** – Developing strategies to maximise the strategic benefit of our capital programme, manage our assets commercially and explore alternative, innovative funding solutions.

- **Providing high quality financial management across the organisation** – As part of Corporate Resources the Finance Planning and Management group supports the development and improvement of financial and budget management skills in service

Reserves and Balances: Background

4.2 The Reserves Strategy sets out the Council's current approach to ensuring that the level, purpose and planned use of its reserves are appropriate in the current financial climate. Our overall approach is to use the financial strength of our balance sheet to help the Council through a period of high risk caused by severe funding reductions and economic stagnation.

4.3 The graph below shows the relationship between the level of balances and reserves as a percentage of net revenue for Lambeth and the other London Boroughs.

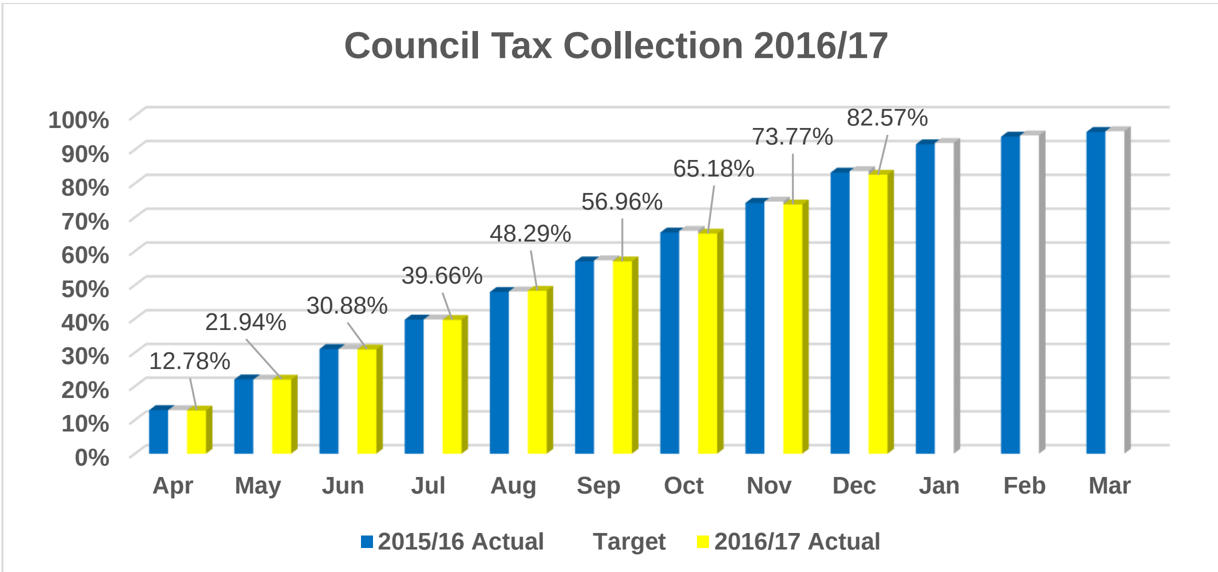


4.4 Variations among levels of reserve in the London Boroughs are partly a reflection of different spending plans, priorities and local circumstances, but crucially are also a function of differing perceptions of internal and external financial risks. As of 31 March 2016 Lambeth had the fourth lowest level of reserves in comparison to 2015/16 net revenue expenditure of London Boroughs, as our reserves represented 33% of our total net revenue expenditure, which is in stark comparison to the Council with the highest level of reserves representing 140% of their net revenue expenditure. Detail on the level of reserves, balances and provisions the Council holds as at 31 March 2016 are confirmed within Appendix 1.

Council Tax and NNDR Collection

4.5 Council Tax collection is anticipated to be slightly above last year's collection rate of 95.0% and nearer 95.2%. The net collectable debit for 2016/17 is £134.5m, as at the end of December £110.6m has been collected compared to £106.5m as at 31 December 2015 with a net collectable debt of £128.0m.

4.6 The collection rate at the end of December 2016 for those residents in receipt of Council Tax Support (CTS) and paying some Council Tax is 64.31% which is lower than the position at the same time last year of 68.6%. It should be noted that the overall CTS awarded in 2016/17 is £0.61m less than at the same time in 2015/16.



4.7 For National Non-Domestic Rates (NNDR), the collection rate for 2016/17 is expected to be slightly above last year, at about 98.9% compared to 98.5% in 2015/16. Cash collected as at the 31 December 2016 was £113.3m against the annual net collectable debit of £129.7m, compared to cash collected of £112.5m as at 31 December 2015, with an annual net collectable debit of £130.6m. The reason for the lower net collectable debit for December 2016 is the Shell building now being zero rated.

4.8 It is reasonable to say that there is some stability in collection rates of these two significant areas of business. Collection in Business rates continues to grow year on year as does Council Tax. 2015/16 saw the best ever collection achievement in both area's and we expect this to be exceeded in 2016/17. More generally, the Council continues to seek improvement in its processes for collecting debt and Capita are actively managed to provide a more transformational service to the Council for these services. 2017/18 will be a challenging year for business rates, due to the increase in our annual collectable debit arising from the revaluation, effective from 1 April 2017. We expect rates of collection to continue to improve in 2017/18 to some extent across the board. We also, through our Financial Resilience Strategy and Income and Debt Strategy, work across the Council to ensure we identify and intervene quickly where debt problems indicate actual or emerging vulnerability.

5. Current Financial Position

5.1 This section provides an update on the current financial position of the Council, including General Fund and the Housing Revenue Account.

General Fund Position – End of November 2016

5.2 The November 2016 Finance Monitor reported a £8.5m overspend.

5.3 The main areas of concern are:

- Adult Social Care forecast overspend £3.5m
- Children's Social Care & Early Years forecast overspend £7.4m
- Education & Learning forecast overspend £2.3m
- Benefits & Customer Services forecast overspend £1.0m

5.4 The table below summarises the Council's forecast position by department.

	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m	Full Year Variance %
Adults & Public Health	84.801	88.314	3.513	4.1
Children's Services	75.471	84.573	9.102	12.1
Neighbourhoods & Growth	60.355	58.425	(1.930)	(3.2)
Corporate Resources	59.689	58.215	(1.474)	(2.5)
No Recourse to Public Funds	4.267	3.539	(0.728)	(17.1)
Corporate Items	(2.682)	(2.682)	0	0.0
TOTAL - General Fund	**281.901**	**290.384**	**8.483**	**3.0**

5.5 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 most recent visit as making further progress.

2016/17 Housing Revenue Account Forecast – End of November 2016

5.6 The Housing Revenue Account budget, for 2016/17 is set to overspend by £0.76m.

5.7 The main areas of concern are:

- Housing Services (HRA) forecast overspend £1.09m
- Central HRA Budgets forecast overspend of £0.14m

5.8 The table below summarises the HRA forecast position.

	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m	Full Year Variance %
Housing Services (HRA)	62.242	63.330	1.088	1.7
Central HRA Budgets	(83.152)	(83.008)	0.144	0.2
Strategic Housing, Regeneration & Communities	16.954	16.479	(0.475)	(2.8)
Corporate Resources - HRA	3.956	3.956	0	0.0
TOTAL HRA	**0**	**0.756**	**0.756**	

2017/18 HRA Budget

5.9 A correction should be noted to the rent setting report presented to Cabinet on 16 January 2017. The charge for dedicated tenants' car parking spaces is currently £5.13 rather than the £5.29 reported. The charge will be £5.13 per week for 2017/18.

6. General Fund Revenue Budget 2017/18

Setting the 2017/18 Cash Limit

6.1 The cash limit for 2017/18 has been calculated by rolling forward the 2016/17 budget position, (after removing any temporary in-year adjustments) and adjusting for newly agreed savings and identified cost pressures.

6.2 The below table shows the cash limits at departmental level:

Department	Base Budget (£m)	Cost Pressures & b/fwd adjustments (£m)	Savings (£m)	Use of Balances (£m)	Proposed Budget (£m)	Indicative Savings (£m)	
	2016/17	2017/18	2017/18	2017/18	2017/18	2018/19	2019/20
Adults & Public Health	82.909	0.348	-4.889	0.000	**78.368**	-3.512	-0.664
Children's	68.292	0.500	-2.792	0.000	**66.000**	-1.016	-5.095
Neighbourhoods & Growth	53.711	0.000	-1.678	0.000	**52.033**	-0.748	-2.138
Corporate Resources	52.137	5.100	-1.880	0.000	**55.357**	-0.620	-0.085
No Recourse to Public Funds	4.267	0.000	-0.700	0.000	**3.567**	0.000	0.000
Corporate Items	20.585	11.825	-4.500	-8.387	**19.523**	-3.300	-3.000
Reorganisational Redesign	0.000	0.000	-0.422	0.000	**-0.422**	-5.578	-4.000
Total	**281.901**	**17.773**	**-16.861**	**-8.387**	**274.426**	**-14.774**	**-14.982**

7. Capital

Maximising the Impact of our Future Capital Investment: The Implications of Successful Growth Borough-wide

7.1 The Council set out an ambitious plan for Capital investment for the 4 financial years of the current political administration 2014/15 – 2017/18. This comprised those projects formally incorporated into the CIP of £786.4m together with planned investments totalling £25.5m held in the capital pipeline.

7.2 This is 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. The target for the current 3 year future planning cycle 2017/18 – 2019/20 is a CIP of £173.4m.

7.3 The receipts from the Community Infrastructure Levy are now starting to accumulate which is opening up new opportunities, both for investment in strategic infrastructure assets as well as for capital investment decisions at neighbourhood level as informed by the Co-operative Local Investment Plans.

7.4 Together with external grant income, income from growth 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-RTB disposal receipts for the next 2 years 2017/18 and 2018/19 of £25.1m is analysed in paragraph 7.16. This will be in addition to the £22.9m expected to have been realised by the end of this financial year 2016/17. Although the forecast for income from growth remains strong, if the development does not happen, this income will fall away.

7.5 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).

7.6 Capital funding is also being prioritised for the continued maintenance and enhancement of our existing assets with a number of key capital strategies now well underway including Culture 2020, the Parks Investment strategy and the Highways Improvement strategy. The investment of £10m each year since 2012/13 in our footways and carriageways has seen a dramatic improvement in the condition of our roads right across the borough and we are on target to meet the manifesto commitment of 130m resurfaced by the end of 2017/18.

7.7 The Council is part-way through a substantial programme of Housing schemes which will both improve our existing housing and provide new, genuinely affordable homes for our residents. The Housing capital programme is primarily investing in improvements to bring existing dwellings up to the Lambeth Housing Standard (LHS) which is above the Decent Homes Standard. The capital programme also includes a major initiative to improve sheltered housing schemes together with improvements to Private Sector Housing and disabled facilities grant funded schemes.

7.8 The Council is also progressing a number of different strategies to maximise the delivery of new affordable homes within the borough. The Council has pledged to deliver 1,000 additional new homes at Council rent levels over 5 years and is progressing innovative approaches such as the Somerleyton Road scheme as well as small sites initiatives such as St Oswald's and Akerman Road together with negotiations to maximise the potential benefits from S106 obligations. In addition, the estate regeneration programme is focusing on the renewal of and investment in Lambeth-owned Council estates; improving the living conditions for existing residents whilst also seeking to build new housing which can be rented at a genuinely affordable rent level.

7.9 Our challenge remains how to optimise these investment opportunities, enlarging and revitalising our estate to support the expected population growth in the Borough whilst at the same time ensuring that the Council is not left facing a high cost burden of maintenance and lifecycle replacement of these new assets which can no longer be met from dwindling revenue resources.

7.10 There is therefore a continued focus on using our assets as a corporate resource to support and enable the Council to deliver on its strategic priorities. In particular, there is a focus on how to use assets to generate on-going revenue income or realised revenue savings where possible since this will give the Council the greatest financial flexibility.

Looking Forward: Future Capital Investment

7.11 A Capital Investment Programme ("CIP") for the 3 financial years 2016/17 – 2018/19 was set by the Council in February 2016 reflecting the resources that were known to be available at the time. This included a planned investment of £241.7m for the current year 2016/17. This 3 year working CIP is rolled forward annually. 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.

7.12 Since the Financial Planning Report in November 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 5.

7.13 These amendments have resulted in a revised Capital Investment Programme for the current year 2016/17 as at 31 December 2016 of £286.9m which includes HRA investment of £129.0m.

7.14 The working CIP is now being rolled forward to incorporate the planned investment for 2019/20. Appendix 6 shows the analysis of this working CIP for the next 3 years 2017/18 to 2019/20 totalling £173.4m while Appendix 7 demonstrates how this 3 year CIP will be financed. This planned investment includes £75.3m in relation to the HRA.

Overview of Planned Capital Investment for the 4 Years 2014/15 to 2017/18

7.15 The total planned capital investment over the 4 years 2014/15 to 2017/18 comprises those projects formally incorporated into the CIP totalling £786.4m.

Planned Capital Investment	(Actual) 2014/15 £m	(Actual) 2015/16 £m	2016/17 £m	2017/18 £m	Total £m	Unfunded Pipeline Commitment £m
Total CIP	178.3	156.2	286.9	165.0	**786.4**	25.5
of which:						
HRA	104.3	85.5	129.0	75.3	**394.1**	0

Overview of the Forecast Disposals for the 4 Years 2014/15 to 2017/18

7.16 The forecast for non RTB asset disposals for the 4 year period of 2014/15 to 2017/18 has been revised to a total of £71.5m. This comprises actual disposals in 2014/15 of £12.3m, and 2015/16 of £22.5m together with forecast disposals for the current year 2016/17 and next year 2017/18 totalling £36.7m. The detail of this forecast shown in Appendix 8 is summarised in the table:

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

Non RTB Disposals	(Actual) 2014/15 £m	(Actual) 2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Other assets	4.2	0	0.8	12.0	**17.0**
Short life assets	8.1	22.5	22.1	1.8	**54.5**
Total Forecast	**12.3**	**22.5**	**22.9**	**13.8**	**71.5**

7.17 These forecasts are based on our best estimates of disposals 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) and we cannot always predict future windfalls but we are expecting some windfall assets to come back into our control, many of which may well be sold, and in light of the new Housing and Planning bill, we may have no choice but to sell some assets i.e. higher value Council housing. That said, we must also be mindful of competing pressures on the small number of assets which may become surplus, as the Council embarks on a number of its own ambitious initiatives, including Homes for Lambeth.

7.18 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.

Asset Disposals 2016/17

7.19 As at 31st December 2016, disposals have raised £1.28m capital receipts from non RTB assets as summarised in the table below:

Disposals	£m
Shortlife Assets	0.58
Other Assets	0.70
Total Receipts YTD	**1.28**

7.20 A further substantial disposal is due to complete by March 2017.

7.21 Right to Buy disposals for 2016/17 (to date) have exceeded £11m.

Treasury Management

7.22 Treasury Management is inextricably linked to the Council's finances in general and the capital programme in particular. Appendix 10 sets out the proposed Treasury Management Strategy, which has been updated by reference to the CIPFA Code of Practice for Treasury Management and Prudential Borrowing.

7.23 The Council is also required to adopt the Minimum Revenue Provision policy as set out in Appendix 9.

8. Statement of the Director of Finance (The Council's S151 Officer) Pursuant to S25 of the Local Government Act 2003

8.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) (in Lambeth's case the Director of Finance) must report to an Authority on two areas:

- The adequacy of the proposed reserves

- The robustness of the estimates made for the purpose of the calculations

8.2 It also states that the Authority must have regard to this report when the Council Tax is being set. The Director of Finance advises that she considers that the proposed budget is robust and the level of reserves and balances as set out in Appendix 1 in the draft budget is adequate.

8.3 The draft budget proposals have been subject to examination by the Council's members and officers and as a result resources are aligned with service objectives through the budget setting process. The revenue impact of decisions concerning capital spending is considered. The budget does not include a proposed contribution to reserves at 31 March 2017 as they are at an adequate level. Risks have been considered and have been appropriately budgeted for.

8.4 In consideration of this budget overall, members attention is drawn to the fully funded and financed capital programme discussed in section 7 above. The programme was reviewed in 2016/17 in the October and November Financial Planning Reports to ensure its affordability and continued alignment with organisational priorities. Members will therefore have formal opportunities to consider the programme in the same way in 2017/18.

8.5 The levels of unallocated reserves in 2017/18 are at the lower end of the acceptable limits (between 5-10% of the net cash limit) and therefore contribute to the Council's sound financial position. Further detail can be found in the Reserves and Balances Strategy as set out in Appendix 1. It should be noted that the levels of balances will be replenished during 2018/19 and 2019/20 as saving proposals are delivered. It is the intention to further replace the balances as further savings are identified during the financial period.

8.6 In determining the target range of balances and by way of a high level initial policy on reserves and balances the key factors that should be taken into account are:

- Risks inherent in the budget strategy
- Risk management policies and strategies
- Part financial performance i.e. spending within budget
- Current budget projections
- The robustness of the estimates contained within the budget
- The adequacy of financial controls and budget monitoring procedures
- Spending pressures

Emerging and Known Risks

8.7 The Council has now received a three year (2017/18 to 2019/20) provisional financial settlement, which will enable us to implement effective planning, when in the past there has been more uncertainty, due to not having several years of funding to work with. However, the funding within the settlement still needs to be considered with a certain degree of caution, purely because of the way the Government rolls in grants into the core funding. We know what grants were rolled into the 2017/18 provisional settlement, but for the following years we do not yet have this level of detail. However, we are hopeful that the sums will not be material, and therefore the funding gap calculated can to a reasonable extent be relied upon in future years.

8.8 Whilst budgets are calculated on a most likely basis they are by definition estimates and are subject to in year price and volume variances; a small percentage variance of only 1% represents a variance of more than £2.7m on our general fund net revenue budget. Despite the risks to the budge, the rigour of the process has enabled the Council to consistently deliver an overall balanced budget. The Council considers key corporate risks via the risk register, which is monitored at Corporate Management Team in addition to Corporate Committee (the Council's audit committee).

Overall Budgetary/Cost Control History

8.9 The evidence of the last four completed financial years, suggests that the authority is capable of containing expenditure within agreed budgets, notwithstanding the significant risks forecast this year.

Unexpected Events

8.10 Recent economic events have highlighted the need to hold reserves to create the financial cushion that enables changes to services to be implemented in a structured fashion. To date sound financial management and planning have insulated the authority from such unforeseen events, but with the current levels of economic uncertainty no complete assurances could ever be provided that this will continue to be the case.

9. Finance

9.1 This report concerns the Council's overall financial position with a particular focus 2017/18. It commits the Council to a new revenue budget for 2017/18 – with a 1.99% plus the Government's 3% adult social care precept (total 4.99%) increase in the Lambeth element of the Council Tax – and a revised Capital Programme of £173.4m for the years 2017/18 to 2019/20.

10. Legal and Democracy

10.1 The Council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the Council's financial position in accordance with section 28 of the Local Government Act 2003. In considering the Council's financial strategy for 2017/18, 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.

10.2 By virtue of section 25, Local Government Act 2003, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Director of Finance, as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

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

10.4 In considering the advice of officers, and the weight to be attached to that advice, members should have regard to the personal duties placed upon the DoF as Chief Finance Officer. The Chief Finance Officer is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. In the event that the Council's overall financial position worsens considerably during the course of 2017/18, 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.

10.5 Section 106 of the Local Government Finance Act 1992 applies at any time to a Member of a local authority or a Member of a committee or sub-committee of a local authority if, at that time, a sum in respect of community charge, or a sum in respect of Council Tax has become payable by the member and has remained unpaid for at least two months.

10.6 If a Member to whom Section 106 applies is present at a meeting of the authority, the Cabinet, or a committee or sub-committee of the authority or the Cabinet, at which any of the following matters is the subject of consideration:

- any calculation required by Chapters III, IV or IVA of the 1992 Act i.e. budget requirement, tax base and tax, or
- any recommendation, resolution or other decision which might affect the making of any such calculation, or
- the exercise of any functions in relation to the administration, collection and enforcement of community charge or Council Tax

The Member shall as soon as practicable after its commencement disclose the fact that this section applies to her/him and shall not vote on any question with respect to that matter.

10.7 If or to the extent that any matter listed above is the responsibility of the Cabinet, no member of the Cabinet to whom Section 106 applies shall take any action or discharge any function with respect to that matter.

10.8 If a Member fails to comply with the requirement to disclose the fact that Section 106 applies and accordingly not to vote then they shall be liable to prosecution by the Director of Public Prosecutions which carries a fine not exceeding level 3 on the standard scale.

10.9 In certain circumstances the chair of the meeting may be under an obligation to refuse to count the vote of a Member who has declared that Section 106 applies to him/her, yet still voted. However, the chair would have to be fully satisfied that the declaration was beyond question. In relation to the non-payment of community charge or Council Tax the person most likely to have the best information as to whether the section applies to them is the individual concerned. If a Member declares an interest in terms of Section 106, as is their duty if the Section applies, they will disqualify themselves from voting and any attempted vote cannot be counted.

10.10 In the event of a Member failing to disclose such an interest, and even though the Chair may have good grounds for believing that the Member is disabled by interest, nevertheless the chair should not refuse to accept a vote by that Member. However, the DoF will also be in a position to verify whether any particular Member is under a Section 106 duty and if a situation arises whereby the Member in question fails to declare an interest in terms of Section 106, the Chair is under an obligation to take account of the information provided by the DoF.

10.11 Prior to any meeting at which any of the matters referred above are to be considered, the DoF, or her/his representative, will contact all Members who are, in her/his opinion, in a position where Section 106 applies. The DoF will carry out a further check on the position prior to the meeting and will ensure that the Chair is informed at or before the commencement of the meeting.

10.12 Once the Chair is in possession of that information the Chair should indicate to the meeting that Section 106 applied to a Member or Members present, based on information provided by the DoF. It will then be for the individual Members concerned to approach officers from the Finance Department to clarify the position, if necessary. If the position as set out in the information provided by the Finance Department remains unchanged, then the Chair is under an obligation to refuse to count the vote of that Member. The fact that a Member who is disabled by interest has taken part in the consideration of the report and voted on it does not render unlawful the decision of the Committee or Council.

10.13 The Budget and Policy Framework Procedure Rules, as reproduced in Part 3 of the Council's Constitution, set out the involvement of the Overview & Scrutiny Committee in the budget-making process and provide, inter alia, that having considered the report of the Overview & Scrutiny Committee, the Cabinet, if it considers it appropriate, may amend their proposals before submitting them to the full Council for consideration. The Cabinet is also required to report to Council on how it has taken into account any recommendations from the Overview and Scrutiny Committee.

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

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

10.16 The Equality Duty must be complied with before and at the time that a particular policy is under consideration or decision is taken – that is, in the development of policy options, and in making a final decision. A public body cannot satisfy the Equality Duty by justifying a decision after it has been taken.

10.17 Paragraph 11 of this report details the consultation undertaken to date. The following principles of consultation apply. First, a consultation has to be at a time when proposals are still at a formative stage. Second, the proposer has to give sufficient reasons for any proposal to permit of intelligent consideration and response. Third, adequate time has to be given for consideration and response, and finally, the product of consultation has to be conscientiously taken into account in finalising any statutory proposals. The process of consultation has to be effective and looked at as a whole it has to be fair.

10.18 Further guidance on meaningful consultation was given in the decision of the Supreme Court in the case of *R (on the application of Moseley v London Borough of Haringey [2014] UKSC 56*. Where there is a duty to consult imposed by statute, then in addition to a common law duty, there is an additional duty to ensure proper public participation in the local authority's decision-making process. Meaningful participation in these circumstances required that those consulted be provided with an outline of any realistic alternatives. In the absence of a specific statutory provision, reference to alternative options will be required where this is necessary in order for the consultees to express meaningful views on the proposals. The decision in the case of R (Robson) v Salford City Council [2015] EWCA Civ 6 clarified that the requirements for a lawful consultation vary according to the particular circumstances of the proposal under consideration but the general principals of fairness must be applied.

10.19 Section 1 of the Localism Act 2011 provides the Council with what is known as a general power of competence, in short, a power to do anything that individuals generally may do, for the benefit or otherwise of the authority, its area or persons resident or present in its area and subject to restrictions/limitations imposed by other statutes. The general power of competence includes a power to charge for services provided the requirements of section 3 of the Localism Act are observed, namely: 1) that the service provided is discretionary; 2) that the user agrees to the service being provided; and 3) that there is no other power to charge for the service in question, including that contained at section 93 of the LGA 2003. The exercise of this power is subject to a duty to secure that, taking one financial year with another, the income from charges does not exceed the costs of the service provided.

10.20 This proposed key decision was entered in the Forward Plan on 06 January 2017 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days – the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

11. Consultation and Co-Production

11.1 As a cooperative Council we remain committed to working with our communities so that they can help themselves and be more resilient to the changes in local services. We are determined to talk to communities about the tough choices we have to take as the money we receive from Central Government continues to reduce. In order to find the best solutions wherever possible, we have engaged and consulted stakeholders throughout 2016/17 on a range of issues (including the budget saving proposals in this paper) and have also undertaken our annual resident's survey (June 2016).

11.2 For the coming year (2017/18) we have developed a forward programme of community engagement, consultation, co-design and research. This will enable us to: better understand the views (and needs) of local people; target our resources where they are most needed; and achieve our Borough Plan objectives. This will help our decision making on savings proposals identified for 2018/19 and 2019/20.

11.3 Consultation has been undertaken (where required) in order to formulate and gather public opinion on the proposals outlined in this paper. Further engagement, consultation and co-design will take place with stakeholders, service users and partners throughout 2017/18 to: implement and evaluate savings for 2017/18; and formulate and gather public opinion on proposals for implementation in 2018/19. Our forward programme of engagement, consultation and co-design will ensure that residents, communities and service users are at the heart of our decision making.

11.4 The results of engagement and consultation activity for proposals outlined in this paper can be found on our website http://www.lambeth.gov.uk/consultations/closed.

11.5 Where changes to staffing form part of any approved proposal we will consult with staff at the appropriate point (as required by law).

12. Risk Management

12.1 The key risks covered in section 3 of the report and those arising from the proposals set out in the plan will be monitored and reviewed corporately as well as at departmental and division level to ensure that the proposals are achieved. Management of the key risks will allow for effective decisions to be taken across the department. In summary the key risks can be categorised as:

- Financial – failure to contain demand and costs within the overall resources available. Control action includes monthly budget and activity monitoring; and

- Performance Management – proposals may impact on the department's ability to meet key performance measures, which could affect the Council's ability to achieve its priorities and outcomes as set out in the corporate plan. Control action includes monthly performance monitoring to enable the organisation to take prompt remedial action.

13. Equalities Analysis for Saving Proposals 2017-2020

13.1 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. Reducing inequality is one of three strategic priorities alongside inclusive growth, and, building strong and sustainable neighbourhoods.

13.2 An equalities relevance assessment has been undertaken for each of the proposals which bring forward new savings for 2017/18 to 2019/20. Of the total savings (excluding organisation redesign) for 2017/20 (£36.662m) 39.5% have been assessed as having equality impacts. We will also carry out a cumulative Equality Impact Assessment in order to evaluate the cumulative impact of the savings.

13.3 The budget cuts are likely to have impacts for our citizens. Understanding what the impact might be, and where possible putting in place mitigation to negate or reduce any adverse impacts is important. A significant amount of savings proposed in this budget relate to staffing changes within Lambeth Council. These will be subject to full equalities impacts assessments, in line with the Council's policy.

13.4 Based on our analysis of the savings proposals and their potential impacts, the equality groups most affected are considered to be socio-economic; age (children and young people); disability; sex; race; and, health and wellbeing.

13.5 Proposals which have potential to have more significant negative impacts on residents with protected characteristics include: the reductions in hostel beds as part of the Supporting People savings; changes to domiciliary care; the introduction of charging for some services, reduction in debt advice and reduction in Council Tax Support; Children's Centres; and, Youth and Play.

13.6 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.

14. Community Safety

14.1 None for the purpose of this report, although the impact of particular proposals on community safety will be considered as part of the budget process.

15. Organisational Implications

Environmental implications

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

Staffing and accommodation implications:

15.2 The Council's policy and procedure on Reorganisation, Redundancy and Redeployment will be used by managers to ensure that any restructuring and organisational redesign changes are made fairly and consistently to enable the timely delivery of savings targets.

15.3 It will be necessary for knowledge transfer to be planned for and for clear handover of tasks and reprioritisation within teams.

16. Timetable for Implementation

16.1 Subject to agreement at Cabinet on 06 February 2017 and Council on 22 February 2017 these budget proposals will be implemented for the 2017/18 financial year onwards.

Audit trail				
Consultation				
Name/Position	**Lambeth cluster/division or partner**	**Date Sent**	**Date Received**	**Comments in para:**
Jackie Belton, Strategic Director	Corporate Resources	23.01.17	24.01.17	Throughout
Christina Thompson, Director of Finance	Finance	17.01.17	24.01.17	Throughout
Alison Mckane, Legal Services	Corporate Resources	24.01.17	24.01.17	Section 10
Henry Langford, Democratic Services	Corporate Resources	24.01.17	25.01.17	Throughout
Councillor Imogen Walker	Deputy Leader (Finance) of the Council	25.01.17	26.01.17	Throughout
Sean Harriss, Chief Executive	Chief Executive	23.01.17	26.01.17	Throughout
Helen Charlesworth-May, Strategic Director	Adults and Public Health	23.01.17		
Sue Foster, Strategic Director	Neighbourhoods & Growth	23.01.17		
Annie Hudson, Strategic Director	Children Services	23.01.17		

Report history	
Original discussion with Cabinet Member	18.12.2015
Report deadline	29.01.2016 (Cabinet)
Date final report sent	29.01.2016
Report no.	
Part II Exempt from Disclosure/confidential accompanying report?	Yes – Appendix 8b
Key decision report	Yes
Date first appeared on forward plan	06.01.2017
Key decision reasons	1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework
Background information	October Finance Planning Report 2016/17 http://moderngov.lambeth.gov.uk/ieListDocuments.aspx?CId=225&MId=9752 November Finance Planning Report 2016/17 to 2019/20 http://moderngov.lambeth.gov.uk/ieListDocuments.aspx?CId=225&MId=9753
Appendices	• Appendix 1 – Medium Term Financial Strategy • Appendix 2 – Financial Management Strategy • Appendix 3 – Simplified Council Tax Model • Appendix 4 – Resource Allocation –saving proposals 2017/18 to 2019/20 • Appendix 5 – Capital Virements • Appendix 6 – Capital Investment Programme – 2017/18 – 2019/20 • Appendix 7 – Financing the CIP 2017/18 – 2019/20 • Appendix 8a – Disposals Programme and 8b Disposals Programme (Exempt) (Cabinet Only) • Appendix 9 – Minimum Revenue Provision Policy Statement • Appendix 10 – Treasury Management Strategy & Prudential Indicators 2017/18 – 2019/20 • Appendix 11 – Overview and Scrutiny Report • Appendix 12 – Fees and Charges Schedule