Lambeth

Cabinet **05 February 2018**

Council **21 February 2018**

Report Title: Revenue & Capital Budget 2018/19 to 2020/21

Wards: All

Report Authorised by: Strategic Director Corporate Resources, Jackie Belton

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

Contact for enquiries: Director of Finance and Property: Christina Thompson
CThompson3@lambeth.gov.uk Tel: 0207 926 5302

Report summary

The Council continues to face a very challenging time, with unprecedented reductions in funding from central government at the same time as increasing demand pressures on our services. Between 2010 to 2020, Lambeth will have had to make savings of over £250m, as a consequence of our core funding being cut by more than half, reflecting central government's austerity agenda. This level of cuts has fallen disproportionately on boroughs like Lambeth, though significant reductions have been seen across local government and in public services like the police and the National Health Service, placing them under increased pressure. This report sets out the detail of these increased pressures on the Council, including the impact of Universal Credit, central government public health cuts and increased pressure on Adult Social Care.

The provisional Financial Settlement for 2018/19 and the indicative Financial Settlement for 2019/20 was confirmed on 19 December 2017, and our Medium Term Financial Strategy (MTFS) covering the period 2018/19 to 2020/21 has been updated to reflect this. The four year settlement provided in 2016/17 comes to an end in 2019/20, so the projections for the last year of the MTFS (2020/21) could change once we know more on our future funding position following the completion of the Fair Funding Review. As a result of the proposed changes to the way in which Local Government will be funded going forward, the Council will be even more reliant on Business Rates and Council Tax income and therefore in being able to grow and sustain businesses and the Council tax base.

Now the MTFS has been updated we have a total funding gap of £40.739m (2018/19 to 2020/21), and this includes the new pressures identified in the July Financial Planning Report. Currently we have £28.456m of agreed savings over the period 2018-2020 to help close the funding gap. This report identifies available mitigations which reduces the funding gap further and outlines the saving proposals which balance the budget over the MTFS.

Our current financial strategy has continued to be developed according to our resident's priorities and the priorities set out in the Borough Plan of driving inclusive growth, tackling inequality and building strong and sustainable neighbourhoods. That's why this budget focuses on protecting the funding for children in care, exempting children who leave care from paying Council Tax until they are 25 (helping them to get on their feet and become more independent) and protecting our funding for our violence against women and girls services and homelessness prevention services.

At the same time, it continues our work to deliver savings without impacting front line services by making the Council more efficient, including nearing the completion of the Your New Town Hall project (saving £4.5m per year), rolling out new technology and training to staff, and digital services to residents. We are on course to deliver the first phase of our organisational change programme, including moving into the new Town Hall and Civic Centre, rolling out new technology and training to ensuring that as an organisation we deliver cost effective services and maximise the opportunities that digitalisation provides.

This report also sets out the Council's capital investment programmes (CIP) including the investment of over £857m in the last four years in roads, pavements, parks and transport improvements. Over the next two years, the Council commits to investing £126m to continue to bring the Council owned roads and facilities right across the borough up to the highest standard.

This report presents:

- The General Fund budget for 2018/19 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 2018/19 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 22 January 2018.

Finance summary 2018/19

It commits the Council to a new revenue budget for 2018/19 – with a 2.99% 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 £1,092.04) – and a revised Capital Programme of £126.2m for the years 2018/19 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 6b

Council

(1) To adopt the General Fund (GF) revenue budget for 2018/19 as set out in this report, which, for the avoidance of doubt, includes:

    - The Council Tax model set out in Appendix 2; and
    - The cash limits arising from the above, as set out in paragraph 2.24, a total cash limit of £286.554m.

(2) To adopt a 2.99% increase in addition to Government's 3% Adult Social Care precept increase to the Lambeth element of the Council Tax for 2018/19.

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

(4) To note the current General Fund budget forecasts for 2017/18 in Section 5.

(5) To note the proposed increases to fees and charges as set out in Appendix 9.

(6) To adopt the Care Leavers Relief Scheme as described in paragraph 3.6

(7) To note the revised total of £126.2m for the two year Capital Investment Programme 2018/19 to 2019/20 as described in section 7, and summarised in Appendix 4, and how the programme is financed within Appendix 5.

(8) To adopt the statement of Minimum Revenue Provision policy as detailed in Appendix 7.

(9) To adopt the Treasury Management Strategy (incorporating the debt and investment strategies) proposed for 2018/19 to 2020/21, as set out in Appendix 8.

(10) To adopt the prudential indicators and limits, and the investment thresholds and limits for 2018/19 – 2020/21 set out in Appendix 8.

(11) 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.

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

(13) To note that, at its meeting of 23 January 2018, Corporate Committee agreed the amount of 107,712 as the Council Tax Base for the year 2018/19 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.

(14) That the following amounts be now calculated for 2018/19 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:

£918,274,000

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

£800,648,187

(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:

£117,625,813

(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:

£1,386.27

(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
£728.03	£849.36	£970.70	£1,092.04
Band E	**Band F**	**Band G**	**Band H**
£1,334.71	£1,577.39	£1,820.06	£2,184.07

(15) To note that for the year 2018/19 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
£196.15	£228.85	£261.54	£294.23
Band E	**Band F**	**Band G**	**Band H**
£359.61	£425.00	£490.38	£588.46

(16) 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 2018/19 for each of the categories of dwellings as shown below:

Band A	Band B	Band C	Band D
£924.18	£1,078.21	£1,232.24	£1,386.27
Band E	**Band F**	**Band G**	**Band H**
£1,694.32	£2,002.39	£2,310.44	£2,772.53

(17) To delegate authority to the Director of Finance in consultation with the Deputy Leader (Finance & Resources) 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).

(18) To note that, at its meeting of 23 January 2018, Corporate Committee agreed the amount of £163,229,365 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. Future Lambeth- Lambeth's Borough Plan

1.1 In 2016 Lambeth Council and partners approved a new Borough Plan. This document set out a 10 year vision for Lambeth as a borough of opportunity, where new and old communities live shared lives and have equal chances to realise their potential. We want to use the once-in- a-generation regeneration and investment to build on our strengths – as the cultural and artistic heart of London, as an internationally recognised hub for health innovation, as a place renowned for its diversity and creativity and cohesive communities.

1.2 To achieve this vision we set out three medium-term goals: to promote inclusive growth; to reduce inequality and to build strong and sustainable communities. Since 2016 our work has focused on developing the plans to achieve these goals; working with partners, the third sector and citizens.

1.3 The leader of the Council recognised that reducing inequality is one of the most challenging aspects of the Borough Plan. In the context of a global economy, uncertain prospects following the EU referendum, and limited powers of redistribution at the local level, the Council and partners needed to understand better the causes and consequences of inequality in Lambeth, and where we could make a difference.

1.4 The Equality Commission was set up to understand these challenges and to make recommendations for improvement. It undertook a large evidence gathering exercise and engaged extensively with people in Lambeth. In October 2017 the Commission reported to Cabinet, outlining a proposed implementation approach and suggesting four priority areas for the coming year: education underachievement; low pay and poor working conditions; workforce equality and diversity; and, reducing the impact of crime on young people.

1.5 Our focus now, as an organisation and across the partnership, is to work towards implementing the recommendations of the Commission, and the broader outcomes in the Borough Plan. We have business plans in place to align activity and resources to these goals, and will set staff objectives in 2018 to provide a golden thread from the Borough Plan to our colleagues' work.

1.6 As the Council's Medium Term Financial Strategy (MTFS) develops, we will ensure that it aligns with our Borough Plan.

2. Medium Term Financial Strategy

Financial Position and Local Government Finance Settlement 2018/19 to 2020/21

2.1 The Council's financial position as outlined in the December Financial Planning Report showed a total funding gap over the period 2018/19 – 2020/21 of £43.9m . Since those figures were calculated, there have been a number of further announcements, primarily the Provisional Local Government Finance Settlement 2018/19 to 2019/20. Alongside this we have also calculated our final Council Tax and Business Rates baseline figures which were agreed by Corporate Committee on 23 January 2018.

2.2 The funding figures for 2018/19 are now provisional, and the figures for 2019/20 are indicative, so they are still open to change as we move through the MTFS. Through analysing the Settlement figures, it appears that over the period 2018/19 to 2020/21 we will get £3.5m less through Business Rates, but gain just over £2m over the same period on New Homes Bonus above previous estimates. Overall, this means through the Settlement we are £1.1m worse off.

2.3 However, through validating the adjustments to the Council Tax and NNDR base for 2018/19, and utilising the flexibilities introduced on Council Tax, over the three year planning period we are now forecasting a funding gap of £40.7m.

2.4 However, this funding gap is mitigated through the application of an additional £2.5m gained through the review of the pension contribution, and the application of ASC growth of £3m over the three years. £28.456m of brought forward savings, has also helped to reduce the funding gap. It should be noted that the brought forward savings has reduced by £1.3m in 2018/19 since last reported, and this is because we had a £1.3m saving attached to the changes to the Council Tax Support Scheme, so this has now been removed as a saving and instead has been included when calculating the 2018/19 Council Tax base, so is now captured in Council Tax income going forward.

2.5 One of the main announcements as part of the Settlement was the flexibility introduced in respect of Council Tax, whereby a Council can increase Council Tax by an additional 1% in both 2018/19 and 2019/20. This is in addition to 1.99% increase without the need for a referendum and the Government's Adult Social Care precept, which in our MTFS we have modelled 3% in 2018/19 and that is the final year of the Adult Social Care Precept. Therefore across the MTFS we have modelled Council Tax increases as: 5.99% in 2018/19 (1.99% plus the additional 1% flexibility and the Government's 3% Adult Social Care Precept). Then in 2019/20 we have modelled a 2.99% increase (1.99% plus the additional 1% flexibility) and then finally in 2020/21 a 1.99% increase. However, all future increases are subject to Cabinet and Council approval.

2.6 Finally, to balance the budget over the MTFS we have £6.783m of new savings proposed, and details around these can be found in paragraphs 2.7-2.22 below.

Saving Proposals

2.7 The full list of proposed savings can be found in Appendix 3.

2.8 Adults & Public Health is proposing to make a total of £1.29m of savings over the period 2018/19 to 2020/21. In 2018/19 £0.92m of savings are proposed, and these relate to:

2.9 £0.1m through the Aspire Wellbeing contract, by ending the current block contract and change to spot purchase at lower overall value.

2.10 £0.2m through Adults and Health Directorate transport services, by entering into a lower cost arrangement for the provision to day care centres and colleges.

2.11 £0.32m through Excelcare block contract use, by generating income through subcontracting out nursing home beds.

2.12 £0.1m through extra care night cover, by reducing staff requirements from two to one carer a night.

2.13 £0.2m through service transformation of offender health and smoking cessation services.

2.14 A total of £0.370m, is proposed to be saved over 2019/20 and 2020/21 through a fees and charges review, and by the provision of accommodation at a new resources centre.

2.15 Children's is proposing to make a total of £1.3m of savings over the period 2018/19 to 2020/21. In 2018/19 no savings are proposed.

2.16 In 2019/20 £1.3m of savings are proposed, through reviewing current spending on S17 with a view to reducing the amounts as well as the payment arrangements and reduce cash handling and thereby processing costs. In Early Years and Targeted Support by exploring new ways of working efficiently and collaborate, through more effective commissioning and greater emphasis on targeting support, and focusing activities within the Lambeth Safeguarding Children's Board.

2.17 Neighbourhoods & Growth is proposing to make a total of £2.575m of savings over the period 2018/19 to 2020/21. In 2018/19 total savings of £2.425m are proposed, and these relate to:

2.18 £0.41m through savings to the planning service, by changing the funding from General Fund to CIL and S106 income.

2.19 £0.03m in the Major Capital Programmes team, by ensuring all relevant costs are capitalised.

2.20 £0.085m to the Bereavement Service, by generating additional income.

2.21 £1.9m in the Parking service, through implementing virtual permits, parking dispensations, diesel surcharges, inflation on permit prices and visitor vouchers, by reducing the parking income that is used to fund the capital programme and through a reduction to the Parking bad debt provision.

2.22 Corporate Items is proposing to make a total saving of £1.618m in 2018/19, and this will be achieved through the reduction of non-essential contingency budgets.

2018/19 Cash Limit

2.23 Table 1 below shows the cash limit for 2018/19 based on the key output from the provisional Finance Settlement and the Council Tax base set by Corporate Committee on 23 January 2018. The figures are based on the 2018/19 Financial Settlement, and as the London Business Rates Pilot Pool will commence in 2018/19, the Revenue Support Grant (RSG) is now zero, as this grant has been rolled into our Business Rates Retained amount.

2.24 As part of the Settlement the Government increased the level of Council Tax increase before requiring Council's to go to referendum by 1% to 2.99% in 2018/29 and 2019/20. This has been modelled in our MTFS together with the Adult Social Care precept of 3% in 2018/19.

Table 1

Funding Source	2018/19 £'m
Notional Revenue Support Grant	0.000
Top-up Payment	52.503
Retained NDR	97.540
Settlement Funding Assessment	**150.043**
New Homes Bonus	9.695
s31 Grant	2.800
Council Tax	117.626
Better Care Fund	6.390
Total Cash Limit	**286.554**

Council Tax

2.25 As part of addressing the funding gap, we have modelled to increase the Lambeth element of the Council Tax by 2.99% in 2018/19, plus the 3% Government Adult Social Care precept. As part of the 2017 Settlement the Government 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. We are also proposing to utilise the flexibility of applying an additional 1% to Council Tax in the years 2018/19 and 2019/20, which was announced as part of 2018/19 Financial Settlement on 19 December 2017.

2.26 Also, we have modelled a further 1.99% increase in 2020/21, below the level required for a referendum in that year, which has further helped in balancing the Council's budget over the MTFS. This assumption is included in the figures, and the recommendation to increase Council Tax in 2019/20 to 2020/21 is subject to decision by Cabinet and Council and will be addressed in future years budget reports.

2.27 The Council's Council Tax base continues to grow, and in 2018/19 the net number of new properties has seen an absolute increase of 4,207, but this is an exceptional year, because this increase also captures the changes to the Council Tax Support Scheme which through the adjusting calculations results in an increased number of Band D equivalent properties in the tax base. Therefore in future years we expect the increase to revert back to normal trend levels. Within our MTFS we have modelled an increase in our Council Tax base of 1.4%, based on normal trends and any increases in housing developments above this will see the percentage improve.

Business Rates Retention Scheme

2.28 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%. The Government's intention to extend the retention scheme increase the incentive for local Council's to encourage development in their area in order to increase the income from the retention of the growth in their business rates base. 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.

2.29 With effect from 01 April 2018 the Business Rates London Pilot Pool will commence, as approved by Cabinet on 11 December 2017 and this is factored within the current MTFS. The proportion split of the Business Rates Retained element has been confirmed on the 2018/19 NNDR1 as 64% for Lambeth and 36% for the GLA. This is due to Central Government not receiving any of the local Business Rates collected, because as we are in the London Business Rates Pilot Pool, all Business Rates retained will be contained within the pool.

2.30 Our budgeted Business Rates Retained element in 2018/19 is at the level confirmed within the Financial Settlement. Due to the pooling arrangements, until all London Borough's submit their 2018/19 NNDR1 and NNDR3 forms our net benefit is not known, at the moment it is forecast to be £5.3m, but as this is one off and is a forecast, we have decided to take this benefit into reserves. If the pool continues for a further year, we may revise this position.

Fees and Charges

2.31 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. A detailed fees and charges schedule can be found in Appendix 9.

London Borough's Grant Scheme

2.32 The financial year 2018/19 represents to second year of the four-year programme of commissions provided by the Grants Committee under S.48 of the Local Government Act 1985, as recommended by the Grants Committee and approved by the Leaders' Committee in March 2016. Constituent Councils are required to contribute to any London Boroughs Grants Scheme expenditure, which has been incurred with the approval of at least two-thirds of the constituent Councils. Contributions are, under Regulation 6(8) of the Levying Bodies (General) Regulations 1992, to be proportionate to constituent Councils' populations. For 2018/19, the apportionment is based on the ONS mid-year estimates for June 2016 in accordance with Section 48 (4) Local Government Act 1985, which states that "the population of any areas shall be taken to be the number estimated by the Registrar General and certified by him to the Secretary of State by reference to such date as the Secretary of State may from time to time determine." The total contribution required from Lambeth is already captured within our MTFS, so this does not in any way increase the forecast expenditure of the Council.

3. Context & Economic Outlook- Key Risks

Risk to our Debt / Expenditure

Welfare Reform

3.1 The Council still 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 (RTDM) 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 first introduced in Lambeth from February 2016 and has recently expanded to cover all new claims from working age residents for what previously would have been Housing Benefit. The number of Universal Credit claimants in Lambeth will therefore steadily increase over the coming months and the number of Housing Benefit claimants will reduce.

3.3 Currently we are able to manage the recovery of over payments by the reduction of current claimants' Housing Benefit payments. This flexibility is 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.

3.4 The Council Tax Support (CTS) scheme currently provides statutory protection to pensioners and in Lambeth discretionary protection to bedroom tax, carers, disabled and war widows/widowers (protected groups). The Council funds the CTS scheme through its Settlement Funding Assessment, which is subject to the year-on-year budget reductions as per the Councils MTFS. Officers have been asked to model a revised CTS scheme that maintains the principles of fairness and sustainability, in line with Lambeth's Financial Resilience Strategy.

3.5 The Council commenced the CTS scheme consultation on 12 June 2017, and it ran until the end of July 2017. The final scheme was presented to Full Council on 24 January 2018, where the proposed recommendations following consultation were agreed. The changes to the scheme will be implemented from 01 April 2018.

3.6 The Council is responding to a Children's Society campaign that has identified a range of disadvantages that care leavers uniquely experience. In particular care leavers are a vulnerable group for Council Tax debt. The Children's Society details the case for care leavers at least up to the age of 21 to be exempted from paying Council Tax. The Council has a statutory role as a corporate parent and will where possible seek the same outcomes for care leavers that any parent would want for their own children. Given the Council's commitment to the welfare of care leavers, the Council would like to develop a policy to exempt care leavers from Council Tax costs until their 25th birthday. All care leavers under 25 years of age resident in the borough will receive exemption from Council Tax costs via Section 13A of the Local Government Finance Act 1992. This Care Leavers Relief Scheme (CLRS) should be agreed and in place from April 2018. It is anticipated the scheme will cost between £0.150m and £0.350m.

Risk to our Funding

Adults Social Care

3.7 Adults Social Care has been managing a number of significant financial risks which have arisen from a population that have increasingly complex care needs and cost pressures relating to the amount that the Council is charged for the provision of services. This is the experience nationally and local government bodies have been successful in putting forward the case for increased funding in Adult Social Care with the provision of increased funding in the 2017 spring budget announcement. Although welcome, the extra funding does not provide a financially sustainable care system and the longer term response to the issues that social care faces is that a Green Paper will be published before summer 2018 on how the government proposes to improve care and support for older people and tackle the challenge of an ageing population.

3.8 Any wide ranging change to the care system is likely to bring a number of potential risks. The first main issue is that support for older people is only a proportion of Adult Social Care activity for which there are increasing pressures across the board and it is less clear of how issues relating to services for working age adults will be addressed. It has also become clear that the proposed £72,000 limit on care costs for individuals will not be introduced and that the Green Paper will now include proposals on what a limit on care costs for individuals should look like. Changes to social care charging of the significance suggested are likely to be complex and result in large costs nationally that require the use of mechanisms to increase funding locally that can result in cost pressures for individual local authorities. The risk for Lambeth is lower than for most authorities due to the low number of self-funding social care service users in the borough. Finally, as social care is a significant part of the Council's budget, proposals on how any new funding system will be sustainable and responsive to increases in costs will be critical for the financial sustainability of the Council as a whole.

Public Health

3.9 LB Lambeth, along with other upper tier authorities receives an annual ring fenced Public Health Grant to fulfil its duty to improve the health of people in the area and specifically to deliver its public health duties. The ring-fenced Public Health Grant is based on historic funding in the NHS which transferred to Councils. Following the 2015 election, the Government announced in-year cuts of 6.2% to Public Health which totalled a reduction of £1.9m for Lambeth in 2015/16 and £0.7m in 2016/17. In the period 2017/18 to 2019/20 the grant is being further reduced by £2.5m, approximately £0.8m per year. In addition this has meant that opportunities have been taken to widen the scope of the Public Health Grant to fund appropriate General Fund services in existing Public Health services that have been identified. A range of saving proposals are being implemented to remain within the grant allocation and provide savings to the General Fund.

Fair Funding Review

3.10 The Fair Funding Review is due to take effect from 2020/21, and as part of the Financial Settlement it was confirmed that 2020/21 will be the first year of 75% Business Rates Retention. This will mean that in that year RSG and the Public Health grant will get rolled into Business Rates Retention, and Council's will be able to retain 75% of growth in the base. The intention of this is to increase local control over local income without the need for primary legislation, whilst having more accurate funding forecasts due to the improvements in the way the funding is allocated.

3.11 In 2020/21 the Business Rates baseline will be reset as part of the Fair Funding Review, and this will result in winners and losers, however, until the Fair Funding Review is finalised we just don't know what this will mean to Lambeth. The Fair Funding Review is in the early stages of discussion and consultation, but there is commitment to ensure the following principles are upheld:

- Simplicity- ensure that the most important factors that drive spend are captured
- Transparency- everyone understands the allocation
- Contemporary- the formula is using the most up to date data
- Sustainability- will respond to both current and future demand
- Robustness- taking account of best possible objective analysis
- Stability- in line with the multi-year Settlements including transitional arrangements

New Homes Bonus

3.12 The baseline of 0.4% is still applicable, but this is not a concern for Lambeth, as our tax base continues to increase well above this baseline. The NHB payments have reduced as planned to 4 years in 2018/19, but due to growth in our tax base we gained £1m in 2018/19 on NHB above previous estimates. The planned changes to NHB of the threshold increase and the adjustment for homes approved by the Planning Directorate did not take place, and no date as to when these may be implemented has been confirmed.

Dedicated Schools Grant

3.13 The provisional allocation of DSG for 2018/19 is £284.4m, which is an increase of £6.6m (2.36%) over the previous year. The Government has introduced a number of changes to the funding system for 2018/19 which are highlighted below:

- A new National Funding Formula has been introduced for both schools and for High Needs;
- A new Central School Services Block (CSSB) has been created. The DSG therefore now comprises four blocks: Schools, High Needs, Early Years and the new central school services block;
- Within the schools block, the Government have provided for at least a 0.5% per pupil increase in 2018 to 2019 through the national funding formula;
- The high needs block has increased by 1.66%;

- The minimum funding guarantee (MFG) for schools will continue, in Lambeth this has been set at minus 1.5% per pupil.

- The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their Schools Forum. Any transfer greater than this amount requires approval by the Secretary of State.

3.14 Although additional funding has been allocated in the Schools Block, there are significant cost pressures faced by schools, for example the requirement to fund teachers' pay rises as well as other cost increases and thus the funding increases are unlikely to be sufficient to meet these increased costs in real terms in most schools.

Education Services Grant

3.15 The Educational Services Grant ceased in 2017/18, although transitional funding was allocated for the period from April to August 2017. This has led to a loss of funding of £1.5m in 2017/18 and a further 0.8m in 2018/19. This will requires the Council to review the way in which it delivers some of these services and to discuss the implications of the reductions with the Lambeth maintained schools and with the Lambeth Schools Forum.

4. Financial Management

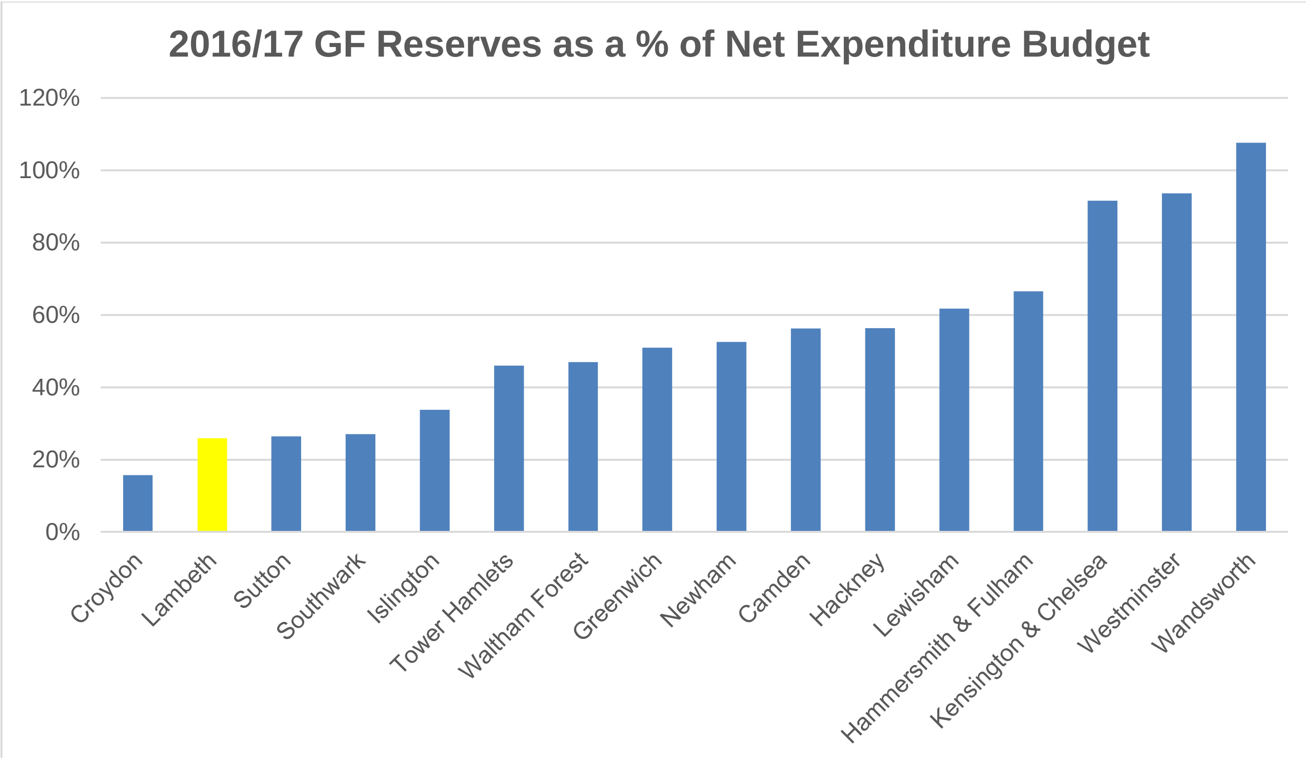
4.1 The objectives of the MTFS and how we will ensure delivery is captured within Appendix 1. It sets out an overview of our approach to make the best use of our financial resources to help achieve the Council's vision and ambitions for the Borough and maximise sustainable benefits for the people of Lambeth. Three key areas of priority are:

- Prioritise our resources in-line with the Council's Borough Plan, and to ensure we achieve our core three priorities
- Maintain a balanced budget position, and to always set a MTFS which maintains and strengthens that position.
- Provide a robust framework to assist the decision making process within the Council

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 at the end of 2016/17.



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 2017 Lambeth had the second lowest level of reserves in comparison to 2016/17 net revenue expenditure of London Boroughs, as our reserves represented 26% of our total net revenue expenditure, which is in stark comparison to the Council with the highest level of reserves representing 108% of their net revenue expenditure.

4.5 **Table 2** below confirms our current reserve forecast position to this financial year-end, whilst also forecasting to 2020. The forecast on General Fund balances assumes that the Council will utilise the full £8m of balances budgeted for, and then subsequent payback of half (£4m) the balances by 2020.

Table 2 2017/18 to 2019/20 Reserve Forecast

	Forecast Y/E 2017/18 (m)	**Forecast Y/E 2018/19 (m)**	**Forecast Y/E 2019/20 (m)**
General Fund Balances	14.172	15.111	18.303
General Fund Reserves	23.130	21.173	19.771
Total GF Balances & Reserves	**37.302**	**36.284**	**38.074**
HRA Reserves	39.307	27.058	27.186
Total Reserves and GF Balance	**76.609**	**63.342**	**65.260**

Council Tax and NNDR Collection

4.6 Council Tax collection is anticipated to be slightly above last year's collection rate of 95.2% and nearer 95.3%. The net collectable debit for 2017/18 is £141.3m, as at the end of December £114.8m has been collected compared to £110.6m as at 31 December 2016 with a net collectable debt of £134.5m. The Council has been improving on Council Tax collection each year, and over ten years the collection rate has improved by over 2%.

4.7 The collection rate at the end of December 2017 for those residents in receipt of Council Tax Support (CTS) and paying some Council Tax is 61.49% which is an increase of 1.16% to the position at the same time last year of 60.33%. It should be noted that the overall CTS awarded in 2017/18 is £0.162m less than at the same time in 2016/17.

4.8 For National Non-Domestic Rates (NNDR), the collection rate for 2017/18 is expected to be slightly above last year, at about 99.0% compared to 98.8% in 2016/17. Cash collected as at the 31 December 2017 was £121.2m against the annual net collectable debit of £153.3m, compared to cash collected of £113.3m as at 31 December 2016, with an annual net collectable debit of £129.7m.

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 2017

5.2 The November 2017 Finance Monitor reported a £6m overspend.

5.3 The main areas of concern are:

- Children's Social Care & Early Years forecast overspend £3.1m
- Education & Learning forecast overspend £5.5m

5.4 **Table 3** below summarises the Council's forecast position by directorate.

Table 3	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m	Full Year Variance %
Adults & Public Health	87.145	87.145	0.000	0%
Children's Services	67.362	75.955	8.593	13%
Neighbourhoods & Growth	44.550	43.304	(1.246)	(3%)
Corporate Resources	62.844	61.697	(1.147)	(2%)
No Recourse to Public Funds	3.547	3.347	(0.200)	(6%)
Corporate Items	9.013	9.013	0.000	0%
TOTAL - General Fund	**274.461**	**280.461**	**6.000**	**2%**

2017/18 Housing Revenue Account Forecast – End of November 2017

5.5 The Housing Revenue Account budget, for 2017/18 is set to underspend by £0.1m.

5.6 The main areas of concern are:

- Strategic Programmes (HRA) forecast overspend £4.2m

5.7 **Table 4** below summarises the HRA forecast position.

Table 4	**Full Year Budget £m**	**Full Year Forecast £m**	**Full Year Variance £m**	**Full Year Variance %**
Housing Services (HRA)	64.051	60.726	(3.324)	(5%)
Central HRA Budgets	(79.156)	(80.099)	(0.944)	(1%)
Strategic Programmes	15.105	19.266	4.161	28%
TOTAL HRA	**0**	**(0.107)**	**(0.107)**	**-**

6. General Fund Revenue Budget 2018/19

Setting the 2018/19 Cash Limit

6.1 The cash limit for 2018/19 has been calculated by rolling forward the 2017/18 budget position, (after removing any temporary in-year adjustments, these include non-ringfenced grants, reserves and one-off budget allocations) and adjusting for newly agreed savings and identified cost pressures.

6.2 Table 5 shows the cash limits at directorate level:

Table 5- Directorate 2018/19 Cash Limits

Directorate	**Base Budget (£m)**	**Cost Pressures & b/fwd adjustments (£m)**	**Savings (£m)**	**Pay Back Balances (£m)**	**2018/19 Proposed Budget (£m)**	**Indicative Savings (£m)**	
	2017/18	**2018/19**	**2018/19**	**2018/19**	**2018/19**	**2019/20**	**2020/21**
Adults & Public Health	85.974	0	(4.432)	0	**81.542**	(0.699)	(0.335)
Children's	64.601	6.7	(1.016)	0	**70.285**	(6.395)	0.000
Neighbourhoods & Growth	44.119	0	(3.173)	0	**40.946**	(2.288)	0.000
Corporate Resources	61.361	0.3	(0.620)	0	**61.041**	(0.085)	0.000
No Recourse to Public Funds	3.547	0	0	0	**3.547**	0.000	0.000
Corporate Items	14.859	22.591	(3.618)	0.939	**34.771**	(3.000)	0.000
Organisational Redesign	0	0	(5.578)	0	**-5.578**	(4.000)	0.000
Total	**274.461**	**29.591**	**(18.437)**	**0.939**	**286.554**	**(16.467)**	**(0.335)**

7. Capital

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

7.1 The Council has undertaken a capital investment programme (CIP) for the 4 financial years of the current political administration 2014/15 – 2017/18. 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. This programme comprised projects formally incorporated into the CIP of £857.6m together with planned investments totalling £4.98m held in the capital pipeline.

Table 6

Planned Capital Investment	(Actual) 2014/15 £m	(Actual) 2015/16 £m	(Actual) 2016/17 £m	2017/18 £m	Total £m	Unfunded Pipeline Commitment £m
Total CIP	178.3	156.2	221.7	301.4	**857.6**	4.98
of which:						
HRA	104.3	85.5	108.1	80.2	**378.1**	0

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

7.2 The non RTB asset disposals for the 4 years period of 2014/15 t0 2017/18 has been revised to a total of £61.9m. The detail is shown in Appendix 7 and is summarised in the table below:

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

Table 7

Non RTB Disposals	(Actual) 2014/15 £m	(Actual) 2015/16 £m	(Actual) 2016/17 £m	2017/18 £m	Total £m
Other assets	4.2	0	3.0	0	**7.2**
Short life assets	8.1	22.5	21.9	2.2	**54.7**
Total Forecast	**12.3**	**22.5**	**24.9**	**2.2**	**61.9**

7.3 As at 31st December 2017, disposals have raised £1.28m capital receipts from non RTB assets. Right to Buy disposals for 2017/18 (to date) have exceeded £5m. 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, the forecast is summarised in the table below:

Table 8

Non RTB Disposals	2018/19 £m	2019/20 £m	Total £m
Other assets	8.0	4.0	**12.0**
Shortlife assets	1.2	0	**1.2**
Total Forecast	**9.2**	**4.0**	**13.2**

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

7.4 The target for the next planning cycle is a CIP of £126.2m. This comprises the investment needed to maintain and enhance our existing estate together with continuing investment in developing our asset base through new build, acquisition or investment in existing assets. This programme can be expected to increase over the coming years once the Council has more certainty over availability of funding.

7.5 This investment is taking place in a time of considerable uncertainty due to both Brexit and lack of clarity around central governments legislative agenda and so the Council will need to continue to prioritise its Investment and retain flexibility within the wider capital programme.

7.6 The Council continues to progress a huge range of significant regeneration projects in areas right across the borough including Waterloo, Vauxhall and Nine Elms, Tulse Hill, Brixton and West Norwood.

7.7 However, at the same time as capital is invested in the development of essential new infrastructure, investment continues in our existing assets. A number of key capital strategies are well underway including Culture 2020, the Parks Investment strategy and the Highways Improvement strategy which are bringing Council owned roads and facilities right across the borough up to the highest standard.

7.8 The Council has continued to see significant receipts from CIL and s106 development income. Together with external grant income, development income will continue 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 much reduced. However, as there is currently considerable uncertainty within the development industry the Council needs to be aware of the risk of development activity tailing off and both expected and future CIL income reducing. Where the Council does not have external income to fund the capital programme it has the option to borrow but would need to identify revenue funding towards this borrowing and be able to assure itself the borrowing is repayable.

7.9 The current forecast non-Right To Buy (RTB) disposal receipts for the 3 years 2017/18 to 2019/20 is £15.4m. As above, if the related development does not happen, this income could fall away.

Looking Forward: Future Capital Investment

7.10 A Capital Investment Programme ("CIP") for the 3 financial years 2017/18 – 2019/20 was set by the Council in February 2017 reflecting the resources that were known to be available at the time. This included a planned investment of £165m for the current year 2017/18. This 3 year working CIP is rolled forward annually.

7.11 Since the Financial Planning Report in December 2017, the programme has now been re-profiled and updated with new information including the addition of new projects and finalisation adjustments for others.

7.12 These amendments have resulted in a revised Capital Investment Programme for the current year 2017/18 as at 31 December 2017 of £301.4m which includes HRA investment of £80.2m

7.13 Over the coming months the working CIP will be rolled forward to incorporate the planned investment for 2020/21, based on Cabinet decisions around the level of investment agreed for that period. However at this point Appendix 4 just shows the analysis of this working CIP for the next 2 years 2018/19 to 2019/20 totalling £126.2m while Appendix 5 demonstrates how this 2 year CIP will be financed. This planned investment includes £84m in relation to the HRA.

Table 9

Planned Capital Investment	**2018/19 £m**	**2019/20 £m**	**Total £m**	**Unfunded Pipeline Commitment £m**
Total CIP	72.9	53.3	**126.2**	23.8
of which:				
HRA	42.1	41.9	**84.0**	0

7.14 In December 2017 the Council agreed to set up a Redress Scheme that will offer compensation to those who suffered abuse in the Council's children homes. This has resulted in a forecast commitment of circa £100m, which the Ministry of Housing, Communities and Local Government (MHCLG) has given the approval to allow the Council to use capital as revenue.

Treasury Management

7.15 Treasury Management is inextricably linked to the Council's finances in general and the capital programme in particular. Appendix 8 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.

7.16 The Council is also required to adopt the Minimum Revenue Provision policy as set out in Appendix 7.

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) to report to the 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 2018 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 2017/18 in the July and December 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 2018/19.

8.5 The levels of unallocated reserves in 2018/19 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.

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 two year (2018/19 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 more than one year 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 2018/19 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 budget, 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 2018/19. It commits the Council to a new revenue budget for 2018/19 – with a 2.99% plus the Government's 3% Adult Social Care precept (total 5.99%) increase in the Lambeth element of the Council Tax – and a revised Capital Programme of £126.2m for the years 2018/19 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 and the budget for 2018/19, 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 Director of Finance 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 2018/19, the Director of Finance 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 Director of Finance 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 Director of Finance.

10.11 Prior to any meeting at which any of the matters referred above are to be considered, the Director of Finance, or her representative, will contact all Members who are, in her/his opinion, in a position where Section 106 applies. The Director of Finance 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 Director of Finance. 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 10 November 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 We are committed to working with our communities so that they can help themselves and be more resilient to the changes in local services. Also 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 (2018/19) we are 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 2018/19 to: implement and evaluate savings for 2018/19; and formulate and gather public opinion on proposals for implementation in 2019/18. Our forward programme of engagement 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 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.

12.2 The risks identified in respect of the saving proposals and the associated risk mitigations have been developed and reviewed as part of the decision in bringing the savings forward, and will be monitored throughout the saving delivery programme.

13. Equalities Analysis for Saving Proposals 2018-2019

13.1 Equality and diversity matter to our residents, and to the Council. Future Lambeth: Our Borough Plan 2016-2021 is Lambeth Council and partners' five year plan for the borough. It sets out three strategic priorities for partners to work towards, one of which is reducing inequality. In setting this budget the council is mindful of the organisation's equality objectives and the need to fulfil our Public Sector Equalities Duty.

13.2 As the council's budget is reduced further, it is likely that people with protected characteristics as described in the Equalities Act (2010) will be impacted. We have carried out a number of Cumulative Equalities Impacts in recent years, which highlight how previous budget decisions and the wider economic context have affected people with protected characteristics.

13.3 Through this budget process we have worked to ensure that: The process followed to assess the equality impact of financial proposals is robust; and the impact financial proposals could have on equality groups is thoroughly considered before any decisions are arrived at.

13.4 We have asked officers to undertake initial equalities analysis as they have developed the budget proposals for 2018/19. This has been shared with members as the proposals have developed.

13.5 This budget report sets out an overarching approach to meeting our savings targets by reducing costs and generating income. For those proposals for 2018/19 that have been identified as having relevance to equalities we will undertake further Equalities Impact Assessments (EIAs) as those proposals are developed in detail and prior to the decision on implementation being taken.

13.6 The budget also refers to savings planned for 2019/20 and 2020/21. Work is still taking place to develop these proposals, and consultation and equalities impact assessments will be undertaken where relevant as part of this work

13.7 The EIAs for budget proposals will be scrutinised by the members' equality panel, and published on the Lambeth Council website.

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 05 February 2018 and Council on 21 February 2018 these budget proposals will be implemented for the 2018/19 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	23.01.18	24.01.18	
Christina Thompson, Director of Finance	Finance	11.01.18	18.01.18	
Alison McKane, Legal Services	Corporate Resources	18.01.18	25.01.18	
Henry Langford, Democratic Services	Corporate Resources	18.01.18	24.01.18	
Councillor Imogen Walker	Deputy Leader (Finance & Resources) of the Council	16.01.18	23.01.18	
Andrew Travers, Interim Chief Executive	Chief Executive	23.01.18		
Helen Charlesworth-May, Strategic Director	Adults and Public Health	23.01.18		
Sue Foster, Strategic Director	Neighbourhoods & Growth	23.01.18		
Annie Hudson, Strategic Director	Children Services	23.01.18		

Report history	
Original discussion with Cabinet Member	18.12.2015
Report deadline	26.01.2018 (Cabinet)
Date final report sent	26.01.2018
Report no.	
Part II Exempt from Disclosure/confidential accompanying report?	Yes – Appendix 6b
Key decision report	Yes

Date first appeared on forward plan	10 November 2017
Key decision reasons	1. Will amend Community Plan Outcomes Framework or Budget and Policy Framework
Background information	July Finance Planning Report 2017/18: http://moderngov.lambeth.gov.uk/documents/s89754/2017%20July%20FPR%20-%20Final.pdf December Finance Planning Report 2017/18: http://moderngov.lambeth.gov.uk/documents/s92421/Dec%20FPR%20-%20FINAL%20011217.pdf
Appendices	• Appendix 1 – Medium Term Financial Strategy • Appendix 2 – Simplified Council Tax Model • Appendix 3 – Resource Allocation –saving proposals 2018/19 to 2020/21 • Appendix 4 – Capital Investment Programme – 2018/19 – 2019/20 • Appendix 5 – Financing the CIP 2018/19 – 2019/20 • Appendix 6a – Disposals Programme and 6b Disposals Programme (Exempt) (Cabinet Only) • Appendix 7 – Minimum Revenue Provision Policy Statement • Appendix 8 – Treasury Management Strategy & Prudential Indicators 2018/19 – 2020/21 • Appendix 9 – Fees and Charges Schedule