

London Borough of Lambeth Council

Lambeth External Assurance Review

June 2023 (Original Draft)

August 2023 - Final

A Report by:
The Chartered Institute of Public Finance and Accountancy
August 2023

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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1. Management Summary

The London Borough of Lambeth has asked the Department for Levelling Up, Housing and Communities (DLUHC) for further Exceptional Financial Support (EFS) of £50 million. This is in addition to the existing capitalisation direction, described in the introduction below, relating to the cost of historic child-abuse cases. When such requests are made, under the EFS framework, DLUHC requires authorities to undergo an External Assurance Review, conducted by CIPFA as part of its wide-ranging programme of review work.

The themes of the review are set out in the introduction. Broadly, CIPFA were required to answer two questions:

1. Is there overall assurance of Lambeth Council's financial position?
2. Has Lambeth Council taken all reasonable steps to minimise the need for government support?

On both counts our broad findings are positive.

On question 1, we are reasonably assured. The council's financial plans are closely monitored. The medium-term financial projections are realistic. The council can manage its financial position effectively and react to emerging pressures through appropriate use of reserves or savings plans. Indeed, while reserves are currently being applied to balance the budget, this is done proportionately. Key resilience indicators reveal financial pressures; however, savings plans, reserves levels, and risk management demonstrate that the council is making appropriate arrangements to ensure its position is sustainable.

The council is also examining its capital programme carefully. It faces challenges in funding the programme after maximising the capital receipts available to it. However, it has appropriate monitoring arrangements in place. These are being further enhanced through monthly, rather than the previously quarterly, reporting to members. This level of monitoring ensures directors are adequately challenged on plans by portfolio leads and members generally.

We are also reasonably assured on question 2. The council seems to have taken reasonable steps to minimise the need for government support. It has explored the use of reserves and made progress in delivering savings. It faces a significant pressure due to historic events, which the council is addressing through a consistent and well managed approach. There are no indications that the capitalisation request is intended to alleviate any other financial pressures the council is facing.

Nevertheless, in common with all local authorities, the council faces significant challenges. In the course of our work, we identified various issues that the council will need to address going forward. We have noted them and made suggestions, in the interests of continuous improvement, throughout the report. These observations do not however constitute, in our judgement, impediments to the award of the supplementary EFS support.

2 Introduction

2.1 Background

The London Borough of Lambeth (the council) has asked DLUHC for further Exceptional Financial Support (EFS) of £50 million for 2 years (through to 2024/25), reflected in the response to the Council from DLUHC on 27 February 2023. This is in addition to an existing capitalisation direction related to costs associated with a redress scheme for historic child abuse cases. In the final month of the redress scheme (January 2022), the council experienced a significant increase of new applications (220, almost as many as the total for the whole of the previous year). This created an additional cost pressure.

The council was initially granted a capitalisation direction in 2017/18 for no more than £100 million. This was extended by a further £25 million to £125 million in November 2020 to March 2023. The current capitalisation direction ends in March 2023.

On 27 February 2023, DLUHC minister Dehenna Davison MP wrote to the council leader Councillor Claire Holland, agreeing the additional support in principle, subject to the conditions within the EFS process. Lambeth Council is required to:

- agree to the conduct of an external review to assure the government that the council's financial position is sound and all appropriate steps are being taken to use existing resource to minimise the need for support
- secure capitalisation support through borrowing from the Public Works Loan Board (PWLB) with this borrowing subject to an additional 1% premium on the interest rate
- charge Minimum Revenue Provision (MRP) relating to the capitalised spend over no more than 20 years

2.2 Requirement

DLUHC asked CIPFA to undertake the external assurance review on which the supplementary capitalisation is conditional. They invited us to consider two key questions:

1. Is there overall assurance of the council's financial position?
2. Has the council taken all reasonable steps to minimise the need for government support?

To answer these questions, we were asked to look at five key themes:

- *Financial management and financial sustainability:* an assessment of Lambeth Council's financial management and management of risk, financial pressures, deliverability of savings plans and efficiency in delivering service.
- *Financial governance and decision making:* an assessment of Lambeth Council's financial governance/management processes, leadership, operational culture, whether it has the appropriate financial governance procedures in place, and the capability and capacity to make any necessary transformation.
- *The redress scheme:* an assessment of Lambeth Council's redress schemes and the financial costs that have developed from this scheme.

- *Capital programme/companies*: an assessment of Lambeth Council's capital programme and management of related risks including arrangements with Local Authority Owned Companies.
- *Commercial assets/debt*: an assessment of Lambeth Council's assets and investments including dependence on commercial income, debt costs and other risks.

2.3 Methodology

In our approach, we were mindful of the two key questions. On the review themes, we took a proportionate approach and focused particularly on:

1. Financial management and financial sustainability
2. Financial governance and decision making
3. The redress scheme
4. The capital programme

Companies, commercial assets, and their associated debt proved less pertinent to the specific question of the capitalisation award. They are nevertheless addressed more generally in the final sections of the report.

Our work was undertaken in April and May 2023 and comprised the following elements:

Desktop analysis

DLUHC provided relevant documents which had largely been supplied to them by the council. We reviewed the material and made supplementary document requests to the council. We also examined relevant comparator material. We would like to record our thanks to Lambeth Council officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend and indebtedness. Where relevant they are found throughout the report.

Interviews

The bulk of the fieldwork comprised interviews. These provided the invaluable 'triangulation' of our analysis. Council officers, members, auditors and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness.

Report drafting, feedback and fact-checking

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It was not a comprehensive audit of the Council's finances. As a consequence, the conclusions do not constitute an opinion on the status of the Council's financial accounts.

3. Analysis and Findings

3.1 Review Area 1 – Financial management and sustainability

An assessment of Lambeth Council's financial management and management of risk, financial pressures, deliverability of savings plans and efficiency in delivering services.

Summary

The council's self-assessment against CIPFA's Financial Management Code is an accurate reflection of its robust arrangements and processes to ensure **sound financial and risk management and sustainability**. The council regularly reviews its Medium Term Financial Strategy (MTFS). This ensures that the MTFS reflects the financial consequences of emerging issues and demands, including unforeseen in-year service growth and changes to funding arrangements. The council routinely assesses financial risks and articulates associated medium-term capital and revenue budget pressures in its three-year forecasts. Overall, the MTFS projects a balanced budget over the three years 2023/24 to 2025/26.

There is an established approach to identifying and **delivering savings** with strong accountability at Director and Lead Member levels. The council does, however, recognise the need to keep this under close scrutiny to ensure it continues to deliver its plans, in particular in children's and adult services, where pressures are especially acute.

The council **prioritises the use of its own resources and challenges new borrowing**. It manages its reserves in the context of the MTFS. Where it needs to **use reserves to fund deficits the council recognises these resources can only be used once** and must be replaced over time to maintain prudential balance levels. The council is committed to maintaining reserves equivalent to 10% of its net revenue budget and earmarks annual contributions to that end.

The council **understands the requirements** set out in the Local Authority accounting codes and international financial reporting standards.

The council has benefited from **capable and longstanding officers delivering a consistent approach** to change and providing effective financial management. However, this will need careful management and succession planning going forward, as forthcoming changes in the team illustrate.

We do, however, make the following recommendations:

We recommend that the council reinforces the need to deliver on its savings programme and continues to hold Directors and Lead Members to account for delivery.

We recommend that the council has a specific focus on the potential impact of changes in senior officer roles and future succession plans across finance.

We recommend that the council reviews the future capital programme for affordability and to highlight any potential demand pressures that warrant further analysis.

We recommend that the council considers how it uses comparative information from nearest neighbour councils to inform future budget reports and savings opportunities, including 'what if?' modelling in key service areas

Supporting analysis

The council has well-defined and appropriate financial management and risk assessment processes. It has a transparent planning cycle and reporting timetable, set out in Figure 1 below. It is recognised, however, that throughout the MTFs period there may be adjustments to this timetable.

The budget setting report is approved by Cabinet and then Full Council by early March 2023. The council also provides two financial planning reports to Cabinet throughout the year, usually in July and November, though again this is flexible and can be amended to reflect the circumstances.

Figure 1. Annual reporting

Month	Activity
April	Work starts on the strategic budget and service planning
July	Budget strategy and process reported to Cabinet
November	Savings are formally agreed by Cabinet Cabinet approves finalised MTFs
January	Corporate Committee agree tax base
February	Budget strategy report to Overview and Scrutiny committee Cabinet reviews proposed budget and makes recommendation to Full Council Full Council approves the next year budget and council tax

As indicated, the council has self-assessed against the Financial Management Code, has demonstrated overall compliance, and identified some minor areas for improvement in reviewing member training programmes and further enhanced financial reporting to Corporate Management Committee. It reviews its MTFs and its budget assumptions three times a year. A summary of the reviews undertaken is included in Appendix 1. It reveals a currently sustainable position.

The council has demonstrated a consistent approach to delivery, updates its MTFs, budget and outturn reports, and has identified areas for improvement in the capital programme with a specific focus on reviewing assets against business need. It holds lead officers to account, drives out savings, and has made improvements to the in-year and future deficit positions.

There has been consistency in the senior finance team. The longstanding Director of Finance was recently promoted to Strategic Director. The temporary replacement as Director of Finance had previous experience in a range of finance roles. This consistency has provided benefits in the robustness of the budget planning approach. At member level, efforts have been made to ensure that officers are held to account for performance and delivery. The forthcoming retirement of two key officers show that capacity and capability must be kept under review. Two key officers in the finance team are due to leave shortly. The council has, however, already identified replacements through a mix of in-house succession planning and an experienced interim appointment from another London borough.

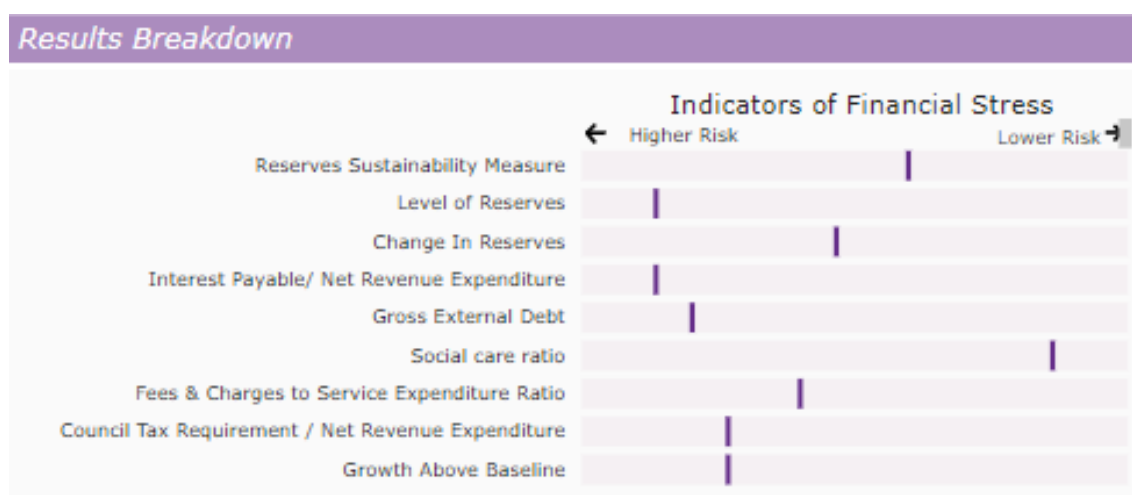
There are some **potential fragilities and risks** clearly identified in the relevant budget reports summarised in Appendix 1. To date, these have been managed well and are not untypical of those facing other London boroughs or indeed unitary and county councils. The council has nevertheless recognised it can do more by way of management and mitigation. Service pressures in adult services, social care and children's services have been flagged and a cross-council approach adopted. This recognises that a realistic savings plan must, to some degree, feature protection for children's services. This is sensible but will inevitably place more pressure on other portfolios, necessitating close and regular monitoring of the collateral impact.

The council has an overall track record of **delivering its savings plans**. There are, however, some continuing overspends in the demand-led services of Childrens and Adult Services. Provided this

continues, the approach will ensure the MTFS, which is projected to balance, does so. To that end, the council has clearly set out the savings plans in its budget with accountability attached to portfolio leads and service and assistant directors for their delivery. The council has recognised that it may need to draw on reserves to smooth some savings. It is introducing more rigorous monthly revenue and capital monitoring to be more proactive in managing slippage or overspends, Further, an overall review of its capital programme in line with service priorities and challenges with the cost of borrowing will start next month.

In assessing the **efficiency of service delivery, including against other councils**, we have used benchmarking information derived from CIPFA statistics and the financial resilience index. Some of the data should be treated with caution and there will probably be particular circumstances relevant to the council, including the impact of the redress scheme, that need to be taken into account. However, these may warrant further investigation by the council. Figure 2 shows a high-level summary of the position, using the resilience index.

Figure 2. Financial stress indicators



The analysis that follows uses nearest neighbour analysis¹ where appropriate.

Net revenue and service expenditure

- Compared with all London boroughs, Lambeth had the second highest net revenue expenditure in 2021/22. This is despite the fact that it was found to be only the ninth most populous by the 2021 census.
- Lambeth's total service expenditure per head is just short of the top 25th percentile of its neighbours and 10% more than the group average.
- The only service where spend is less per head than group average is adult social care.
- Lambeth spends at least 10% more than group average on 6 services.
- Spend on planning and development is almost double the 75th percentile for the group. This has nearly quadrupled from £20.63 per head in 2019/20 to £81.47 in 2021-22.

¹ The nearest neighbour analysis features 40 metrics that use a wide range of social-economic indicators. The tool is designed to interpret results and assess how the statistical distance between other authorities arises. It allows authorities to see how the statistical relationship between a council and its statistical relevant neighbours has changed.

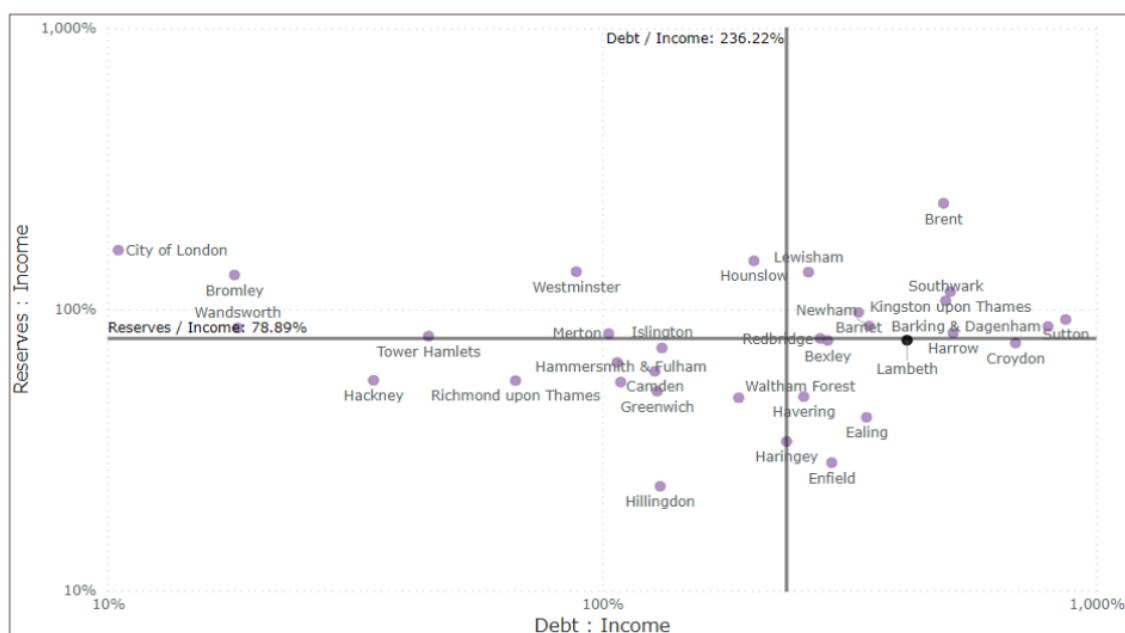
Financial Resilience Indicators

- Lambeth's average ranking across all of the primary indicators in CIPFA's Financial Resilience Index places it in the bottom 25th percentile, meaning 3 out of four of its neighbours score higher.
- Level of reserves and interest payable are the indicators in which Lambeth shows most potential risk. It has one of the 3 lowest scores amongst the neighbours for both.
- However, Lambeth is one of the 5 most resilient authorities in terms of the social care ratio and growth above the baseline indicators.

Debt, Borrowing and Capital Expenditure

Lambeth's borrowing to repayment and capital expenditure to net revenue expenditure ratios are at the median or lower. The authority's external debt is in the top 25th percentile of its neighbours. However, when considering reserves as a percentage of income and debt to income ratios (see Figure 3) the council is not untypical of many other London boroughs.

Figure 3. Debt to income and reserves to income ratios



It is important to consider this material in the context of the council's wider performance, service effectiveness, inspection ratings and its established medium term financial strategy. Lambeth already makes routine use of benchmarking data from CIPFA, LG inform and Grant Thornton to aid service delivery and assessment.

Overall assessment

The analysis does not indicate immediate areas of concern. It does however confirm the need to review the future capital programme for affordability and to highlight any potential demand pressures that warrant further analysis. The council may want to consider how it uses some of this comparative information to inform future budget reports and savings opportunities, including

'what if?' modelling in key service areas. Further analysis is also available in published CIPFA Value for Money (VFM) toolkits.

The council's MTFS and budget reports (summarised in Appendix 1) show the council has **considered all available resources to minimise the need for borrowing** or additional financial support. This includes use of reserves to balance the budget in 2023/24 and help smooth savings plan delivery. The council plans to use reserves of £19.275 million over the course of the next three years to help balance the budget. This is an improved position since December 2022. The application for additional capitalisation under EFS does reflect a genuine need after considering the action taken already to maximise capital receipts, consideration of appropriate council tax rises, savings plans, and short-term use of reserves.

The council **understands the requirements of the local government accounting codes and international financial reporting standards**. It states within its Revenue and Capital Budget 2023/24 to 2026/27 report (20 March 2023) that treasury management is inextricably linked to council finances in general and the capital programme in particular.

The council's Statement of Accounts for the year 2021/22 states that the document has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA for 2021/22. The code incorporates relevant accounting standards, including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK).

It is further stated, within the Annual Governance Statement that the council has adopted a code of corporate governance which is consistent with the principles of the CIPFA and SOLACE framework: *Delivering Good Governance in Local Government*.

The external auditors have issued an unqualified audit opinion and there '*is no significant weakness in the councils arrangements in relation to financial sustainability*' or '*arrangements in relation to governance*'.

3.2 Review Area 2 – Financial Governance and Decision Making

An assessment of the council’s financial governance/management processes, leadership, operational culture, whether it has the appropriate financial governance procedures in place, and the capability and capacity to make any necessary transformation.

Summary

The council has an **established internal process** for ensuring its financial plans align to the strategic vision and direction. There is a clear governance structure. Cabinet, the finance portfolio lead, portfolio leads generally, and the Corporate Management Committee have an appropriate focus on finance, supported by a formal scrutiny process.

In common with many authorities, Lambeth faces challenges around **capacity and capability** but there is no indication that these as yet affect financial management processes and leadership. There are some significant change projects in train, including reviews of Homes for Lambeth (HFL), the continued delivery of the redress scheme, and the capital programme. A strategic leadership restructure is underway. The council acknowledges these challenges and understands that it might need help to address them.

The vision of ‘One Council’ and ‘One Lambeth’ is widely understood **and linked to the council’s strategic plans**. Changes in strategic leadership are designed to support the vision and associated planning. Key appointments have been made. Succession plans are in place. There is a good track record of promotion from within to deliver continuity. Nevertheless, middle-management recruitment challenges in some departments should be kept under close scrutiny.

There is **consistent understanding of priorities, strengths and areas for improvement** across councillors, senior leadership and officers. There is a mature awareness that the council needs cross-council integration to deliver the required changes and priorities as well as the support of partners across Lambeth.

We do, however, make the following recommendations:

We recommend that the council ensures there are robust programme management arrangements in place to manage the significant change projects in train, in particular, the review of Homes for Lambeth.

We recommend that the council has a specific focus on the challenges in recruiting into key roles in middle management and reports back regularly on risks and mitigations.

Supporting analysis

The council has clear internal processes and a sense of strategic vision and direction. It is governed by a Leader-Cabinet model. The Leader is selected by the majority group and the Cabinet then appointed by the Leader. The Cabinet includes two Deputy Leaders, also elected by the majority group. As well as leading on key strategic issues, they deputise for the Leader at internal and external meetings when required.

In addition to the Cabinet, the Leader appoints both deputy cabinet members and policy leads who undertake specific projects and report directly to Cabinet members. As well as providing support to Cabinet members, this approach ensures councillors gain experience of decision-making, statutory duties and representing the council externally, which can allow them to progress to cabinet roles

in the future. (Several current cabinet members were previously deputy members). The key portfolios to which deputy cabinet members are allocated include Finance and Cost of Living, and Housing Management.

In December 2022, the Chief Executive reviewed council operations and delivery. The review found significant siloed working across directorates and services. The new operating model places much greater emphasis on cross-council leadership of functions and services as ‘one team for Lambeth’. The council has recently restructured its tier 1 leadership (direct reports of the Chief Executive) to move away from siloed leadership to Corporate Directors with cross-cutting and collective accountabilities focused on delivering the new Borough Plan. A tier 2 restructure (reports into Corporate Directors) is imminent. Tier 1 and 2 leaders will be expected to participate in a development centre, identifying skills needs and development opportunities, to help them work in a more joined-up way, consistent with the ‘one Lambeth’ culture. This demonstrates the council is taking action to address the issue.

Our review found there are strong, historic relationships with other agencies across Lambeth including the police and particularly the voluntary and social and health care sectors, with representation on the Integrated Care Board and housing providers.

The council has shown **capacity and capability to improve**, evident in recent social care inspections and children’s service reviews. It is planning to transfer HFL stock back into the council control. It has recently completed a project to bring Leisure Services back in house. It shares pension service administration and IT finance systems with other London boroughs. To build capacity and capability, the council offers a range of development opportunities for leaders and managers, including executive coaching.

The council also operates Talent Diversity Programmes, including:

- *Black on Board* – for Black, Asian and Multi-Ethnic staff up to Principal Officer Grade 4(PO4).
- *Be You* – for women up to PO4.
- *Black, Asian and Multi-Ethnic Senior Leadership Programme* – PO5 to PO8.
- *Women’s Senior Leadership Programme* – PO5 to PO8.

In June 2023, the council is due to launch a coaching and mentoring training programme. 155 managers and leaders at PO9 and above will be trained as internal coaches and mentors, providing opportunities for career growth and development for all employees.

The council is open to challenge. Improvement Boards have been established for Children’s Services and Housing. The Chief Executive welcomes feedback, though Lambeth’s last peer review was in 2016. There have been more recent Ofsted inspections, most recently in October 2022 and a further report due imminently. With the continuing challenges of delivering the redress scheme, the HFL transition, and the capital programme review, programme management arrangements will need to be robust. Some challenges in recruiting and retaining middle management grades have been identified through our interviews and will need addressing.

The council has articulated a clear strategic vision aligned to the strategic plan. With its partners, it has published a Borough Plan in 2022 entitled ‘Lambeth 2030’

<https://www.lambeth.gov.uk/better-fairer-lambeth/projects/lambeth-2030-our-future-our-lambeth>. The vision, which enshrines social and climate justice, commits the council to:

- a ‘One Borough’ approach to service delivery
- listen and be open

- collaborate with people and partners
- focus on what people want

The plan aims by 2030 to make Lambeth a borough with 'fit for future neighbourhoods', 'one of the safest in London' and 'a place we can all call home'. This last goal is the 'golden thread' that runs through the plan. The voluntary and community-sector property policy illustrates this approach. The capital programme is also arranged into 32 key themes aligned with the council's strategic priorities.

Budget and performance information are reported quarterly to Cabinet and the framework is comprehensive. The report includes overall financial performance, directorate information, and a breakdown of Capital Programme finances. The report also sets out performance against Tier 1 and Tier 2 key performance indicators, breaking down performance against the pillars of the Borough Plan.

Tier 1 performance indicators directly demonstrate the impact of the council's work in delivering its Borough Plan goals. They are tracked across the Plan's 4-year lifecycle. As place leaders, the council works in partnership with third-party organisations to meet the identified targets. Tier 2 indicators, often directly controlled by the council, are priority service indicators tied either to one of the Borough Plan pillars or to the Enabling pillar, which reflects the council's general service-delivery capability.

The council has benefited from a stable and experienced leadership team. This is particularly the case in finance as mentioned earlier. It has ensured a consistent, planned and measured approach to financial management. The promotion of the former Deputy Chief Executive to Chief Executive continues a pattern of internal succession planning in key posts. However, the council also recognises the benefits officers recruited from outside can bring.

The most significant recent change is the creation of strategic director (SD) roles delivering the 'One Council' approach. This has entailed existing directors taking on the interim strategic director roles in finance. It also sees the creation of a new SD post bringing Adult Social Care and Housing together, relevant to the redress scheme and changes to HFL. The imminent departures of the Acting Strategic Director of Corporate Resources and the Director of Finance illustrate the necessity of vigilance around staffing, given both the historic reliance on continuity and the introduction of new leadership approaches. The departures will immediately challenge the new arrangements, although, as mentioned, succession planning that has been put in place and the identification of an experienced interim who is due to start shortly will smooth matters.

There are also challenges in middle management, particularly in social care, with roles covered by agency staff. The council acknowledges this in its risk register, examining how it can retain staff. Again, however, this challenge is not unique to Lambeth.

The council is working to develop and embed the 'One Council' culture. Interviews indicate that **there is a strong working culture and good relationships between councillors, officers senior leadership and junior staff.** Officers and members are engaged and committed. They have joint away days to develop the capital programme. Members receive regular feedback on the redress scheme. They have the opportunity for regular one to ones with Service Directors on all aspects of council business.

As part of a new cultural change programme 'connected by purpose', the council is developing a Lambeth Leaders Framework. This is a new articulation of what is expected from managers and leaders, identified as critical to the promulgation of Lambeth's recently refreshed values and behaviours. Once agreed this will be translated into a skills assessment, examining strengths and areas for development, leading to individual learning and development plans. The framework is

designed to support aspiring leaders and managers in acquiring the skills and behaviours needed to excel at the council which should, if successful, further support a strong working culture.

3.3 Review Area 3 – The Redress Scheme

A review of the planning and management of the council's Redress Scheme

Summary

The council has an experienced cross-council team. There are **long-established and effective management arrangements** to ensure the scheme delivers the support required – the council actively seeks out and supports survivors – while using resources and government support effectively. Governance arrangements are clear. There is council-wide representation supporting Scheme management, and elected members are well informed.

The council has a strong historic relationship with its legal advisers. It undertakes **appropriate modelling** through its actuaries to determine a **prudent yet realistic assessment of the scheme's financial implications**, taking account of best value considerations.

The existing arrangements for the scheme and future demand projections should provide the council with **the capacity and capability to continue** to deliver it effectively.

Supporting analysis

Background

The Lambeth Redress Scheme was established on 18 December 2017 on the back of significant systematic child abuse cases that were uncovered after investigation. It processes compensation claims arising from sexual, physical, and emotional abuse perpetrated by Lambeth employees upon children in care in children's homes opened from the 1930s and operated and managed by the council from 1965 until the 1990s. The scheme supports those who lived in or visited a Lambeth children's home or attended Shirley Oaks Primary School. Appendix 2 sets out the scheme's specific details.

The council was unable to fund the scheme and applied for a capitalisation direction to use capital as revenue. This was approved on 30 November 2017, for not more than £100 million. Alongside, there was also a capital requirement of £10 million to begin paying out by the end of March 2018. The £100 million would be borrowed from the Public Works Loan Board (PWLB) over 50 years and the council would repay between £4.7 million and £6.5 million a year. £2 million growth was included in the 2017/18 budget and a further £3.5 million in the then MTFs to cover costs falling on the council from the Redress Scheme.

The scale and implications of the scheme

The scheme opened on 2 January 2018 and was due to run until 1 January 2020. Owing to expectations of increased awareness of the scheme, stemming from the Independent Inquiry into Child Sexual Abuse (IICSA), published in July 2021, the council extended the original deadline for applications to 1 January 2022. It was initially believed that the expenditure would still be contained within the original cost estimate, with applicants expected at the then current rate of 30 to 40 per month, with a gradual decline over the extension period. Applications received before the deadline continue to be processed.

By January 2021 the total projected costs of known applications received was £111.7 million. Independent actuarial advice indicated that the final costs would be £125 million but acknowledged that there were significant forecasting uncertainties. The council applied for and secured a further capitalisation direction of £25 million to take total borrowing at that time up to £125 million.

Following the scheme extension, the council noted significantly more challenge across all aspects of the scheme by claimants and their legal representatives. In the final month before the scheme closed to applicants, Lambeth received 220 new applications (220) leading to significantly increased cost pressures. Accordingly, Lambeth have requested additional Exceptional Financial Support via a capitalisation direction of £50 million.

Planning and management of the scheme is well established. Scheme oversight sits with the 'Redress Board' (Formerly known as IICSA and Redress Board). This Board is chaired by the Interim Strategic Director for Adult Social Care and Housing, a long-standing former Director of Adult Social Care within the council. There is a cross-council approach with appropriate representation and expertise from all relevant departments including legal, finance, housing and risk management, as well as access to external legal support.

Throughout the period when the scheme was open to applications (January 2018 to January 2022) the Board met monthly. It reviewed the scheme's operational performance and management arrangements and emerging matters for consideration and decision. In the autumn of 2022, as the IICSA project concluded and with the scheme closed to new applications, Board meetings became quarterly.

Operational management arrangements for processing applications sit within the Risk and Insurance team. A dedicated Redress team was established to process applications. The team manages claims through to conclusion. It verifies claims, calculates Harm's Way Payment (HWP) entitlement, processes payments, and administers the scheme's non-financial aspects. The Redress team also works in partnership with the scheme solicitors, Kennedys LLP, who have provided support since the scheme's inception. Kennedys calculate and process the Individual Redress Payment (IRP) part of the application. They advise the council on individual applications, hold regular case management meetings with the Redress team, and liaise with applicants' solicitors.

Kennedys also support the council when there are challenges to scheme policy, interpretation or scope from applicants and their solicitors. Further, an Independent Appeal Panel chaired by a former High-Court judge also considers individual applicants' appeals relating to eligibility or enhanced redress.

Scheme governance includes twice-yearly performance reports to Cabinet and Corporate Committee. The Scheme is subject to internal audit twice a year. It appears twice on the strategic risk register and features in the MTFs.

The council has managed its relationships and communications with survivors in several ways. It worked with the Shirley Oakes Survivors Association (SOSA) to establish the Redress Scheme, though relationships have sometimes been strained. Several advertisement campaigns have publicised the scheme and sought contact with survivors in and beyond the Borough. The council's website contains clear and up to date information.

Modelling of scheme liabilities and costs is comprehensive and well informed. At the time the Scheme was established it was unique to England. Advice was sought from jurisdictions with similar schemes including governments and administrations in Jersey, Northern Ireland, Nova Scotia and Australia. This helped shape the Scheme's parameters and management of the scheme. The council also consulted insurers, its external auditors and the Association of Child Abuse Lawyers on scheme provisions.

Initial estimates suggested there could be up to 3,000 possible claims, at a potential cost of £100 million, with additional complex claims (comprising 5-10% of the total) which would be dealt with outside the scheme and could cost an additional £40 million. Independent actuarial advice indicated that the scheme offered better value to both the survivors and the council than the litigation alternative.

Since the start of the scheme periodic reviews and forecasts have been carried out by a qualified actuary. The initial actuarial review undertaken in 2018 was also peer reviewed by the Government Actuary Department (GAD). The actuarial reviews from 2018 to 2020 were undertaken by HJC Actuarial Consulting Limited and from 2021 onwards by Gallagher (UK).

All actuaries have noted that there are (and remain) significant uncertainties in relation to the average costs of claims that have not yet settled. This uncertainty is exacerbated by the scheme's relative novelty and lack of comparable benchmarks. Other schemes have subsequently come into operation but data is limited and immature.

A final actuarial review (post closure to new applications) was undertaken in April 2022. The expected reasonable range of potential outcomes, covering variability in average cost assumptions as claims settle, and including all associated administrative and staffing costs, was estimated at between £153 million to £177 million.

One of the applicant solicitor firms has refused to accept the rulings of the independent appeal panel in respect of their final bill of costs and has applied to the High Court for an assessment through the senior courts costs assessment process. The High Court agreed that they were entitled to this. The council is currently awaiting the separate cost assessment hearings on the cases in dispute. While it is only this one firm in question, there is some risk that following assessment, they could be awarded costs for which Lambeth would be liable. An allowance has been included in respect of this as part of the outstanding projection calculations.

Since the scheme closed to new applications there has been continued challenge from applicants relating to its scope and parameters. There has, for instance, been an application for Judicial Review (JR) on behalf of several applicants who wanted their foster care placements to be considered within the scope. While this JR was unsuccessful at a hearing, the council has continued to incur costs in responding to such legal challenges.

There are also several complex applications still being determined within the scheme. Some require court approval, others the establishment of personal injury trusts. Still others entail significant loss of earnings claims.

However, these issues are factored into the range of estimated costs provided above. Accordingly, it appears that **the cost pressures associated with the redress scheme are clearly understood and assessments appear prudent and realistic.**

The council does not plan to re-open the scheme or to change its scope and parameters. It has an established team and the **governance structure, management arrangements and resources appear adequate for the future.** Applications received prior to closure will continue to be processed through to conclusion by the Redress team.

The resources required for operations and to process applications have been consistently monitored and amended from the outset to ensure there is sufficient capacity to meet demand. Secondments, fixed term contracts, agency placements, together with co-operative working

arrangements involving council colleagues have all played their part in ensuring adequate staffing and expertise. (The scheme solicitors have put in place similar arrangements to flex and meet demand as required.) From a small initial 'core' in the Redress team at the outset of approximately six staff, the team increased as the volume of applications increased. It reached peak capacity in 2019/20, when more than 40 staff were directly engaged. By January 2022, when applications closed, this had reduced to around 20 staff. Currently, the complement is down to a core of 8 staff. It is envisaged that this team will remain in place for the remainder of 2023 and into early 2024 to assist with remaining applications and finalise closedown arrangements.

The council states that there is sufficient capacity and capability to see the project through to conclusion and final performance report and a review of project plans shows progress towards this. Contingencies are in place with the scheme solicitors should it be necessary to call upon them to provide additional support in the event of any unforeseen circumstances.

The council's goal is to finalise 97% of all applications by the end of March 2024 with the remaining applications dealt with as soon as is practicable thereafter. It aims to have finalised all applications before the end of 2024/25 and this is being regularly reported on.

3.4 Review Area 4 – The Capital Programme and Companies

An assessment of the council’s capital programme and management of related risks including arrangements with Local Authority Owned Companies.

Summary

The council has recognised its financial challenges. Its priorities are changing. Building on the work of its Capital Programme Board, it is currently **reviewing the appropriateness of its capital programme** and Asset Management Plan with an increased focus on delivering value from its investments. The Board has **appropriate representation, skills and advice** to inform decision making and monitor performance.

The **capital programme is aligned to cabinet portfolios** with a focus on regeneration and service delivery, not yield.

Major capital investment is **focussed on priorities** including affordable housing, schools, transport and sustainability. The council recently brought its leisure provision back in house. In response to the Kerslake Report on affordable housing, it has a significant project to bring Housing back from its wholly owned subsidiary. It has no other major investments or companies.

The council has recognised the housing challenges. It has put in place a 30-year **Housing Revenue Account (HRA) business plan with suitable board structures**. Homes For Lambeth (HFL), the current housing provider, has audited accounts and the required Companies House submissions, unqualified with no going concern issues raised due to continuing council support.

The Head of Risk Management oversees a **clear risk strategy and policy** covering the range of council activities, with clear accountability and reporting to assess mitigations.

The council has up-to-date and **comprehensive policies on Treasury Management and Minimum Revenue Provision (MRP)** with clear reporting on the CIPFA Prudential Code requirements. No issues have been raised in external audits. The council understands that it must set aside prudent MRP to cover the cost of all debt but should continue to assess its provisions against benchmarks so that asset lives and borrowing terms remain appropriate.

We do, however, make the following recommendations:

We recommend that the council clearly evidences its review of its MRP Policy and reflects the impact of any capitalisation direction over 20 years and demonstrates consideration to the DLUHC consultation on changes to the capital framework.

Supporting analysis

The capital programme governance arrangements are well established with regular reports monitoring finance and performance. The programme was developed initially in February 2020 with Portfolio leads and Service Directors through away days and then aligned to strategic priorities. However, as mentioned earlier, the council is about to start a thorough review in light of affordability challenges and changing priorities. The established Capital Programme Board will become an Investment Programme Board.

At the Board’s strategic meeting, progress against all aspects of the capital programme is assessed. Amendments and deviations from the original plans are discussed. The Board’s objectives are to:

- review progress on capital income generation against budgeted income
- review delivery against budget for whole capital programme
- report capital spend by geography – and also considering reporting by theme
- propose amendments to the programme as circumstances allow/require
- ensure the council processes around capital are fair, well understood and effective and unblock any issues of this nature as they arise

The Board also has the potential to feed into the Social Value Fund Panel as part of the requirement to furnish it with spend priorities.

The council is currently in year 3 of the 5-year Capital Investment Programme approved in February 2020. The Programme then totalled £715 million, made up of £370 million of General Fund investment, £227 million for the HRA capital programme, £103 million for Right To Buy (RTB) buybacks and £15 million for the Redress Scheme. Since that time, the pandemic has severely reduced capital expenditure with restrictions slowing or stopping developments and works. As reported to Cabinet in December 2022, the capital programme at that time was £541.583 million, made up of £282.418 million of General Fund investment, £178.538 million for the HRA capital programme, £73.287 million for RTB buybacks and £7.340 million for the Redress Scheme.

The council has the appropriate expertise and departmental representatives on the Board. This will now be supported by a new interim Head of Property with plans to develop an updated Asset Management Plan. The revised focus, with the Capital Programme Board becoming a Capital Investment Board, should ensure that decisions are made with a clear objective to drive investment benefits and promote the effective use of resources.

There are no indications that the council is classifying investments within its capital programme incorrectly. A review of commercial investments identified other land and buildings in the accounts of £91 million, predominantly shops, council buildings and cultural assets. Significant commercial assets include £24 million for Brixton Theatre, a £6 million industrial unit, £3 million Housing Office and £10 million for International House, an office letting. The properties are in borough and deliver around £5 million in income a year, a 5.5% headline return.

A breakdown of the capital programme is set out in Appendix 1.

Delivery and governance arrangements are well established for the council's single wholly owned company. The company is included in the council's Group Accounts. Homes for Lambeth (HFL) is a limited housing company, registered at Companies House and managed through an established Board. All company returns are up to date and published. Formal Board meetings are held and minutes produced. Reporting is through the HFL Group and subsidiary boards but also through the council's Ownership and Stewardship Panel and Cabinet. Scrutiny and oversight are provided through the Overview and Scrutiny and the Corporate Management Committees.

HFL have clear monitoring and scrutiny arrangements and we have not identified any concerns about compliance with best practice. Board representation on the company is balanced. Council directors do not act as board members. There are separately appointed officers for finance and governance. Reporting back into the council is through appropriate committee structures. The pending stock transfer back will need careful management by both HFL and the council alike. A transition plan is being developed with support from external advisors.

A clearly written Risk Management Strategy and Policy is published on the council's website covering all its activities, including any relevant risks from investments or the capital programme. Given the limited activity, there are no significant risks identified at present, except for the housing transfer.

This openness about risk is intended to encourage all Lambeth citizens (staff, residents, Members) to make risk-based decisions when working cooperatively with the council. The document quotes from the Accounts and Audit Regulations 2015 that as the “relevant body” the council is “responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes effective arrangements for the management of risk.” There is also a brief statement setting out the council’s overall risk management policy, as well as definitions of risk management, risk management culture, risk appetite and their benefits. The document has an easy-to-follow schematic that models risk escalation reporting.

As well as being aimed at council officers and the wider public, the risk management document is used in member induction. New councillors receive a presentation on “Risk Management Overview and Golden Rules”.

A quarterly Key Risks report is presented to the Corporate Management Committee. This reminds members of the risk management strategy, policy and approach. It provides tables showing the top 10 corporate risks and mitigations for the top 5.

The council sets out its Treasury Management and Capital Strategy and Minimum Revenue Provision (MRP) Policy as part of its budget report, noting these have been updated by reference to the CIPFA Code of Practice for Treasury Management and Prudential Borrowing.

As at 30 March 2023 the council held £802.666 million in debt (Figure 4).

Figure 4. Council Debt

Source	PWLB	Local Authorities	Total
Total Loans	£752.666 m	£50.000 m	£802.666 m
Average Interest Rate	4.64%	4.63%	4.64%
Average Loan period	46 years	276 days	N/A

The council believes that provided borrowing levels remain broadly in line with current projections, sufficient resources have been set aside to meet the revenue commitment from MRP. Based on current data, MRP estimates are set out in Figure 5.

Figure 5. MRP estimates

Minimum Revenue Provision (£m)	2022/23	2023/24	2024/25	2025/26	2026/27
General Fund (excludes lease arrangements)	10.602	17.150	24.775	28.931	28.758
Housing Revenue Account	0.779	1.402	1.990	2.438	2.634
Total	11.381	18.552	26.765	31.369	31.392

Where capital expenditure has been funded by borrowing, the council is charging an amount to revenue each year to pay off the debts over the long term. The relevant MRP policy is as set out in an appendix to the Budget report. It applies two of the four MRP approaches recommended in guidance: the regulatory method for debt incurred prior to 1 April 2008 and the asset life method. These are prudent approaches. The council also makes discretionary provision for the HRA. While reviewing its capital programme, however, the council might want to consider a further MRP

review, since its last was back in 2016. MRP as a percentage of the capital financing requirement is currently at 1.67% for post 2008 liabilities. This is slightly below the DLUHC benchmark of 2%.

It is acknowledged that while the council is awaiting a further capitalisation direction, additional planned borrowing arising from the Redress Scheme will result in a further MRP charge to the General Fund. The council values anticipated borrowing in relation to the Redress Scheme at £172 million. It proposes to charge the associated MRP over 50 years to match the repayment period. However, the conditions of the capitalisation direction require the MRP to be charged over no more than 20 years. The council needs to consider the implications of this in any updated MTFS or monitoring reports.

It is further noted by the council that the move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and qualifying finance leases should now be included in the balance sheet as part of the outstanding capital debt liability.

The council also undertakes impairment reviews and reflects any changes in fair value in its accounts. **Compliance with other statutory guidance** is covered earlier in the report.

3.5 Review Area 5 – Commercial Assets and Debt

An assessment of the council's assets and investments including dependence on commercial income, debt costs and other risks.

Summary

The council has high levels of borrowing but **maintains its position in respect of prudential indicator limits and is currently 'under-borrowed' against them.** 'Under-borrowing' means the council is able to use its own funds rather than borrowing although financing costs as a percentage of revenue are expected to increase. Its ratios of debt to income and reserves as a proportion of income are above average for other London boroughs but are not untypical of its statistical nearest neighbours as reflected earlier in the report.

The council has been **successful in generating capital receipts and has an asset portfolio which reflects its corporate priorities.** It makes good use of capital receipts but its disposal programme is limited as are the Right to Buy contributions due to previous disposal decisions. Good use is made of the ability to secure funds from Community Infrastructure Levies and Section 106 (s106) planning development opportunities but there is work to do to update the Asset Management Plan to reflect the new capital programme. As indicated, the council is about to review its capital programme in the light of likely increased borrowing and changing priorities. It has limited options to sell further assets to mitigate savings and borrowing.

The council **does not have a strategy to invest for yield which means it is not making a conscious decision to invest to purely generate a financial return.** This is prudent and minimises risk to the council. The opportunities that exist are focused on service delivery: schools' investment, affordable housing, transport. It is currently developing its reporting on commercial investments, which are limited.

The council has set expectations on its **level of reserves, which are reflective of risk.** This means it is being prudent about the level of reserves it maintains and they are appropriate to the risks the council are facing. It has assessed the flexibility to afford further borrowing, if required, but with a clear expectation that any future borrowing will be limited and new schemes subject to challenge on grounds of affordability and priorities.

The council has a **reasonable profile of maturing debt** spread across 50 years with limited exposure in the next couple of years to refinancing risk.

Supporting analysis

The council's overall position on borrowing and indebtedness is covered earlier in the report through the benchmarking analysis. The **overall borrowing position is manageable.** Levels of debt are high relative to other comparators in the nearest neighbour group but the council maintains an 'under-borrowed' position at present and is focused on reviewing the capital programme to limit future exposure. Liability benchmarks and other prudential indicators remain within tolerances set by the council, although MRP provision, at 1.67% as a percentage of capital financing requirements for post 2008 liabilities, is slightly below DLUHC's 2% benchmark.

The council recognises the need to update its Asset Management Plan alongside its capital programme but continues to consider appropriate asset sales although opportunities are considered limited. The new interim Head of Assets will lead on this. Achieved disposals in 2021/22 totalled £3.2 million. The forecast for non-right to buy (RTB) asset disposals for the 3-year period of 2022/23 to 2024/25 has been revised to a total of £4.9 million. In addition, 53 council housing

properties to the value of £13.1 million were sold under Right to Buy legislation during the financial year 2021/22. The council is permitted under regulations to retain £2.5 million as a contribution to its capital receipts reserve and a further £7.3 million as Recycled RTB receipts for reinvestment in replacement housing, subject to stringent criteria.

It is not considered timely, given the council's current financial position and review of the capital programme, to work with them on a formal disposal plan at this stage. This may be appropriate in the future.

Assets are valued in accordance with the CIPFA Statement of Recommended Practice, and the last external audit report for 2021/22 did not identify any significant concerns with only one relatively minor recommendation on the timelines of when a particular asset revaluation should take place in the programme. Given the limited commercial investment portfolio and the reasonable return (around 5.5%), **exposure to investment risk is low.** There is **no formal commercial strategy or reliance on commercial income** or exposure to associated debt costs. Council reserves, while towards the lower end of the benchmarked group, are actively managed to mitigate risks.

The council makes provision in reserves for a medium-term financial risk reserve. It draws on this to mitigate pressures and smooth savings delivery. It does not consider it appropriate to maintain separate risk reserves or sinking funds for commercial income. But increased debt costs will be addressed through the reserve. Debt is secured largely through PWLB on a fixed rate which mitigates any fluctuations. Debt exposure is considered below.

The **council's exposure to risk and refinancing is manageable** based on the review of the relevant prudential indicators, debt maturity profile and the sensible approach to using reserves. The debt profile is shown in Figure 6. There is a broad spread in maturity with fixed rate PWLB loans forming most of the borrowing. Projected future borrowing is also shown in Figure 7 with a continued under-borrowed position.

Figure 6. Debt profile

Maturity Structure of Borrowing as at 31 December 2022			
	Lower Limit	Upper Limit	Current Position
Under 12 months	0%	20%	0.90%
12 months and within 24 months	0%	20%	0.00%
24 months and within 5 years	0%	25%	8.44%
5 to 10 years	0%	75%	1.52%
10 to 20 years	0%	75%	6.63%
20 to 30 years	0%	100%	11.00%
30 to 40 years	0%	100%	26.61%
40 to 50 years	0%	100%	44.90%

Figure 7. Projected borrowing

Borrowing Projections	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt at 1 April	641,658	721,658	752,666	1,030,112	1,122,237
Expected change in debt	80,000	31,008	277,446	92,125	94,940
Other long-term liabilities	86,010	81,190	76,100	70,700	65,458
Gross Debt at 31 March	807,668	833,856	1,106,212	1,192,937	1,282,635
Capital Financing Requirement (CFR)	1,148,298	1,286,042	1,559,917	1,687,641	1,809,232
Borrowing - Over /(Under)	(340,630)	(452,186)	(453,705)	(494,704)	(526,597)
Under borrowing as a % of borrowing requirement	32%	38%	31%	31%	30%

This borrowing strategy is prudent as medium and longer dated borrowing rates are expected to fall from current levels once prevailing inflation concerns are addressed by tighter monetary policy. The council is being cautious with borrowing decisions in 2023/24.

The council has indicated that it may take advantage of potentially changing interest rates and replace higher rate loans with new loans at lower rates, or repay loans without replacement, where this realises an overall saving or reduces risk. However, debt rescheduling opportunities remain limited in the current economic climate. There is still a big difference between what the council would have to pay if it paid its loans off early and new borrowing rates, with early repayment premiums currently making rescheduling unviable.

Appendices

Appendix 1 – Extracts of key financial reports (2021/22, 2022/23, 2023/24) and the council’s overall financial position

Revenue Outturn for 2021/22

The 2021/22 General Fund service budget was £297.307 million. The overall outturn position was £304.515 million, resulting a £7.209 million services overspend, balanced from underspends in corporate Items. (Figure 8.)

Figure 8. 2021-22 revenue outturn

Directorate	Full Year Budget £m	FY Actual £m	FY Variance £m
Adults and Health	97.289	97.284	(0.005)
Children's Services	79.639	87.380	7.741
No Recourse to Public Funds	2.741	2.648	(0.093)
Residents Services	82.589	82.886	0.297
Sustainable Growth and Opportunity	7.071	7.000	(0.071)
Finance and Investment	16.308	15.477	(0.831)
Strategy, Communications and Legal Services	11.670	11.840	0.170
TOTAL GENERAL FUND	297.307	304.515	7.209

Across all Directorates there were agreed savings of £11.021 million of which £8.988 million were delivered in-year. Earmarked reserves were used to balance the end of year position with the remaining £2.033 million savings shortfall being carried forward into 2022/23.

The 2021/22 Housing Revenue Account (HRA) is ring-fenced from the General Fund, to ensure that the local authority function and social landlord functions do not cross-subsidise. It had a favourable outturn in 2021/22 with a £10.914 million surplus.

The council’s financial position following the 2021/22 outturn highlights a number of pressures and **risks**. These pressures are set out in the report and addressed as part of the updated MTFS.

Capital Outturn 2021/22

The Authority agreed a capital investment programme (CIP) totalling £660.2 million in March 2022. The CIP is an amalgamation of both General Fund and Housing Revenue Account schemes and is analysed to show how investment is spread across delivery themes. It also shows where investment supports the entire organisation through enabling projects.

Adjusting for monies carried forward from 2021/22, the revised working CIP for the 3 years 2022/23 to 2024/25 totals £526.046 million, including £166.110 million for the HRA.

The capital expenditure outturn for the year 2021/22 was £129.201 million and any unspent funds were rolled forward to support the planned programme of works.

Figure 9. Capital programme 2021/22

Directorate	2021/22 Budget £000	FY Actual £000	2021/22 Carry Forward £000
Adults and Health	0	0	0
Children's Services	0	463	(463)
Residents Services (GF)	62,405	48,034	14,371
Sustainable Growth and Opportunity	45,149	31,002	14,147
Finance and Investment	31,902	24,675	7,227
Housing Revenue Account	35,728	25,027	10,701
Capital Programme Total	175,184	129,201	45,983

Most of General Fund capital expenditure was funded from borrowing, followed by grants, capital receipts and developer contributions. With the pressure on resources, the council recognised the need to maximise the use of s106, Community Infrastructure Levy (CIL) and external grant funding, whenever possible. (However, it noted that contributions from developers have been significantly affected by the pandemic and it is unclear what the longer-term implications may be.) The draft Levelling Up and Regeneration Bill introduces an Infrastructure Levy which is intended to replace the existing Community Infrastructure Levy.

The council identified that when other resources are not available, shortfalls must be met by borrowing, which it must ensure is affordable, with MRP set aside in the revenue budget.

Adjusted Medium Term Financial Strategy (MTFS) 2022/23-2026/27

The July 2022 financial strategy updated the March position. Much had changed due to rising inflation, driven in part by the effects of the Covid-19 pandemic, global supply chain disruptions, Brexit, and the war in Ukraine. Underlying growth in demand increased in children and adults social care, health services, and homelessness, adding to budgetary pressures. Accordingly, the council recognised the need to have strong budgetary control in the financial year to balance expenditure and income within budget. The revised MTFS extended the period in view by one year to 2026/27 and outlined the demands arising from the new pressures. These totalled around £42 million, impacting council finances and services.

The council set out its aim to retain prudent reserves and balances over the planning period to maintain financial resilience and sustainability. Government support to overcome inflationary pressures and the desire for long-term sustainable funding settlements for local councils is noted. The main objectives set out in the MTFS are in Figure 10.

Figure 10. MTFS objectives

- *Prioritise our resources in-line with the council's Borough Plan, and to ensure we achieve our 20 goals across the five pillars:*
 - o *enabling sustainable growth and development*
 - o *increasing community resilience*
 - o *promoting care and independence by reforming services*
 - o *making Lambeth a place where people want to live, work and invest*
 - o *being passionate about equality, strengthening diversity and delivering inclusion*
- *Maintain a balanced budget position, and always to set a MTFS which maintains and strengthens that position.*
- *Provide a robust framework to assist the decision-making process within the council.*
- *Manage the council's finances with a forward looking four year rolling strategy.*
- *Deliver value for money to our taxpayers*
- *Exercise probity, prudence and strong financial control.*
- *Manage risk, which includes holding reserves and balances at an appropriate and sustainable level.*
- *Continually review budgets to ensure resources are targeted on our key priorities.*

Revenue Budget 2022/23

The revenue budget for 2022/23 was set out in a report to Council on 2 March 2022. This captured the £21.463 million of agreed savings over the period 2022-2026 to balance the budget over the 4 year period. Certain assumptions regarding on-going funding allocations were made and explained (Figure 11).

Figure 11. Projected net budgets

Funding Source	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Funding Settlement (including Revenue Support Grant, Retained Business Rates and Top-Up)	144.911	144.911	144.911	144.911	144.911
Business Rate and Collection Fund Adjustment	21.218	12.500	12.500	15.500	18.500
Council Tax	140.580	146.864	153.562	158.848	164.218
New Homes Bonus	2.451	1.000	-	-	-
Improved Better Care Fund	14.945	14.945	14.945	14.945	14.945
Social Care Support Grant	16.196	16.196	16.196	16.196	16.196
Lower Tiers Services Grant	1.201	1.201	1.201	1.201	1.201
Market Sustainability and Fair Cost of Care	1.018	8.802	12.574	12.574	12.574
2022/23 Services Grant	7.688	-	-	-	-
Transitional Arrangements	-	3.844	3.844	3.844	3.844
TOTAL NET BUDGET	350.208	350.263	359.733	368.019	376.455

The council also detailed unavoidable growth, such as inflation, factoring into the MTFs additional pressures of £13.1 million in 2023/24, £4.8 million in 2024/25 and £7.4 million for 2026/27 and service demand pressures of £39.2 million over the period. The resultant Revised Funding Gap (Figure 12) sets out changes since the March 2022 Budget Report.

Figure 12. Revised funding gap

Revised Funding Gap	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Position at Budget Report March 2022						
Funding Gap	13.698	4.975	2.790	-	-	21.463
Savings Agreed	(13.698)	(4.975)	(2.790)	-	-	(21.463)
Budget 2022/23 to 2025/26	-	-	-	-	-	-
July 2022 Changes:						
New Pressures Identified:						
Technical Adjustments		3.000	-	-	-	3.000
Unavoidable Growth- Inflation		13.100	4.800	-	7.400	25.300
Unavoidable Growth		15.148	2.455	1.798	3.050	22.451
Social Care Reform		13.002	3.772	-	-	16.774

Total Identified New Growth		44.250	11.027	1.798	10.450	67.525
Year on Year (Increase)/Decrease to Government Funding or Council Tax income		(6.844)	3.000	-	(8.436)	(12.280)
Corporately Held Growth released		(1.755)	(7.882)	(3.000)	-	(12.637)
Smoothing		-	-	(1.202)	(1.202)	-
Total identified Mitigations		(8.599)	(4.882)	(1.798)	(9.638)	(24.917)
Revised Funding Gap		35.651	6.145	-	0.812	42.608

The revised gap taken with the savings identified of £21.5 million means the overall savings requirement over the planning period is £42.6 million. The council recognised it was likely to use reserves to smooth the requirement more evenly over the period and to allow time for savings plans to be implemented. At the end of 2021/22, General Fund reserves totalled £141.8 million falling from £169.0 million. The main reasons for this were noted:

- Covid funding provided in 2020/21 has been utilised in year. This includes government funding for business rate reliefs that will impact business rate income in 2021/22 but for which funding has been provided in advance in 2020/21. While this timing difference again occurred in 2021/22, the amount is significantly lower than the previous year
- Use of other grant funding provided by central government paid in 2020/21
- Financing costs on borrowing being lower than forecast due to the profile of spend on capital projects

At the end of 2021/22 the council was projected to hold £30.247 million of balances, an increase from 2020/21. General Fund unallocated balances at the end 2021/21 represented 9.2% of the council's net cash limit for that year. The caveat is highlighted that once these reserves have been used, they will not be available to meet shortfalls in funding arising from upcoming local government finance reforms.

The Director of Finance (the council's s151 officer) stated that "I have consistently advised members that in my professional opinion the minimum level of balances (i.e., unallocated reserves) that the council needs to maintain to ensure financial stability, and so provide a strong environment within which outcomes can be continuously improved, is 5% and that the council should plan to hold balances of approximately 10% of net revenue expenditure." The current General Fund balance of £29.951 million represents 8.5% of net expenditure in 2021/22. There is a planned contribution of £0.500 million to balances each year built into the MTFS.

The Housing Revenue Account (HRA) is ring-fenced from the General Fund, to avoid cross-subsidy. The detail for the HRA is contained in the business plan, which shows the 30-year position and envisages no significant movements in reserves. Work is now underway to review the business plan to improve the financial resilience of the HRA, including restoring reserves to a sustainable level post-Covid.

Medium Term Financial Strategy 2023/24-2026/27

The mid-year review was revised again alongside the revenue and capital budget 2023/24. The objective is the same as the previous strategy but the revision reflects work undertaken by Strategic Directors to identify possible savings proposals. An updated report was provided in December 2022 with a revised funding gap of £9.981 million, which included a package of savings totalling £30.864

million and the use of £32.586 million of reserves to balance 2023/24 and to smooth out the profile of savings required.

The revised MTFS showed a balanced position in 2023/24, 2024/25 and 2025/26, with a gap of £6.459 million remaining in 2026/27 and the planned use of reserves reduced to £19,275 million (Figure 13). However, this was in the context of the uncertainty around the funding and new burdens situation from 2025/26 onwards, with major changes such as the Fair Funding Review, Business Rates baseline reset and implementation of social care reforms to come.

Figure 13. Revised funding gap/surplus

	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000
Total Funding Gap as per MTFS	17,396	9,701	4,979	13,011	45,087
Total Agreed Savings	(17,396)	(9,701)	(4,979)	(6,553)	(38,629)
Revised Funding Gap/(Surplus)	-	-	-	6,458	6,458

The budget proposals for 2023/24 include a planned release of reserves of £11.532 million. There is further planned use of reserves of £1.841 million in 2024/25 and £5.902 million in 2025/26.

The total General Fund earmarked reserves balance as at 31 March 2022 was £141.811 million and the HRA earmarked reserves balance was £21.688 million, equating to total earmarked reserves of £163.499 million. This is a decrease from 2020/21 as some reserves held due to the pandemic have been released. The council's strategy on earmarked reserves is to use them only to manage the specific pressures for which they were created.

The Revenue Budget 2023/24

Additional funding was provided in the settlement, with the council's share of existing funding streams increasing by £20.905 million. But pressures identified in previous reports remained and ones identified: Children's Services baseline pressure (£7.6 million), inflation on contracts, energy and pay (£7.5 million), demographic pressure within Adult Social Care (£3 million), Redesign of the Human Resources and Organisational Development Services (£1.278 million), undeliverable savings (£613,000) and key system licencing (£500,000).

Figure 14. Revenue budget summary 2023/24

Funding Source	2023/24 £m
Budget brought forward	350.208
Growth pressures, inflation, and technical adjustments	58.214
Savings and increased income	(17.396)
Total Budget	391.026
Revenue Support Grant	37.261
Retained Business Rates	48.408
Business Rates Top-up Payment	67.293
Business Rates and Collection Fund Adjustment	26.092
Council Tax	149.679
Improved Better Care Fund	14.945
Social Care Grant	25.839
Adults Social Care Market Sustainability and Improvement Funding	3.533
Adult Social Care Discharge Fund	2.095
Services Grant	4.332
New Homes Bonus	0.017
Contribution from Reserves	11.532
Total Resources	391.026

Key risks were prudently identified: inflation, Adults and Health including Adult Social Care, Social care reform, Public Health, Childrens Social Care, Education and Learning, Temporary Accommodation, Dedicated Schools Grant, the Redress Scheme and Fair Funding and Business Rate Revaluation. The council also updated its reserves contribution forecast with plans to meet the 10% of GF target. However, the outstanding decision on the capitalisation order for the Redress Scheme meant it had to set aside at least £35 million in 2022/23. This was allocated against GF balances/unearmarked reserves. This set aside, if released, would ensure appropriate reserves were maintained and reflects the reliance on emergency financial support to meet the scheme costs. Figure 15 shows the position.

Figure 15. Reserves

Reserves	Forecast				
	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
General Fund Balances (Unearmarked reserves)	-	(0.500)	(1.000)	(1.500)	(2.000)
General Fund Reserves (earmarked)	(87.897)	(56.790)	(44.466)	(34.927)	(33.877)
Total (excl. CIL)	(87.897)	(57.290)	(45.466)	(36.427)	(35.877)
Projected net budget (Based on 2.99% CT increase)	350.208	391.715	407.152	409.129	399.074
GF Balances as % of projected net budget	0.00%	0.13%	0.25%	0.37%	0.50%

The Capital Programme 2023/24

In its Revenue and Capital Budget report 2023/24, the council recognises that capital expenditure is a key element in the development of its services. Decisions on the capital programme do have an

impact on the revenue budget, as there could be additional operational costs associated with new or improved assets and increased interest payments where investment is funded through borrowing. Historically capital receipts have been the primary funding source for capital projects but going forward it is expected that smaller amounts of receipts will be available necessitating prudential borrowing to finance some proportion of programmes. This creates a revenue impact in interest payments and repayment provision. The council states that the MTFs has been updated to reflect this and gives indications of its borrowing capacity.

The council is currently in year 3 of the 5-year capital investment programme approved in February 2020. The Programme then totalled £715 million, made up of £370 million of General Fund capital investment, £227 million for the HRA capital programme, £103 million for RTB buybacks and £15 million for the Redress Scheme. Since that time, the pandemic has severely reduced capital expenditure with restrictions slowing or stopping developments and works. As reported to Cabinet in December 2022, the capital programme at that time was £541.583 million, made up of £282.418 million of General Fund capital investment, £178.538 million for the HRA capital programme, £73.287 million for RTB buybacks and £7.340 million for the Redress Scheme.

There is an indicative funding profile for capital investment. However, the exact sources of funding cannot be ascertained until there are detailed implementation plans, since funding can be conditional on matters such as location or type of work. In financing the capital programme, effort will be made to secure both developer contributions and grant aid. The expectation at the time was that £132.9 million of s106 or CIL would be available as a funding source, the majority of which is still to be received. This represents 36% of the General Fund capital budget. Without these monies the capital programme would be much smaller.

It is proposed to add £3 million to the programme related to use of facilities in Parks and Open Spaces, the development of electric vehicle charging infrastructure and improving the leisure estate following service in-sourcing. Given the pressure on capital costs (including collecting of developer contributions and high construction inflation) a review of the capital investment programme will be undertaken during 2023/24. The Capital Programme Board will manage the review and oversee scheme delivery. The review process will manage/finesse the existing programme. New projects will require appropriate approval.

The latest financial position 2022/23

Figure 16: General Fund Forecast Position Q3

	Full Year Budget £'000	Forecast £'000	Forecast Variance £'000
Adults and Health	102,474	103,424	950
Children's Services	82,755	98,661	15,906
No Recourse to Public Funds	2,762	2,870	108
Resident Services	56,267	54,832	(1,435)
Housing Services	25,574	29,968	4,394
Sustainable Growth and Opportunity	3,240	3,168	(72)
Finance & Investment	20,059	20,898	839
Chief Executive Office	6,213	5,820	(393)
Total	299,344	319,641	20,297

The General Fund forecasts an overspend of £20.297 million at the end of December 2022. Each directorate's position is in the Cabinet's quarterly Budget and Performance report.

The 2022/23 Housing Revenue Account Q3 Forecast Position

The HRA is forecast to overspend by £11.632 million. The main drivers here are in Housing Services. There is a £5.4 million pressure on the costs of legal cases and disrepair compensation. The new Disrepair Arbitration Scheme targets this area but will take time to bed-in. There is a further £2.3 million pressure on responsive repairs and £1.5 million to modernise the Northgate system (reporting and technology functions) including combining performance and finance reporting. Within Strategic Programmes, there is a £2.8 million pressure due to the necessarily accelerated Stock Condition Surveys which will underpin the future HRA capital programme. A large portion of this cost may be capitalisable. There are staffing underspends forecast at £0.363 million, while recruitment drives are in progress.

2022/23 Dedicated Schools Grant Q3 Forecast Position

The cumulative deficit of £2.742 million reported at end 2021/22 is set to reduce to £0.872 million based DSG projections for 2022/23. The stepped increase in Lambeth's high needs block and the supplementary funding announced in 2022/23 produce a balanced budget and a forecast underspend, now at £1.870 million.

2022/23 Capital Q3 Forecast Position

The council is currently reporting actual capital spend of £60.720 million. It forecasts spend of £156.821 million from the revised budget of £210.146 million for 2022/23. The remaining unspent capital budget will be carried over into future years.

Appendix 2 - The Redress Scheme – details of payment criteria and support

Taken from Lambeth Council website

Harm's Way Payment

The Harm's Way Payment is a payment of between £1,000 and £10,000.

You can apply if you lived in fear of being abused, neglected or suffering cruelty while living in a Lambeth children's home (including Shirley Oaks).

The amount of payment depends on how long you lived at the children's home.

If you lived in one of the 4 homes for children with disabilities, you will get a Harm's Way payment of £10,000 no matter how long you spent there.

Individual Redress Payment

The Individual Redress Payment is a payment of up to £125,000.

You can receive an Individual Redress Payment if you suffered abuse or psychological injury as a child while you:

- lived in or visited a Lambeth children's home (including those at Shirley Oaks)
- attended Shirley Oaks Primary School

However, if you went from somewhere other than a Lambeth children's home into foster care (such as your family home), any abuse you suffered in foster care would not be covered by the scheme. In that case, you would need to make a civil claim against the council.

If you suffered abuse or injury in a non-Lambeth Children's Home, even where Lambeth was involved in your placement in that home, you would not be covered by the scheme but may still be able to make a civil claim against the council or another organisation. You should seek advice from a solicitor who will be able to advise you further depending upon the circumstances of your case.

The amount of payment depends on:

- how severe the abuse was
- the harm it caused you
- whether you'll need to pay for any recommended medical or psychological treatment
- whether you'll need to pay for things like travelling to a medical assessment when making your application

You can receive both payments

If you're eligible, you can apply for both the Harm's Way Payment and Individual Redress Payment. We would pay your Harm's Way Payment first.

A written apology from Lambeth Council

We would like to apologise personally to everyone who suffered or feared harm in our children's homes. If you would like it, you can ask for a formal written apology from the council.

The apology will:

- acknowledge what happened to you
- accept that it was Lambeth Council's fault
- say what we've done to make sure it does not happen again

A meeting with someone senior from the council

You can also ask to meet with a senior person from Lambeth Council.

This is to give you the chance to tell the council in person what you think and feel about what happened to you.

It's also a chance to hear what the council has to say about it.

Counselling

Peer and individual support USEMI is providing a free weekly peer and individual support service for anyone who has accessed the Lambeth Redress scheme. This offer is delivered independently of the council.

- You can call them on 020 3869 1173
- or email redress@ptp-usemi.org.uk

You can also drop in on Wednesday's anytime between 3:30 and 6pm at Effra Space, 21 Effra Parade, Brixton, SW2 1PX.

Specialist advice

You can also ask to get specialist advice, support and assistance to help you get access to:

- housing
- welfare benefits
- further education
- work

Housing advice under the Redress Scheme

Eligible applicants who need housing advice will be able to speak in person to a housing advice officer. You will be referred directly to someone who will be familiar with the Redress Scheme, and you will not have to explain to people that you have suffered abuse as a child. The level of assistance offered will depend on the nature of the query. Simple queries may only need a single conversation or signposting to other services, while other issues may require more casework. We will prioritise cases of homelessness and threat of homelessness.

We can advise on the following issues:

- Your rights as a tenant, including being asked to leave by your landlord and rent arrears
- What to do if you need to move because you are at risk of violence
- What to do if you are homeless
- Living in unsatisfactory housing, including serious disrepair and severe overcrowding.

What we cannot do:

- The service is open to all eligible applicants, regardless of whether you currently live in Lambeth. However, there may be practical limitations on the assistance we can offer if do not live in Lambeth. You may therefore be advised to contact your local council who will have knowledge of local services that may be better able to assist.
- We are unable to assist with complaints or challenges against other local authorities, or to ask another council or social housing landlord to provide you with housing. We are unable to assist council and housing association tenants with transfer applications.
- We cannot provide legal advice. Although we can provide information on a wide range of housing issues, we are unable to provide detailed legal advice or advocacy on issues such as court proceedings, tenancy assignment and succession, right to buy, leasehold issues, etcetera.
- If you are a Lambeth Council secure tenant you will normally be referred to your Neighbourhood Housing Office.

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