Report of Cabinet

23 February 2009

Cabinet Members:

* Cllr Mike Freer (Chairman)

Councillors:

* Fiona Bulmer
* Melvin Cohen, LL B
* Brian Coleman, AM FRSA
* Richard Cornelius
* Anthony Finn BSc Econ FCA
* Andrew Harper
* Helena Hart
* Lynne Hillan
* Matthew Offord

* denotes Member present

COUNCIL BUDGET & COUNCIL TAX 2009/10 (Report of the Leader of the Council & Cabinet Member for Resources – Agenda item 6)

INTRODUCTION

The Leader of the Council presented his recommendations on the 2009/10 budget and council tax.

The Leader's report set the budget in the context of the new Corporate Plan for the period 2009/10 to 2012/13 which Cabinet was considering alongside the budget at this meeting. The Corporate Plan was an important part of the Council's budget and policy making cycle setting out the Council's priorities and targets and how the authority would go about meeting them. It provided the forward planning aspect of this framework and had been formulated alongside the Council's budget for the coming financial year.

The Council's budget was a financial expression of its services and levels of provision but also a conditioner of them. It linked the priorities and objectives of the Council as expressed in the Corporate Plan having regard to resources available and taxation consequences of spending decisions; this included targeted resources on key groups in line with the Council's commitments to equalities and diversity. Cabinet was reminded that the Council must have due regard to the need to achieve the objectives under the Equalities legislation before taking any decisions.

The Council was required by law to set its budget having considered its estimates of expenditure and income, and for its call on the collection fund to be sufficient to meet its budget needs. This had to be done before 11 March 2009, and a meeting of the Council had been arranged for 3 March 2009 to achieve this.

Staffing implications arising from the budget proposals had been reported to General Functions Committee on 14 January 2009.

The Leader's report set out the statutory background to the budget and Council Tax setting, confirming that the Council Tax had been calculated and set in accordance with the requirements of the Local Government and Finance Act 1992.

In addition, the Local Government Act 2003 required the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves, although the final decision on the level and utilisation of reserves rested with the Council, and this was set out in the Chief Finance Officer's report which is set out in full below. It was a requirement of the above Act that the Council should have regard to the Chief Finance Officer's report on the adequacy of balances when making the budget calculations. Any decision by Council on the level of reserves that differed from that of the Chief Finance Officer would need to be recorded in the decision to demonstrate that the Council had fulfilled this statutory requirement.

Regarding compliance with Constitutional requirements the Leader's report quoted the Financial Regulations (Part 1, Section 2) within the Council Constitutions follows:-

i. *Cabinet will finalise its recommendations to Council on the budget, council tax and rent levels taking account of the results of budget consultation. This will normally be in February, following announcement of the Final Local Government Finance Settlement.*

ii. *Cabinet's recommendations to Council must be made in time for Council to set the budget and council tax before 11 March of the preceding financial year to the financial year to which the recommended budget and council tax relate.*

iii. *The budget that Cabinet recommends to Council must be based on reasonable estimates of expenditure and income, and take account of:-*

- *outturn forecasts for the current year;*
- *guidance from the Chief Finance Officer on the appropriate level of reserves, balances and contingencies;*
- *financial risks associated with proposed budget developments, reductions and ongoing projects;*
- *affordability of prudential borrowing over the period of the council's financial forward plan;*
- *medium term plans and forecasts of resources*
- *any use of balances to finance recurrent expenditure is supported by an explanation of how funding will be dealt with in the medium and longer term.*
- *recommendations from the external auditor on matters such as the level of reserves and provisions.*

iv. *The budget recommended by Cabinet to Council will incorporate the latest projection of income from fees and charges. During the year Cabinet Resources Committee may approve changes to fees and charges, including the introduction of new charges.*

COUNCIL BUDGET & COUNCIL TAX 2009/10

The Budget Process

The Council had taken a strategic multi-year approach to budget development for many years. Barnet also had a Medium Term Financial Strategy to formalise the Council's financial aims and intentions and consult local stakeholders as to whether these are consistent with their needs. The strategy was included as Appendix A to the Leader's report.

A preliminary assessment of the 2009/10 budget had been set out in the Financial Forward Plan approved by Council in March 2008 based on information available at the time on Government grants and local spending requirements. This had included a forecast that further budget reductions of £9.09m were needed to achieve a council tax increase of 3.5%. Based on past years' budget experience, the plan included a £5m contingency for new budget pressures. This model had been used as the base for the 2009/10 Budget and Forward Plan.

The Chancellor's Pre-Budget Report in November 2008 had confirmed that future public spending would be extremely tight, especially for non-school local government services. Given the commitments in the MTFS, the financial position of the Council would be even more challenging, and savings at about or above the level of previous years (i.e. £12 - £15 million) would be needed. This presented a major challenge given the £59m of savings that had already been achieved by the Council in previous years.

The Council had already implemented a strategy to take early action in planning for future years budgets by:-

- reducing the Council's overall cost base
- challenging existing budget provision and continuing inflationary pressures through further efficiency savings
- enhancing the approach to Value for Money across the Council
- continuing the policy led delivery of budget
- reviewing fees & charges

In addition, the Council was undertaking the Future Shape programme which was a comprehensive review of the way services in Barnet would be provided in future. The results of the programme would have significant implications that would impact on the MTFS and Financial Forward Plan.

The results of the budget process had been presented for public consultation at Cabinet on 6 January 2009. The Overview and Scrutiny Committees (except Cabinet OSC) had reviewed the relevant budget details for their terms of reference.

The Supporting the Vulnerable in our Community Overview & Scrutiny Committee had commented that they had considered the draft budget headlines and had the opportunity of questioning Officers and the Cabinet member in relation to the same. However, the Committee believed that it would have been more productive to have had more budget information to consider the budget in significant detail.

Revised Requirements for 2008/09

The last budget monitor reported to Cabinet Resources Committee on 19 January 2009 had forecast balances of £13.863m at 31 March 2009, and an update would be reported to the Cabinet Resources Committee on 5 March 2009. The position was also addressed later in the Leader's report as part of the Chief Financial Officer's assessment of the budget in terms of balances and reserves as quoted in full below.

The current position of the HRA was also set out later in the report. Any variations were to be met from the accumulated HRA balance.

The National Framework & 2009/10 Settlement for Barnet

The Local Government Minister had announced the provisional settlement on 26 November 2008. As expected, there had been no changes to the provisional figures for 2009/10 formula grant announced in the previous year as part of the three year grant settlement. Consultation on this had closed on 7 January 2009. The Final Settlement had been debated in Parliament on 3 February 2009.

The figures for 2011/12 were still provisional, leaving the door open for Ministers to make changes, which was identified as a risk within the Chief Finance Officer's report because of the exceptional circumstances facing the UK economy and the impact on public finances. Nationally, Formula Grant had increased by 2.8% in 2009/10 but in London the borough average increase was only 2.0% (1.8% for Inner London and 2.0% for Outer London), with an increase of 2.6% in 2010/11.

The Settlement continued the system of 'floors' without ceilings. All authorities above the floor contributed a fixed proportion of their excess above their floor to finance the floor authorities. The minimum grant increases for education and social services authorities was 1.75% in 2009/10 and 1.5% in 2010/11.

A summary of Barnet's grant settlement was given as set out below. The percentage increase had been adjusted for prior year grant changes to enable a like for like comparison.

Grant Elements	2008/09	2009/10	2010/11 Provisional
	£'000	£'000	£'000
Relative Needs Amount	87,495	90,606	93,300
Relative Resource Amount	(61,913)	(62,109)	(62,219)
Central Allocation	62,375	64,561	66,679
Floor Damping	2,100	(1,108)	(3,204)
Formula Grant	**90,057**	**91,950**	**94,556**
Cash Increase £'000	2,109	1,893	2,606
Adjusted Increase %	2.00%	2.21%	2.90%

Barnet contributed to the cost of the grant floors as it was above the minimum grant increase for 2009/10 and 2010/11. Even so, every year represented a poor settlement for the Council as inflation and other pressures on a base budget around £240m would always greatly exceed the increase in grant funding on a base budget of around £92m.

Area Based Grant (ABG) was the amalgamation of existing specific grants and new money for new initiatives. As with Formula Grant, ABG came with no conditions and was not ring-fenced. A significant difference to formula Grant was that ABG had no floor protection so it could be reduced in later years.

Cabinet Resources Committee on 28 April 2008 had agreed to amend the base budget by removing the former specific grants from service budgets and centralising ABG to facilitate a corporate approach to determining spending priorities in future and avoiding any erroneous suggestion that a service budget could not be reduced because it was funded by ABG. New ABG and further allocations over and above that approved by the Council in March 2008 were held centrally pending decisions on spending priorities by Cabinet Resources Committee; this included Working Neighbourhood Fund and Preventing Violent Extremism allocations which would be determined on a year by year basis and so had not been incorporated into the base budget.

The following table set out the latest ABG allocations. In line with the decision by Cabinet Resources Committee, budget recommendations were based on local priorities rather than changes in the ABG allocation. Therefore, additional ABG in 2009/10 was only reflected in service estimates where a spending priority had been recommended. The provisional 2010/11 figures reflected Supporting People Grant being amalgamated into ABG which hid a base budget reduction in 2010/11 of £0.295m.

Area Based Grant Allocations	**Base Budget**	**New Grant**	**Total**
	£	**£**	**£**
2008/09 Original	13,154,630	0	13,154,630
2008/09 Revised	13,154,630	1,011,500	14,166,130
2009/10	13,872,850	449,810	14,322,660
2009/10 Increase over 2008/9 Original	*718,220*	*449,810*	*1,168,030*
2010/11 Provisional	21,380,880	475,490	21,856,370
*2010/11 Increase**	*(295,420)*	*25,680*	*(269,740)*

* Excludes Supporting People Grant transferred to ABG in 2010/11 of £7,803,450

The estimated Dedicated Schools Grant for Barnet was £202.306m. This figure was subject to change dependent on pupil numbers and would not be confirmed by DCSF until May or June.

The Government's guide to the Settlement was available at their website, at the following address:- http://www.local.odpm.gov.uk/finance/0809/simpguids.pdf

Capping

The Minister's statement on the Settlement had included an expectation that council tax increases in England should be substantially below 5% and that he would not hesitate to use reserve capping powers to protect council tax payers from excessive increases. Further details on the capping regime were set out in Appendix E to the Leader's report.

Council Budget 2009/10

Following receipt of the Provisional Local Government Finance Settlement, Cabinet's draft budget proposals had been announced at Cabinet on 6 January 2009. Incorporating £11.92m of efficiency savings and budget reductions, the provisional council tax increase was 2.81%. The budget being recommended to Council on 3 March 2009 was set out in detail in Appendix C to the Leader's report. The recommended increase was unchanged from that announced at Cabinet.

The latest RPI (December) available at the time of finalising the Leader's report stood at 0.9%, a fall of 2.1% over November: the biggest one month fall in 28 years. A significant part of the fall had been due to cuts in mortgage interest payments, house depreciation and the VAT rate reduction, all of which had little or no impact on Barnet's short term costs; this was due to:-

- most Council borrowing being long term at fixed interest rates,
- interest reductions actually reducing the Council's interest earnings and
- VAT not being a cost to the council as it was fully recoverable.

The RPI-X (which excluded housing costs) was at 2.8% and is a better indicator of council costs. Respected economists and the Bank of England were forecasting deflation in the near future but inflation rising again later in 2009/10 which was indicative of the current economic volatility.

The draft budget tax increase had incorporated pay awards and inflation of 2.5%. The recommended budget now provided for 2.0% on the basis that the saving will be retained in a central contingency to meet in year inflationary pressures above 2% and the risk that implementation of some of the proposed reductions might slip so that the full saving could not be achieved in 2009/10.

The tax increase included a £1m contribution from higher than expected interest earnings in 2008/09 having been set aside in provisions and being applied to reduce the council tax increase. This was to recognise the impact of the credit crisis on residents and that during exceptional times the Council should look to additional measures to support the community. At present, a larger contribution could not be recommended and it was not possible to make any commitment to continuing this in later years, which was reflected in the medium term financial plan.

Levies were included as notified except for the concessionary fares settlement. The 2009/10 concessionary fares settlement for London included a reduction of £19.9m for non-residents bus travel rebate in respect of 2008/09. This reduction artificially reduced the 2009/10 levy which would result in a large increase in the 2010/11 levy when the rebate dropped out. London Councils officers had suggested that the 2009/10 settlement be adjusted by a £20m reserve to be used to mitigate the increase in 2010/11 and later years. This had been rejected by elected members and the reduced levy agreed. In recognition of the impact in 2010/11, the Council budget for concessionary fares had been set at the level suggested by London Councils to provide a reserve to smooth later years' increases so that £0.923m could be set aside to offset the increase on Barnet in 2010/11 and future years.

Setting the budget was an extremely complex exercise, made more so by the recession. There were several significant issues and proposals that had been considered in detail as part of the budget process with the aim of setting a robust and

balanced budget to achieve the Corporate Plan objectives and align with the Medium Term Financial Strategy. These were reported in more detail later as part of the Chief Finance Officer's assessment of the Council's financial standing as set out below.

Consultation on changes to the Fairer Charging Policy

Cabinet approval was requested to undertake public consultation in line with national guidance on the fairer charging policy covering non-residential charges. The Department of Health had recently issued a consultation paper on charging for services. This paper would be reflected in the consultation process as appropriate.

Adult Social Services in Barnet, like other local authorities, were facing unprecedented demand linked to demographic pressures, increased public expectations and changing patterns of service delivery compounded further by Barnet Council being a floor authority. The Local Government Association in 2008 had stated that a "Triple whammy of poor central government funding, increasing demand from an ageing population and escalating costs have placed huge pressures on adult social care services" .

The Commission for Social Care Inspection in October 2008 in report 'Cutting the Cake Fairly' had reviewed how councils were using eligibility criteria as a way of rationing social care to its population. With increasing pressures on revenue budgets, CSCI found that councils had reduced funding on preventative services and raised eligibility thresholds in order to help achieve balanced budgets.

The medium term financial strategy for Adult Social Services did not contain changes to the eligibility criteria and sets out continued programme of work to support people in their own homes through individualised budgets as an alternative to residential care. In order to achieve this, the Council needed to ensure that income through charging for Adult Social Services was maximised in a fair way to maintain the portfolio of services needed to meet needs.

Councils were able to charge for homecare and other non residential care services (day care, supported living, transport). Currently Barnet only charged for homecare, meals at home and 'lifeline' services. The basic requirements under the guidance were that charges should be based upon a means tested assessment except where the charge was small and could be deemed as a living expense.

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Officers had examined a range of options and sought comparisons with other authorities. The proposals contained within the report had been developed throughout the year.

It was extremely difficult to assess the precise impact on the budget and hence the figures contained were very cautious. It was not possible, for example, to identify the impact upon service demand.

The reasons for change were threefold:

- The proposals would increase income to the department and be available to fund other urgent service priorities.
- The existing policy was not fully compliant with the national guidance.
- The current scheme had been agreed by Cabinet in 2002/3, and that had been carried forward each year.

The proposals are detailed in recommendations 22 (a) to (f) below

Consultation on Sheltered Accommodation and Welfare Rights Service

Extensive consultation on the proposal for sheltered accommodation had started on 9 February 2009. The results of this consultation, together with Welfare Rights Consultation, would be presented to Cabinet when completed for full consideration and no decision will be confirmed pending the results of the consultation. However, whilst there was no change to the Budget Headline savings of £0.95m and £0.18m, the £1.4m central contingency provision provided by the 0.5% reduction in inflation would be available if these savings were not implemented and no alternative proposals could be identified.

Chief Finance Officer's Report on Balances and Reserves

As referred to above, the Leader's report reminded Cabinet that the Local Government Act 2003 placed a duty on the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves.

Professional guidance published in January 20031 and November 2008 by CIPFA recommended that account should be taken of several key financial assumptions underpinning the budget alongside the Council's financial management arrangements. The Council's Financial Regulations2 reflected this guidance as set out above in respect of constitutional requirements.

The Chief Finance Officer's review, recommendations for General Fund and Housing Revenue Account balances and the impact on the decisions that the Council had to make on the 2009/10 Budget is set out in full as follows:

Chief Finance Officer's Report on Balances and Reserves (extracted from the report of the Leader of the Council)

"Services' record in delivering budget developments & reductions

9.41 Barnet has a history of poor grant settlements with the council on the grant floor in four out of the seven years to 2009/10. In 2003/04 the settlement did not even provide sufficient grant to achieve the required level of "passporting" to the Schools Budget, which required an additional contribution to be made from council tax. From 2006/07 to 2008/09 the council has received only the minimum grant increase, which has been insufficient to meet inflationary pressures let alone pressures from increased service demands and the cost of new capital investment.

9.42 Over the seven year period 2003/04 to 2009/10, the Council has budgeted to deliver efficiency savings, service reductions and increased income totalling £81m in order to compensate for the poor grant settlements and deliver low council tax increases. Because the Schools Budget is ring-fenced, these budget reductions had to be delivered entirely from the non-schools budget, which for 2008/09 amounted to £237m (55% of total net service expenditure). Setting aside capping, had these reductions not been made the Band D council tax in 2009/10 would have been 50% higher than now proposed.

1 LAAP 55
2 Financial Regulations, Part 1, Section 2.5

9.43 Achieving base budget reductions in excess of £10m annually over seven years is a significant undertaking and some slippage in this is inevitable, and in respect to budget reductions accepted between 2003/04 and 2009/10 a total of £6m (7%) has been added back to the base budget in subsequent years. However, £5.7m relates to the first four years which reflects the significant improvement in estimating and forecasting in recent years. In addition, since 2004/05, budget management control has ensured that any saving not achieved in year has been covered by making compensatory savings (see 'Capacity to Manage In-Year Budget Pressures' below).

9.44 Delivering savings of the level budgeted for in recent years is a substantial executive and management undertaking, which until December 2005 was not helped by having to respond to annual Government grant settlements just three months prior to the start of the financial year. Given this context I do not consider that slippage of this order gives any real cause for concern, but slippage has nonetheless occurred and is, therefore, a factor that must be taken into account in making a recommendation to Council on the level of General Fund balances.

9.45 On the other side of the coin is the risk that the cost of budget developments and pressures has been underestimated. The risk is low as in recent years the level of service developments (excluding base budget pressures and the cost of prudential borrowing) has not been significant (e.g. £1.0m in both 2006/07 and 2007/08 and £3m in 2008/09).

9.46 Developments are also provided for within the capital programme, where the risk of overspending or failure to deliver planned external funding contributions translates into revenue budget pressures through increased prudential borrowing and/or reductions in interest earnings on unused capital receipts. Over recent years there have been some overspends on capital projects, but there have also been improvements in the reporting of capital monitoring to Cabinet Resources Committee and the Capital & Assets Group has sought to improve the initial estimating of projects before they get incorporated in the capital programme.

9.47 In summary there remain significant risks to the council's ability to deliver efficiencies and developments within budget. Tighter budgeting in recent years has improved the delivery of savings and reduced the risk of slippage. Even so, slippage is still a possibility and would require a call on balances if compensatory savings were not identified.

Capacity to Manage In-Year Budget Pressures

9.48 Following on from the Section 11 Notice in February 2004 the council's financial standing, measured in terms of the level of balances, has considerably improved. The gross General Fund and HRA budgets in 2009/10 are £856m, but in terms of assessing financial risks it is more appropriate to combine this figure with fees and charges, income and specific grants, which produces a total just over £1.47bn. In commercial terms this represents a significant level of "turnover" and variances from budget are inevitable, particularly when a significant amount of expenditure (e.g. adult and children's services) and income (e.g. local land charges and planning fees) is demand-led. It should be borne in mind, however, that even just a 1% variance equates to nearly £15m.

9.49 In considering the council's capacity to manage in-year budget pressures I have reviewed the budget volatility reported in budget monitoring during the current and previous five years. The position (excluding schools and the HRA) is summarised below, although it should be recognised that improvements in interest earnings have contributed significantly to the underspends shown, especially in the last four financial years:-

Outturn Year	Overspends	Underspends	Net	Interest Benefit included in Underspends
	£m	£m	£m	£m
2003/04	15.4	(13.5)	1.9	0.00
2004/05	15.4	(16.5)	(1.1)	(1.76)
2005/06	8.9	(12.0)	(3.1)	(4.30)
2006/07	4.9	(7.0)	(2.1)	(4.25)
2007/08	3.7	(16.3)	(12.6)	(7.93)
2008/09 (M9)	3.3	(4.0)	(0.7)3	(4.00)

9.50 As with the delivery of budget developments and reductions, I do not consider these in-year variances to be exceptional and management action has always enabled some savings to be identified in-year to compensate for overspends. Nonetheless, variances have occurred and are, therefore, a factor that must be taken into account in making a recommendation to Council on the level of General Fund balances.

Budget Risks

9.51 The officer Key Priorities Board established four years ago has continued to work through the 2009/10 budget process, to monitor progress and make recommendations to the Council Directors Group and Cabinet. The process of peer challenge facilitates a policy review of all draft budget proposals and an assessment of the risk of non-delivery of savings. It also reduces the risk of "cost shunting" between services.

9.52 Council Directors Group and Cabinet have considered financial risks in developing the 2009/10 budget. Items considered to represent the greatest risk to the council's financial standing are set out below. Items are grouped by whether they are service or corporate risks.

Adult Social Services

Client Transport

Transport will continue to be a risk as the costs of the new contract and volatile fuel prices are passed onto the services.

Block residential & nursing contracts

Ensuring that the usage of contracted beds is maintained just above the block contract requirement.

Continuing Care

There are ongoing risks relating to the pressure from health to reduce continuing care payments by reviewing clients and transferring them to social care.

Debt Management:

Client income – The raising of client invoices and debt management will continue to require close attention.

Day Service Modernisation and Direct Payments

As clients attending in-house day support services (Flightways & Community Network) are transferred to direct payments will then necessitate the reduction of fixed costs within services to

3 CRC on 19 January agreed that the £4m interest saving be set aside as a provision to meet budgeted interest earning shortfalls in 2009/10

ensure viability – e.g. reduction of staff costs; reduction / negotiation to end leases for transport.

Learning Disabilities Transfer
The transfer of financial responsibility & funding of clients with learning disabilities from the PCT to the Council has yet to be finalised but must be in place by 1 April 2009. There are a number of risks associated with this, however there are also potential benefits for both parties as well as the clients.

Younger Adults Placements
Younger adult placements continue to experience extreme demand pressure which is being managed within the service.

Adult Care Contracts
Risk of being unable to hold contracts at provision agreed for inflation.

Changes in healthcare patterns
Moves to reduce lengths of stay and trend for acute hospital services to be delivered in the community could result more people requiring social services.

Deferred payments
Due to the present housing market, clients are finding it more difficult to sell their home to fund for residential care. The risk is that the Council will be obliged to extend its deferred payments provision to cover these costs until these homes are sold.

Homecare Commissioning
Current contracts for homecare commissioning end in 2009 and 2010 thus requiring a re-tendering exercise. There is a risk that new contracts' costs will not be able to be contained within current resources.

No Recourse to Public Funds
The Slough judgement clarified local authority obligations with regard to asylum seekers who have no recourse to public funds. Although this could reduce the impact on local authorities, there remains the risk of legal challenge.

Care Providers
There have been increases in the number of care providers experiencing difficulties as a result of the current economic climate. Although none are known to be in grave difficulty at this stage, should a provider go into administration, Barnet might need to provide alternative care for those affected.

Children's Service

Base Budget - Dedicated Schools Grant (DSG).
The figure included in the budget (£202,133,730) is only an estimate, as the grant is wholly based on annual surveys of the number of pupils in schools and in under-5 settings as at January and these figures are still being collated by DCSF who will not finalise the grant figure until May. If children numbers are lower than anticipated, then the centrally retained budgets within the DSG will need to be reviewed, and savings made in year. In 2008/09 the DSG was finalised by DCSF in June 2008 and it was £426,290 (94 pupils) less than anticipated. This reduction was met from the carried forward underspend of DSG from 2007/08 of £246,000 and the remainder, £180,290 is to be met from managed underspends in the centrally retained budgets. Should the overall underspend in the centrally retained budgets not be sufficient, the remaining deficit will be the first call on the 2009/10 DSG budget. The risk of future pupil number variations will be minimised by officers continuing to review the pupil numbers information available before finalising detailed

budgets for schools and central DSG budgets.

Children in Care

Recent events in relation to high profile child protection cases have led to an increase in referrals to children's social care. It is not certain at this stage whether there will be a sustained increase in demand for assessment and/or additional placement costs for children in care.

Children in Need

Over the course of 2008/09 there has been a considerable and sustained increase in the number of children referred to the service, initial assessments undertaken and subject to a child protection plan. This has been further exacerbated in the wake of Baby P in Haringey. The table below illustrates the annual activity and the % change between average monthly caseloads for the period 2007/08 and 2008/09.

	Annual	2008/09	2007/08	2006/07	2005/06
	% Change	(Apr-Dec)	Full Year	Full Year	Full Year
No. of referrals rec'd		2,419	2,145	1,765	1,885
Average Monthly Referrals Received	50%	269	179	147	157
No. of initial assessments completed		1,745	2,026	1,635	1,660
Average Monthly Initial assessments completed	15%	194	169	136	138
Average No. children subject to a Child Protection Plan	14%	157	138	122	115

The increase noted solely in Child Protection Plans, represents the case load of 3 Social Workers. The child protection audit currently underway is looking to gain some understanding of this increase and additionally further data is being gathered in relation to contacts as significant growth over recent months is anticipated within this area also.

If numbers do not revert to 2007/08 levels the Service will experience difficulty allocating front line child protection work.

Social Care Task Force

Following failings uncovered at Haringey a National Task Force has been established to look at how social workers spend their time, what support and supervision they receive, examine staffing levels and identify what changes are needed to improve the service. They will report back to Children's Secretary Ed Balls in the summer of next year and recommendations therein may result in the requirement for additional funding.

SEN Transport

The council has a statutory duty to provide transport to ensure children and young people in a number of circumstances, get to school. Many local authorities are experiencing pressure due to increasing demand and the complexity of the needs of children requiring transport and associated escort services. The budget pressure in 2008/09 is forecast to be in excess of £700,000 and an annual increase in the contract price above the inflation applied to the council budget will create further pressures. £400,000 growth has been allocated to support this service area in 2009/10 and other sources of funding are being investigated to mitigate the residual pressure of £300,000. For the reasons stipulated above this remains an area of risk for the Children's service.

Disabled Children

The Disabled Children's Service budget supports a range of respite and support activity including home support services for limited personal care support to children, access to play plans and funding of direct support payments to families. Expenditure is exceeding budget by

approximately £215,0004 per annum as a result of many disabled children growing up with more significant needs than in the past, and in particular there is significant growth in autism. A number of measures have been taken to control the budget, but until the anticipated impact of the services commissioned with new ring fenced external funding are established and become effective a budget risk remains.

Demographic changes

Available data demonstrates a rise in the birth rate in Barnet during the last four years, with the most significant increases noted in the last two years. Based on past trends, we expect this rise to translate into a considerable pressure on primary school places, starting to emerge in a shortage of places in 2010/2011. We are already beginning to experience localised pressures that will shape our capital investment programme in 2009/2010.

Centrally Retained DSG - Pupil Referral Unit (PRU)

The revised statutory responsibilities relating to the educational provision for children excluded from school together with a rise in the number of permanent exclusions poses a potential risk of increased demand for PRU facilities and resources.

Early years

All schools and settings offering the free entitlement to 3 and 4 year olds for nursery education will have to increase the provision from 12.5 hours to 15 hours by 2010. Although additional funding is available from Government it is uncertain whether this will be sufficient for settings to offer the new entitlement with an increased flexibility of provision, as required. Additional support may be required.

Transfer of the Machinery of Government (MoG) - Post 16 Funding transfer

The arrangements for transferring 16-19 funding for schools and colleges from the Learning & Skills Council to local authorities commences in January 2010. Local authorities will be required to prepare commissioning plans in 2009/10 in readiness for the transfer of funding in 2010/11. The transfer of the responsibility for funding will have a part year effect in 2010/11 and full year effect from 2011/12. The level of resourcing to manage infrastructure arrangements is not known, nor is when the resources will begin to be transferred.

Education & Skills Act 2008

The key elements of the Education & Skills Act are:

- raising the minimum age at which young people can leave education or training to 18;
- placing a duty on young people, parents and employers to ensure or encourage children to participate in education or training until the age of 18;
- placing a duty on local authorities and providers in relation to young people with special educational needs (SEN).
- establishing an enforcement process and setting out a system of penalties.

This Act is merely one element in the reform of 14-19 learning of which an inherent financial risks is associated.

Review of the distribution for Dedicated Schools Grant from 2011/12

DSG for 2008/11 is distributed using the “spend plus” method, but there will be a review of the formula for distributing school and early years funding with the aim of developing a single formula based on relative needs and costs rather than current expenditure – this would be effective from 2011/12.

4 As reported to CRC in monitoring

The review will start from the premise that the ring-fence on DSG will remain, although Ministers claim that the review will examine the scope for greater flexibility in the use of DSG to support the delivery of Every Child Matters outcomes and implementation of the Children's Plan. Any changes will need to consider transitional arrangements to dampen large gains and losses.

Capital – Building Schools for the Future

We have submitted a revised expression of interest to join the national programme as soon as possible. A decision is due in Spring 2009. Should our bid be successful, resources will be required to progress through the initial stages of the process. The cost of managing the project and running the procurement is not covered by grant and is not as yet budgeted for in the revenue budget or capital programme. It is estimated that this could be in the region of 2-3% of a council's total BSF funding and initial indications are that this could be in the region of £5 - £7 million.

Capital – School projects programme slippage

The following school projects' income and expenditure profiles have changed which represent risk to the council in terms of external funding lapsing leaving the council with additional borrowing requirements[5].

- £0.7m slippage is expected on phase 3 children's centre capital programme funded predominantly by Surestart grant. A programme is in development and will be presented to Cabinet for approval.
- £1.56m slippage is expected on the Sure Start Early years and Childcare Grant. Proposals for expenditure are being considered by Cabinet Resources Committee on 5 March 2009.

Environment & Transport

North London Waste Authority (NLWA)

North London Waste Authority has commenced the process of awarding a new contract for waste disposal post 2014. This will be a contract for 30 years and will involve the building of new waste treatment or disposal facilities in some of the seven constituent boroughs.

The total cost of the reference project outlined by NLWA is around £3.4bn over the 30 years. In order to mitigate this cost to some extent NLWA has submitted a bid for PFI credits worth £501m, a decision on this funding is expected by April 2009.

Assuming PFI credits are received, the levy to Barnet is projected to double by 2015/16 with 2009/10 alone showing an above inflation increase of £1.4m. However, the future years' figures could potentially increase if PFI credits are not granted. The constituent authorities also need to reach agreement on a variety of organisational and technical issues before apportionment of total cost can be decided and before the project can proceed much further. An Inter Authority working group led by Barnet's CFO is addressing these issues, which include provision of household waste and recycling centres, collection systems, pooling of recycling targets and sale of recyclates.

Recycling Income

The new recycling contract commenced from October 2008. The contract allows for £1.4m of recyclate income per annum, which reduces the total cost to Barnet.

Although the quantity of recyclates being received is in line with our expectations, there is considerable volatility in the market price of recyclates, largely caused by changing access to the Chinese market which is the largest in the world. Although the contractor (May Gurney) does not

5 Recommendation 1.17 is applicable to this risk

sell materials collected in Barnet to China and is therefore not directly affected, there remains the possibility that the worldwide price will be reduced. The risk does not amount to the full £1.4m as the contract guarantees 50% of the assumed income is used to reduce the contract price whatever the market rate.

PFI Street Lighting

The PFI Street Lighting is now in the 3rd year of operation. During the life of the contract robust monitoring has enabled significant contractual deductions to be achieved that have largely offset the rising cost of energy.

The PFI funders have recently indicated that the continuing level of deductions are unacceptable to them and have asked to renegotiate some clauses of the contract. If the contract is renegotiated this is likely to reduce the contractual deductions achieved and increase the likelihood of overspends due to volatile fuel costs.

If the contract is not renegotiated there is a possibility that the funders will seek to withdraw from the contract or change the service provider. Although the Council would be in a strong legal position in these circumstances, it is likely that there would be some service disruption and some cost of specialist legal advice.

Capital – Aerodrome Rd

Subsequent to the completion of the bridgework phase of the project, significant contractual claims were received from the main contractor relating to additional costs incurred during the project. The Council has responded to these claims and has requested more information in some cases. Final settlement is expected later in 2009.

Work on the roadworks element of the project continues and is due to complete in May 2009. The risk of increased costs remains until all phases of the project are complete.

Planning, Housing & Regeneration

Housing and Planning Delivery Grant / Planning Income

The Planning service budget is supported by Housing and Planning Delivery Grant monies. The 2009/10 budget assumes that around £340,000 of Housing and Planning delivery grant will be received in 2009/10. As funding levels rely on Housing growth, the poor economic climate is likely to reduce the level of growth below previously projected figures. However, it should be noted that all local authorities are in a similar position and with the total funding level remaining fixed, our level of housing growth relative to other areas may remain fairly constant.

Planning fee income fell sharply in the latter months of 2008. This trend is expected to continue during 2009, as developers look to avoid committing funds until they are sure the property can be sold promptly on completion. As fee income budgets amount to nearly £2m per annum, reduced activity in this sector represents a significant risk to the budget.

Local Land charges

The poor economic climate has led to dramatic falls in the level of Land Search income received as activity in the housing market has reduced to record low levels. This has compounded the existing drop in income due to increased competition from personal search companies. The income budget within Land Charges for 2009/10 assumes increased activity compared to 2008/09, but there is no guarantee that this will come to pass.

Furthermore The Local Authorities (Charges for Property Searches) Regulations and the Home Information Pack Regulations were updated by Central Government on 23 December 2008 and come into effect from 6 April 2009. Although the impact is still being evaluated, it is likely that

these will require the Council to reduce the price charged for Land Searches thus further reducing income levels.

Housing – Subsidy and viability of the HRA

The national housing subsidy system is a mechanism for redistributing resources between local housing authorities and in 2008/9 Barnet must contribute £10.9m to the pool. The subsidy settlement for 2009/10 increases the contribution to the pool by a further £2m and it creates a risk to the future financial viability of the HRA if repayments continue to increase.

Housing Subsidy.

The Government is in the process of reviewing council housing finance. It is as yet unclear about what approach the Government will take and whether this will lead to more or less money being retained within the subsidy system to be spent on the management and maintenance of council housing. The current system is delivering a surplus to the national finances. The Review is due to report in the spring of 2009.

Resources

Housing benefit subsidy

The net cost of housing benefit (£2m) masks the gross spend of £179m. Government has continued the recent trend of reducing subsidy into 2009/10 despite saying there would be no mid-term changes in responsibility; this further complicates budget planning with constantly changing regulations. Management action to counter the loss of subsidy is incorporated in the budget, but quite small changes (e.g. in subsidy rates) can be magnified by the scale of the gross expenditure.

Accommodation Strategy

Risks in future years arise from the present position of having moved away from freehold to leasehold accommodation, in the form of:-

- uncertainty on periodic rent reviews;
- our ability to downsize the amount of space we rent in line with reductions in the staffing establishment and introduction of alternative working arrangements (e.g. home and mobile working);
- dilapidations costs at the end of the lease terms

Corporate & Council Wide

Credit Crunch and Recession

The impact of the credit crunch and recession will have an impact across many council services during the scope of the medium term financial plan. The impact may increase existing risks levels as well as creates new ones. All risks affected by the recent extraordinary economic events are brought together here to highlight the exceptional scale of the challenge facing the council to maintain and meet increased service demands within limited and potentially reducing resources, balances and reserves.

- Children's Service

  School Places – as parents increasingly exercise their choice for state education over private provision.

- Rents, fees & charges

  These income streams total around £77m next year. The council has experienced significant income shortfalls in previous and current years including Land Charges and Planning Income which are mentioned elsewhere. Other areas that could be significantly reduced in a period of recession include Building Control income and a range of Highways income budgets relating to control of development work, as well as Section 106

contributions that support budgets in both Highways and Greenspaces.

- Council tax collection

  Around £194m in council tax will be collected in 2009/10 to support the council and GLA budgets. Barnet has the largest taxbase in London and the 5th largest in the country. Non-collection of council tax measured in fractions of percentage points can have a significant impact on the budget – the budgeted 1.5% non-collection rate amounts to £2.95m. Over-estimation of the tax base can have the same consequences and in the light of the down turn in the housing market, the forecast taxbase growth has been significantly reduced from previous years.

  During a period of recession there is an increasingly greater risk of default on debt. Tax collection rates are being constantly monitored to identify any reduction in anticipated council tax cash collection so that action can be taken as early as possible to identify remedial action. The council is confident in its tax collection estimates for 2009/10 but later years will need to be re-assessed in the light of the economy and the impact on local tax payers.

- Business Rates

  Problems have been reported in the collection of business rates (NNDR). This is a national tax and whilst there is a clear impact on the local economy, any shortfall in NNDR is a risk that should be managed by Central Government. In the short term any deficit will need to be met from the budget for Communities and Local Government. However, long term deficits may be passed onto local government through even lower grant settlements, possibly starting with the next spending review in 2010.

- Housing and Council Tax Benefits

  It is anticipated that increase in the demand for housing and council tax benefits will result in additional payments and also an increase in the work load handled by the Housing Benefits Unit and Council Tax Benefits Team. Unemployment and short hours working are expected to increase as economic activity reduces. "Buy to Let" landlords face repossession of properties if they are unable to keep up mortgage payments. Where this happens any existing tenant will have to move to a new address. Owner occupiers who default on mortgage payments may also lose their home and have to move. All of these will result in additional activity within the Housing Benefits Unit and Council Tax Benefits Team which have already taken steps to meet increased demand for benefits.

  Without higher benefits take up, the loss of income due to reduced tax collection is likely to be much greater than any increase in costs.

- Council deposits in Icelandic deposits

  The maximum impact of this risk is that the Council is unable to recover any of monies deposited, though this is not expected to be the outcome. Actions being taken to mitigate this risk were set out in detail in the report to Cabinet on 23 October 2008, and through the Chief Finance Officer's attendance at creditors' committee meetings. There was a follow up report to Cabinet Resources Committee on 19 January 2009.

  The accounting treatment of any potential impairment is set out in CIPFA LAAPs 78 and 79 (provisional). At present there is insufficient information to determine the impact of these rules and as such there is a risk.

- Credit Guarantee Scheme (CGS)
  Previous advice indicated that the Government's CGS scheme would cover council deposits to eligible UK institutions. However, recent updates have made it clear that the council's current deposits are not secured under this scheme and therefore remain at risk by default of counterparties. The Treasury Management Strategy being reported to Cabinet Resources Committee in March will advise on the steps taken to reduce this risk.

- Next triennial review of pension fund
  The next pension fund review will be in 2010 and have budget implications from 2011/12. Actuaries have been reporting significant short term falls in pension fund assets to liabilities including a massive fall in the median funding level at 31 March 2007 of 85% compared to 68.2% at 31 October 2008. The immediate effect would be a 30%-40% increase in the average employer's contribution rate. Reports do emphasise that after allowing for particular circumstances that this will vary greatly between funds. Nevertheless it is indicative of potential volatility of pension funds in the short term.

  However, long term planning is necessary and experts advise that there is no immediate need for any contribution increase for most employers. Employers are told to expect some upward pressure on contributions rate at the next valuation although the extent will depend on how much the market improves and structure of individual funds.

  Whilst it is not possible to predict the outcome of the next review on current contribution rates, the level of future contributions by the council must be recognised as a medium term risk.

- Comprehensive Spending Review 2007
  In a speech at Haringey in June last year Hazel Blears said that the government had no plans to re-open the funding settlement as there was little point in long-term budgets if they were going to be unpicked mere months in. However, the Pre-budget increase in the public sector efficiency target and CLG statement that provisional settlement figures will only change in exceptional circumstances leaves the possibility that the Government may look to reduce the 2010/11 provisional grant figures to help finance increases in public sector borrowing due to the credit crunch.

- Interest and debt management
  Normal daily fluctuations in interest rates can affect cashflow and short and long term borrowing. In-year net gains have provided an offset for some significant overspends in recent years, and have been the major contributor to the level of General Fund balances the council now has. Cabinet Resources Committee on 19 January 2009 agreed that the forecast £4m interest benefit in 2008/09 be set aside in a provision to meet any shortfall on budgeted interest earnings 2009/10. Should interest rates continue at current levels it will create a budget pressure in later years when the provision is exhausted.

- Regeneration schemes
  The poor economic climate and the current housing and finance market place added risks on the estate regeneration schemes. Principal Development Agreements are in place on Grahame Park, West Hendon and Stonegrove. It is likely that these schemes may not progress in the timescales envisaged as a result of the housing market. The risk attached to this is that the Housing Revenue Account may have to maintain properties on the estates for longer than originally envisaged and costs to be recovered will be delayed.

- Financial standing of partners and contractors
  The council has significant partnerships and contracts that deliver council services. The risk of external service providers failing is greatly increased by the recession as highlighted by the demise of many well known national companies in recent weeks. The council will continue to monitor contract performance as a means to identify service delivery problems as early as possible.

- Capital receipts
  Prudent assumptions have been made on the level of capital receipts being generated in future years, based on experience and the impact of the collapse in the property market on land values and reduced development activity. It remains the case, however, that unless the council can complete a number of substantial deals over the period of the Financial Forward Plan, then the current annual increase in prudential borrowing the council is budgeting for will become unsustainable as the cost of financing this debt becomes an ever greater fixed element of the base budget. Where investment is dependent on disposing of redundant land, any slow down may impact on the level of resources available and require rephasing or delay to the programme, or additional short term borrowing to bridge gap pending recovery of the market.
  The Primary School Capital Investment Programme is a key example where the potential fall in value of land earmarked for sale may result in a lack of capital resources in future years.

  The Council's Mill Hill depot forms part of the Mill Hill East Area Action Plan and the land will be disposed of as part of a Landowners Agreement. Relocation of depot services to the council site at Pinkham Way will be funded by receipts from the disposal, the value of which will be affected by the property collapse.

Regeneration Community Assets
There will be the ongoing running costs of community assets built by regeneration partners where they are net additions to the council's assets. This cost will need to be taken into account in later years.

Specific and Area Based Grants
2009/10 is the second year of the three year grant settlement, first announced back in November 2007. This means 2009/10 grant figures are final although 2010/11 details remain provisional. Until grants are confirmed there remains some specific grant risks which are addressed under the relevant service.

Area Based Grant (ABG) is the aggregation of various grants from different Government departments into a single grant paid monthly. ABG comes with no conditions and it is for the council to determine spending priorities. This enables the council to review and challenge expenditure that was previously "protected" as individual specific ring-fenced grant. This flexibility though comes at a price – ABG is now nothing more than a second allocation of Formula Grant, but with significant exceptions:–

- there is no floor protection at the end of the three year funding period,
- provisional grant may be reduced or converted back to specific ring-fenced grant if government departments so wish.

Litigation and legal issues
Legal Services are currently managing a significant number of actual and potential litigation cases from across the council. These have been risk assessed at a potential cost of £0.2m in total, a figure much lower than the worst case scenario. Significant specific legal items are set out below.

- Catalyst Housing Group (CHG)
  CHG have made two deficit claims. The first in April 2007 in respect of the period April 2001 to March 2006, and a second claim in July 2007 for the year 2006/07. The sums involved have been reported previously to Cabinet Resources Committee as exempt information. Both claims have been rejected by the Council and are now in the process of independent arbitration. The separate capital risk relating to care home sites is no longer an issue.

- Carmelite Monastery
  Following the Secretary of State's decision in June 2008 not to uphold the Council's previous decision to make a Building Preservation Notice on this property, the Council has received a compensation claim relating to the drop in market value in the intervening period. Legal advice is being sought but it is prudent to include this as a risk whilst the issues are being examined.

- Bestway
  Bestway, owner-occupier of the Parcelforce site in Cricklewood is challenging the Council's UDP policy designation of their site as a strategic Waste Transfer Station relocation site as part of the wider Brent Cross Cricklewood Regeneration area. Bestway has also lodged formal objections to the outline regeneration application and have submitted their own application for alternative commercial and residential uses on their own site. The risk from this challenge is a policy and regeneration one which potentially could undermine the Council's statutory development plan framework and frustrate or significantly delay the delivery of the regeneration proposals. There is also risk of significant costs in respect of legal challenges and planning appeals and public inquiry costs which potentially could run into hundreds of thousands. The Council is closely managing these risks and has established a planning legal team to monitor Bestway to ensure appropriate steps and risk minimisation are followed over the coming months. Any legal challenge and potential risk of costs are unlikely to come forward within the next 3-6 months except normal planning appeals processes.

  Capitalisation of redundancies
  The council's strategy is to capitalise redundancies arising from budget decisions and major restructurings, but the ability to do this always rests on a Ministerial decision to provide the necessary Direction. Capitalisation approval for 2008/09 has been received. However, if this is not given in later years, the cost falls back on revenue. This risk is significantly increased by:-
  - The Government conducting an annual bidding process against a cap set by the Treasury whereby capitalisation requests can be reduced in proportion to the excess of bids over the cap.
  - The council's balances and reserves being at a sufficiently high level that Government regulations exempt it from bidding.

  Pay awards and inflation
  All service budgets face ongoing pay and inflationary pressures not fully recognised by Government grant settlements. There is a risk that the contingency provision based on a 0.5% reduction in inflation may be insufficient should there be significant variations to the budget savings and pressures included in the 2009/10 budget.

  The volatility in fuel and energy costs represents a major risk for which some allowance has been made in the budget. Transport fuel costs rose steeply for the majority of 2008, before falling back in the last quarter of the year. However, prices remain above budgeted amounts and it remains difficult to accurately project future movements in prices. As an indication of scale the Council's transport fuel bill exceeds £1m per annum and prices increased by around 40% during 2008. Fuel costs are highest within Environment and Transport, due to the necessity of using vehicles within the refuse, cleansing and highways services, but Adult

Social Services and Children's services also have significant levels of vehicle use.

Additionally other energy costs (heat and light etc) also represent significant Council budgets. Aside from building related costs the Energy contract for Street Lighting is due for renegotiation in September 2009, the current rate payable under the agreement dating from August 2006 is 7.21 pence per Kw/Hr, recent agreements in other Boroughs have been around the £11-£13 per Kw/Hr range.

Pay and grading review

Single Status has been completely dealt with in Barnet, but there is ongoing work to do around equal pay reviews.

Market loans

Borrowing for capital investment comes from two sources, the Public Works Loans Board (PWLB) and the market. Volatility in interest rates has already been mentioned but there is an added risk in respect to the market loans taken out in the form of Lender Option Borrower Option loans (LOBOs). These tie the council into a fixed rate for an initial period of years, after which the lender has the option at regular intervals (the most frequent option being every 6 months) to change the interest rate. The borrower (the council) has the option of accepting the rate change or repaying the debt, the decision being based on the rates currently in the market should the council need to refinance the loan. It is important to stress that the risk here is not whether the borrowing instruments are sound, it's the impact that future interest rate movements might have.

Changes to Statements of Recommended (Accounting) Practice

Changes to SORPs are not always just technical changes to statements in the final accounts; they can sometimes have a direct impact on the budget and Council Tax. The accounting treatment of the impairment of Icelandic Bank deposits has already been highlighted.

A long running proposal under review by CIPFA and the wider accounting standards community is accounting for depreciation, which could place "real" charges into the budget. This is different from the changes to regulations on the repayment of borrowing (i.e. minimum revenue provision – MRP) as depreciation is based upon current asset values irrespective of the method of financing. As an indication of the potential impact, notional depreciation charges exceed the MRP by more than £10m.

The new regulations require the council to agree a policy for the repayment of borrowing which will be incorporated into the Treasury Management Strategy.

Spending Review 2009

There is no information on government grant after 2010/11 as this will be determined by the next Government Spending Review which is due in the summer of 2009 although this is still subject to some doubt. It is almost certain that the current trend in reduced public expenditure growth will continue with zero or even sub inflation grant increases and that grant will continue to be redirected away from London. As previously mentioned, there is also the risk of reductions in Area Based Grant as it is outside the grant floor regime. Therefore, it is even more critical for the council to maintain its financial standing.

The next spending review is likely to incorporate updated population and tax base information. This may cause turbulence in the distribution of grant at a time when the government is keen to reduce the protection afforded by grant floors.

Barnet has moved above the grant floor in 2009/10 and 2010/11, however, forecasts of grant

beyond these years is assumed to be a cash standstill based on the forecast reduction in public expenditure and potential losses resulting from changes to grant distribution.
Separate to the council's resources, it is more than likely that the generous settlements received by schools and the Primary Care Trust in recent years could come to an end under the next spending review. Schools will need to understand and plan for the risk of greatly reduced government support. There is also the risk to the non-schools council budget by having these two groups in a worse financial position than for some time and the pressure they might then apply to the council to make up for it.

Barnet Financing Plan (BFP) - Colindale Case Study
The case study concluded that the crucial infrastructure investment required to meet growth targets in Colindale amounts to a real cost of £124m over a six year period to March 2014.

After allowing for Government growth funding and other contributions, the total net infrastructure cost to be met by the application of BFP is £39m requiring revenue financing costs of interest and repayments totaling £110m over 20 years. An analysis based on BFP principles, of future local revenue streams identified that real total income of up to £110m to 2034 could be available from capturing and retaining the proceeds of local revenues arising as a consequence of growth. However, this is untested in the UK and represents a massive financial risk to the council unless the government change their stance and agree to underwrite the financing costs of the council.

Future Shape
Cabinet on 3 December 2008 considered the Future Shape of the Council report which proposes a model for the Council and its partners that will enable them to work more closely and effectively to respond to the needs and aspirations of people in Barnet and to translate these into priority outcomes, the delivery of which will significantly improve the quality of citizens' lives and their experience of the public service. The Council's direct service delivery role may shrink as its strategic capacity expands.

In the short term there is the risk that savings may not materialise or be insufficient to replace balances used to fund the assessment and any future procurements. In the longer term, financial risks will need to be fully assessed once the detailed proposals are finalised.

Capital – Capping of Prudential Borrowing
Since the introduction of Prudential Borrowing, the Government has retained reserve powers to limit local government borrowing, either due to national borrowing exceeding macro targets or at the local level where individual authorities could be nominated as using excessive borrowing. Restrictions on planned borrowing could seriously hinder the council in achieving its corporate objectives. To date, this power has never been invoked but it remains a potential risk, especially with the slow down in economic and public sector growth combined with huge increases in government borrowing to bail out banks and support the economy.

Relevant External Audit comments

9.53 The Council was served with a Section 11 Notice by the External Auditor in February 2004, as part of the Annual Audit Letter for 2003/04. The primary concern of the External Auditor at that time was the level of balances and insurance provision. Subsequent annual External Audit reports have highlighted the Council's positive and rapid progress in rebuilding balances and provisions but have also emphasised the need to maintain adequate balances of at least £10m (excluding schools).

9.54 The External Auditor's report for 2007/08 noted that the level of cash reserves as compared to other neighbouring authorities is now above the average and is encouraging as in past years the level of revenue reserves has been relatively low. However, it should be noted that for 2007/08, Barnet's combined balances and reserves represented only 2.44% of gross expenditure and income which, in contrast to the cash position, ranked the council only 27th out of the 33 London boroughs (see Appendix G). This is clear evidence that Barnet continues to work with low balances compared to the rest of London when the size of each authority is taken into account.

Members are reminded that previous years' comments by External Audit that the Council should continue to maintain adequate levels of reserves as a cushion against unplanned expenditure in future years still holds true.

General Fund Balances

9.55 The following summarises the forecast of General Fund balances, including all recommendations agreed by Cabinet Resources Committee at the meeting on 19 January 2009. On 4 February, the Minister for Local Government announced details of the proposed payments from the release of the £100m of Local Authority Business Growth Incentive Scheme (LABGI) in respect of the 2008/09 contingency funds held back pending further legal challenge. It is anticipated that the payment will be made soon after consultation finishes on 19 February and the provisional allocation is included in the forecast balance below.

9.56 The forecast interest saving of £4m reported to Cabinet Resources Committee will be transferred to reserves and provisions and so is not shown below as there will be no addition to the General Fund balance.

	£m
Balances @ 31 March 2008	17.447
Forecast Variations in 2008/09	(3.262)
Allocations agreed from balances	(0.912)
LABGI 2008/09 (provisional allocation)	0.761
Forecast Balances @ 31 March 2009	14.034

9.57 The Council entered 2008/09 in a strong financial position with general balances of £17.447m (excluding school balances), well in excess of the balances available in recent memory. This position provides the Council with more flexibility to meet the challenges it faces. The latest monitoring report to Cabinet Resources Committee shows that directorates are currently projecting a £4.174m call on the General Fund due to net overspending and agreed allocations. This projection and LABGI results in a reduction in General Fund Balances from £17.447m to £14.034m by 31 March 2009 which is £0.966m below the current £15m target and represents a 19.6% reduction in the balance, including base budget pressures that will impact on the 2009/10 budget.

9.58 Since 2006/07 I have recommended £10m as minimum balance and, in 2008/09 recommended a target of at least £15m in balances to meet risks. Since 2006/07 Barnet's gross turnover has increased substantially. In the light of the reported risks being reported now and the economic crisis, the council needs to consolidate and if possible, strengthen its financial standing.

9.59 This is the fourth year of the council formally determining the appropriate level of General Fund balances. The £10m minimum was set at a time when the council's finances and balances needed rebuilding which has been achieved and more. To consolidate and embed the current

financial strength further, the minimum balance should be raised to the target of £15m, to provide a permanent flexibility and buffer against short term overspending and unforeseen pressures whilst also enabling the council to take advantage of invest to save initiatives such as Future Shape. In the light of the final 2008/09 outturn, the council should identify in year savings and any windfall gains in 2009/10 to ensure balances by 31 March 2010 reach the recommended balance.

General Fund Specific Reserves

9.60 The Capital Projects reserve provides for one-off expenditure across the capital programme that does not meet the test for capitalisation, and is also available to meet exceptional costs in delivering capital receipts. The Restructure Reserve provides for severance costs should the necessary Ministerial Directions to capitalise not be obtained. The other significant reserve is for litigation costs. Most of these reserves are likely to be exhausted within a couple of years and Cabinet may need to be make further provisions for these in later years of the Financial Forward Plan, in accordance with the policy set out in the Medium Term Financial Strategy.

General Fund Specific Reserves 2009/10 (£'000)	Opening Balance	Potential Changes	Closing Balance
	£'000	£'000	£'000
Capital Projects	5,100	(3,000)	2,100
Restructure Reserve	3,842	(3,000)	842
Utilities Reserve	250	(250)	0
IS License Reserve	470	(470)	0
Litigation	2,008		2,008
Interest Earnings	4,000	(4,000)	0
	15,670	(10,720)	4,950

Committed Later Years			
PFI Street Lighting	2,677		2,677
Lottery	90		90
Totals	18,437	(10,720)	7,717

Summary & Recommendations of the Chief Finance Officer

9.61 The Council is required by the Local Government Act 2003 to take into account advice from its Chief Finance Officer on the level of balances and reserves. It is also required to take into account any relevant advice provided by the External Auditor.

9.62 LAAP[6] Bulletins are intended to provide guidance that represents good financial management and which should be followed as a matter of course. LAAP Bulletins 55 and 77 are guidance notes on "Local Authority Reserves & Balances" that advise that if the advice of the Chief Finance Officer is not accepted, this should be recorded formally in the minutes of the Council meeting that approves the council budget. LAAP 55, Section 7.2 of this guidance states:-

The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the CFO. To enable the Council to reach its decision, the CFO should report the factors that influenced his/her judgement (in accordance with paragraph 6.2) and ensure that the advice given is recorded formally. Where the Chief Finance Officer's advice is not accepted this should be recorded formally in the minutes of the council meeting.

6 Local Authority Accounting Panel (LAAP)

9.63 There is no formula for calculating the appropriate level of balances, but it should be determined after taking into account the financial risks facing the council and the opportunities for the council to explore initiatives such as Future Shape and the Barnet Financing Plan. The council can certainly be managed with lower balances, but this creates a serious risk of every adverse budget variation during the year becoming a crisis. The Council's decision making would be continually overshadowed by a weak financial position, diverting executive and management attention from all the other corporate priorities around service delivery.

9.64 The level of council balances will also have a direct link to the council's score on Use of Resources as part of CAA in future. Within that context, a low level of balances also reduces the council's ability to take risks and so reduces the opportunity to make innovative improvements to service delivery and deliver further efficiency savings.

9.65 Having taken into account the forecast level of balances and specific reserves at 31 March 2009, the Chief Finance Officer's recommendation is that General Fund balances should not be allowed to fall below £15m by 31 March 2009. This is in the light of the risks set out in this report and the economic recession. Also, any drawing from balances to meet recurrent expenditure must be made good in the following year's base budget, which would compound the risks in that year and weaken the Council's financial standing should the minimum level be breached.

9.66 Cabinet also needs to continue its rigorous budget monitoring during the coming year and claw back a windfall of underspends to the centre.

9.67 In responding to these recommendations, Cabinet and the Council must decide what it considers to be the appropriate level of balances given all the factors set out by the Chief Finance Officer. If it considers an appropriate level to be less than the £15m recommended then it must recognise that this decision must be recorded at the Council meeting that sets the 2009/10 budget and council tax.

Prudential Borrowing

9.68 The Prudential Code enables councils to borrow without Government approval, subject to the cost of borrowing being affordable in future years. The poor settlement outlined in this report makes no provision for any increase in any borrowing over 2008/09. Nevertheless, the Financial Forward Plan provides for affordable prudential borrowing as set out in Appendix B, over the next three years. Provision for the additional cost of this borrowing has been contained within the recommended budget. The Council should recognise this considerable achievement and approve the level of prudential borrowing set out in Appendix B.

Housing Revenue Account

9.69 The Local Government & Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account and prescribed the debits and credits for it. Any surpluses generated from the HRA can be used to support the account when it fails to break even and for any one year a budget can be set such that there is a drawing on balances, but it is not permissible for an overall HRA budget deficit to be set. It is for the Council to determine what level of balances should be maintained. At 31 March 2008 the HRA balances were £4.164m, and forecast to be £4.506m at 31 March 2009 at the Cabinet Resources Committee on 19 January 2009.

9.70 The principal items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met

by rent and service charge income from dwellings, garages and commercial premises. However, the national housing subsidy system is a mechanism for redistributing resources between local housing authorities and in 2009/10 Barnet has to contribute £12.9m to the pool – this contribution is increasing annually. This year's settlement includes a two-year arrangement for guideline rents which will lead to a similar rent increase in 2010/11. The Government's Review of Council Housing Finance is nearing completion and is due to report in Spring 2009.

9.71 It has been the practice in earlier years to use some of the surpluses generated from the HRA to finance capital investment in the housing stock as capital resources are scarce. This can only be done in future if the level of balances is high enough to meet any contingencies that may arise. The immediate issue for the HRA is, therefore, to return to a position of budget surplus to maintain a healthy position and generate further resources for capital investment.

9.72 The financial forward plan for the HRA currently shows a draw down on balances for all but the coming year. This position cannot be sustained in the long term and the Council together with Barnet Homes is reviewing the business plan with a view to bringing the HRA back into surplus in future years. There is clearly a high risk with the HRA at present and the position will need to be closely monitored.

FOR DECISION BY COUNCIL

9.73 Council should, taking account of all matters set out in this report, determine what it considers to be the appropriate level of General Fund balances and note the position on the HRA balance."

Greater London Authority

The Leader's report then addressed the Greater London Authority (GLA) precept incorporating the following budget requirements:-

- Mayor's Office
- GLA Assembly
- Corporate administration
- Transport for London
- London Development Agency
- Metropolitan Police Authority
- London Fire & Emergency Planning Authority
- 2012 Olympics and Paralympic Games

The Mayor had issued his draft budget for consultation on 11 December 2008, proposing a freeze in the precept. His final budget was considered and approved by the London Assembly on 11 February 2009.

A summary of the provisional levy was given as set out below:-

GLA Functions	2009/10 Draft	2008/09	Increase
	£	£	%
Metropolitan Police Authority	224.37	227.02	(1.17)
London Fire & Emergency Planning Authority	53.41	50.46	5.85
Transport for London	4.06	4.09	(0.73)
Greater London Authority	8.76	10.15	(13.69)
London Development Agency	0.00	0.00	-
Olympic Surcharge	20.00	20.00	-
Surplus on Borough Collection Funds	(0.78)	(1.90)	(58.95)
Total GLA Group	**309.82**	**309.82**	**0.00**

Collection Fund

On the statutory date (15 January 2009) the Chief Finance Officer had forecast the collection of previous years' council tax, as at 31 March 2009. This calculation had identified a surplus on the Collection Fund of £0.975m, which had been allocated between Barnet and the GLA – Barnet's share being £758,430. The surplus resulted from more new properties being completed than forecast when setting the 2008/09 tax base together with improvements in collection following investment in new staff and systems. The estimated collection rate for 2009/10 remained 98.5%.

Council Taxbase

There were two measures of the taxable capacity of the Authority. The first was the Inland Revenue Valuation Office list, which was adjusted for discounts and exemptions on the council tax system and was used by Government in Formula Grant calculations. The second was used for tax setting purposes and was a calculation made by the Chief Finance Officer, representing the estimated taxable capacity for the year ahead and incorporating the estimated collection rate.

Under delegated powers, the Chief Finance Officer had determined the 2009/10 taxbase to be 136,605 (Band D Equivalents) – the calculation was as set out below:-

Council Taxbase	Band D Equivalent	
	2008/09	2009/10
Number of properties	158,390	160,013
Estimated discounts	(18,258)	(18,908)
Estimated other changes	(2,400)	(2,692)
Total Relevant Amounts	**137,732**	**138,413**
Estimated non-collection (1.5%)	(2,066)	(2,076)
Contribution on lieu of MoD	278	268
Council Taxbase	**135,944**	**136,605**

Council Tax

The calculation of the council tax for Barnet was as set out below:-

BUDGET	2008/09	2009/10
	£	£
Total Service Expenditure	250,656,520	260,099,570
Contribution from balances	0	(1,000,000)
Area Based Grant	(13,154,630)	(14,322,660)
BUDGET REQUIREMENT	**237,501,890**	**244,776,910**
Formula Grant	(11,004,762)	(17,243,208)
Business Rate Income	(79,052,582)	(74,706,428)
Collection Fund Transfers	(250,800)	(758,430)
DEMAND ON COLLECTION FUND	**147,193,746**	**152,068,844**
Council Taxbase	135,944	136,605
BASIC AMOUNT OF TAX	**1,082.75**	**1,113.20**

The provisional GLA precept was £42,322,961, making the total estimated demand on the Collection Fund £194,391,805.

The Council was required to set levels of council tax for each category of dwelling. As there were no special items within Barnet's or the GLA's budgets affecting parts of the borough, there were only eight amounts of tax to set, as set out below:-

Council Tax Band	Barnet	GLA	Aggregate
	£	**£**	**£**
A	742.13	206.55	948.68
B	865.82	240.97	1,106.79
C	989.51	275.40	1,264.91
D	1,113.20	309.82	1,423.02
E	1,360.58	378.67	1,739.25
F	1,607.96	447.52	2,055.48
G	1,855.33	516.37	2,371.70
H	2,226.40	619.64	2,846.04

Individual Council Tax bills would reflect occupancy status with discounts for low occupancy (one or no adults) and exemptions for specific circumstances. In addition, some residents would be eligible for Council Tax Benefit. In 2007/08, approximately 19% of council tax payers had claimed a full or partial council tax rebate.

Medium Term Financial Strategy & Financial Forward Plan

The Medium Term Financial Strategy (MTFS) had been approved by Cabinet Resources Committee in March 2007 and was presented in Appendix A to the Leader's report. It provided a framework for future years' financial plans.

Forward financial planning was critical to support council performance and achieve its priorities. It was also a requirement under the Prudential Framework that decisions on the budget must be taken in the context of the Forward Plan, with particular attention being paid to the affordability of prudential borrowing over a period of at least 3 years.

An update on the Financial Forward Plan was attached at Appendix D to the Leader's report. Some key assumptions had had to be made in constructing this forward plan (e.g. estimated pay awards, inflation, levies, pension contributions, prudential borrowing, investment income), along with targets for efficiency savings and budget reductions. Quite small changes in these variables could have a significant impact on the final council tax figures.

The Settlement had announced Barnet's provisional grant figure for 2010/11 which was incorporated into the Financial Forward Plan. The Pre-Budget report had forecast a real terms fall in public spending of 2.5% of national income indicating cuts in many public services. Taking this into account, the plan assumed no increase in formula grant from 2011/12 assuming the government continued to provide some form of grant floors even if it was just to ensure no decrease in grant.

The Leader's report reminded members that they needed to be fully aware of the "gearing" problem that establishment of the Dedicated Schools Grant had created. With the Council's net budget in the order of £245m and Government grant in the order of £92m, there was already an in-built requirement to achieve considerable efficiency savings and budget reductions to cope with this funding ratio between council tax and grant of 1.7 : 1. On top of that, there was the likelihood of seeing the later years' % grant increases being outstripped by % inflation increases on the £238m – and all this before any increased demand for local services, particularly resulting from increasing population or due to the recession.

This fundamental gearing problem simply reinforced the requirement to maintain balances throughout 2009/10, and where possible to increase them.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) was a statutory ring-fenced account covering all revenue expenditure and income relating to the housing stock. The Council was required to construct a budget to ensure that the account for the year did not show a debit balance. 2010/11 would be the sixth year of management of the housing stock by Barnet Homes, and the summary HRA was shown in Appendix C to the Leader's report.

Rent Restructuring

The Government had introduced rent restructuring and convergence for local authority and registered social landlords (RSLs) over a 10-year period starting April 2002. All rents would be calculated on the same basis, with 70% based on average earnings for the region (adjusted for numbers of bedrooms) and 30% based on the valuation as at January 1999.

The Government had consulted during the summer of 2005 on a 3-year review of rent restructuring, and implemented its proposals in 2006/07. These had involved a re-calculation of base formula rents in line with those used for housing association properties, together with higher weightings for properties with three or more bedrooms.

Rents moved towards a target figure for each property. This year, the Government had extended the deadline for convergence to 2023/24 for the purposes of calculating the guideline and formula rents. It was proposed therefore that rents be increased by an overall average of 6.2%, in line with the guideline rent. The increase to any

individual property was limited to inflation (deemed to be 5.0%) plus 0.5% plus £2 per week (on a 52 week basis). Should rents be increased by less this would lead to a reduction in services.

Housing Subsidy

The trend of redistributing resources away from London had been continued in the 2009/10 subsidy settlement. Barnet was above target levels for management allowances and these had been cash-limited at 2007/8 levels, with no protection for inflation.

There was an additional £4 per dwelling added to the management allowance for the production of energy performance certificates, which were now required for each new letting. The management allowance had been set at £648.68 per dwelling. However, the maintenance allowance had increased for 2009/10 by 5.7% to £1,221.13 per dwelling. The guideline rent increase reflected the restructuring referred to above.

The Major Repairs Allowance was also paid as part of housing subsidy. Barnet's allocation had increased by £483,000 from 2008/9 as the regional cost variations were now based on a three-year average. This therefore increased the resources available to fund the HRA-related capital programme.

Service Charges

Service charges for tenants had been introduced in 2003/04 for specific services (mainly caretaking), and it was proposed that these be increased in line with the overall rent increase cap of 5.5%. Charges for these services would not generally recover the full cost of their provision.

It was proposed, subject to consultation with tenants, to introduce a new service charge of 72p per week (48 week basis) to cover the installation and maintenance of communal digital TV aerials which would be provided through a programme over the next three years. The charge would be eligible for housing benefit and would affect approximately 3,675 tenants. Leaseholders affected, some 1,060, would be charged in the usual manner.

HRA Summary & Working Balance

Total expenditure for 2009/10 was estimated at £55.040m, including payment of £12.824m to the Government in respect of housing subsidy. The proposed average rent increase of 6.2% and the increase in tenant service charges were estimated to raise £2.890m, before the effect of reduction in property numbers was taken into account.

Energy prices continued to be volatile with significant increases recently announced by several suppliers. It was necessary to pass these charges on in respect of space and water heating. Barnet Homes was presently undertaking a review of its supply arrangements in order to obtain the best value for money. It was proposed to increase these charges by 5% at this stage, but it might be necessary to review this further during the year.

It was proposed that rents for the Council's hostels be increased in accordance with

the general rent increase. Rents for the Council's shared ownership schemes needed to be brought in line with rent restructuring, and the maximum individual increase would be set at 5.5% plus £2, pro rata for the rented share of the property. It was also recommended that rents on garages be increased by 4%.

The HRA working balance had stood at £4.164m on 31 March 2008, and it was anticipated that the HRA would make a small contribution of £0.342m to balances in 2008/09 (Cabinet Resources Committee 19 January 2009). The forward plan showed a balanced account in 2009/10, leaving forecast balances of £4.506m at 31 March 2010.

HRA Minimum Revenue Provision (MRP)

Unlike the General Fund, there was no requirement for the HRA to be charged with the MRP or its depreciation equivalent. The Government's removal of this legal requirement, combined with subsidy changes resulted in there being no equivalent reduction in debt unless a voluntary charge was made – without subsidy, which had to be found from within HRA resources. Barnet's current policy was to not make a charge which was robust from a legal perspective. The option of making a charge remained a consideration for the Council should it prove beneficial to do so.

CAPITAL PROGRAMME

Introduction

The capital programme set out the plans for investment in buildings, roads, equipment, other assets and capital grants over 2008/09 to 2011/12 and beyond.

The recommended capital programme was set out in the report of the Leader of the Council. Decisions on the level of capital expenditure depended on the availability of various sources of funding. This included capital grants, capital receipts, developer contributions and borrowing.

Government supported investment in two ways. Capital grants that were generally ring fenced to specific programmes (such as schools) or projects and was real funding to the Council. This was in contrast to notional capital allocations that fed into either revenue Formula Grant or Housing Subsidy (referred to as supported borrowing). With below inflation revenue grant increases the reality was that the cost of borrowing was not funded by Government grant.

As such, the Council could no longer base capital investment decisions on notional Government figures and had to determine the level of investment in accordance with the self-regulatory Prudential Framework. Local authorities might determine the amount of capital investment they could fund by 'unsupported' prudential borrowing based on affordability, prudence, sustainability and good practice. Recently, the Council had used prudential borrowing to modernise and maintain its infrastructure. This level of borrowing was not sustainable.

Capital Programme

New capital proposals were supported by a full business case, which detailed the contribution schemes would make to achieve the Council's priorities, all the available options for implementing the project and financial implications of each. The relative merits of each proposal were assessed within the context of available capital

resources to produce a prioritised capital programme.

Provision for revenue costs (running costs and borrowing) were included in the revenue budget. Updated reports would be submitted to Members to confirm final costs. New regulations on minimum revenue provision required the Council to agree the policy for repayment of capital. The policy was included as part of the Treasury Management Strategy, and the revenue budget and forward plan allowed for the increase in the statutory cost for the repayment of borrowing based on asset life rather the previous 4% Minimum Revenue Provision on the capital financing requirement. The change was welcome in that it required the repayment of debt over the life of the asset.

The capital programme was now extremely reliant on external grants and prudential borrowing to fund capital borrowing. The only area of the current capital programme of which capital receipts were expected to fund a significant part was the Primary Schools Capital Investment programme (PSCIP) and the risk around this was outlined under the risks in paragraph 9.52 of the Chief Finance Officer's report quoted in full above.

Barnet's refreshed bid for Growth Area Funding – Round 3 – was just under £55 million. Although this was ambitious set against a limited national pot of £264 million (which was over 3.5 times oversubscribed), Barnet had received the highest award in London and was in the top six in the country. The total award for 2009-2011 was over £12m million based on a number of area bids and priorities for which Colindale was joint top priority. Cabinet Resources Committee on 19 January had agreed that officers would develop proposals for the allocation of this funding to be brought to that Committee at a later date, after which the capital programme would be updated to include the schemes that had been approved.

The Chief Finance Officer had already referred to capital projects that presented a risk to the Council along with the prudent assumptions made on capital receipts that would be available to support the programme. The planned funding of the capital programme had been included in Appendix B to the Leader's report. General Fund borrowing was used to fund, on average, nearly 32% of the annual programme. The historical level of annual borrowing was not sustainable, and Cabinet might need to consider using significant capital receipts generated in future years to repay borrowing rather than fund further expansion of the capital programme.

The programme had been subject to considerable slippage in previous years with some £63m of 2007/08 capital budget now included in the 2008/09 programme. The capital monitor to Cabinet Resources Committee for 2008/09 had so far only rescheduled £7m of capital expenditure. However, the capital programme had incorporated further slippage that would be reported in more detail to Cabinet Resources Committee in March; although current slippage was still significantly less than in 2007/08. Inevitably, delay still represented a significant risk, especially where the projects were funded by time-limited capital grants or the investment wss budgeted to generate revenue savings. The updated capital programme reflected the latest estimates of slippage carried forward from 2008/09, but clearly until the accounts were closed the figures for each project ere only provisional. This would require a review of project budgets during the first cycle of budget monitoring of 2009/10 and a re-statement of budgets in 2009/10 in the first budget monitor reported to Cabinet Resources Committee.

The HRA programme for the improvement of homes was managed by Barnet Homes. It had entered into partnering agreements with the major contractors who would deliver the bulk of the programme until 2010/11. Funding was via the ALMO Decent Homes borrowing, other supported borrowing, the Major Repairs Allowance, capital receipts and contributions from leaseholders. Decent Homes borrowing approvals had been confirmed to 2009/10 and two of their partners would complete their programmes in 2009/10. The Government had announced that some allocations might be brought forward into 2009/10 from 2010/11, and Barnet Homes was reviewing the programme to assess the benefits of making an application.

The General Fund Housing programme totalled £5m in 2009/10. It included expenditure supporting housing association projects.

PRUDENTIAL CODE & BORROWING LIMITS

The Prudential Framework gave freedom to local authorities to invest as long as their capital plans were affordable, prudent and sustainable. The CIPFA Prudential Code set out the indicators that local authorities must use and the factors that they must take into account to show that they had fulfilled these objectives.

The principal constraint on capital investment would be the financial impact on the council tax and rent levels of the housing revenue account, which would be reflected in the indicators of affordability. It would be for the Council to decide on an appropriate level of borrowing in relation to its net capital financing costs and the level of council tax and housing rents.

For 2009/10, Government had provided local authorities with a mix of revenue support for capital financing costs based on notional capital allocations and capital grants via the single capital pot, but it had still to decide whether to continue with the current arrangements or change the balance between revenue support for borrowing and capital grants as part of the CSR. The Council had lobbied for capital support to be provided as capital grants because recent below inflation settlements resulted in there being no grant increase for new capital financing costs.

The financial indicators under the Prudential Code and the 2009/10 Treasury Management Strategy & Annual Plan requiring Council approval were set out in Appendix C to the Leader's report along with full details of their calculation and purpose.

The policy statement on the Council's Minimum Revenue Provision for 2009/10 was also included in the Treasury Management Statement in accordance with the Government guidance issued on 28 February 2008.

For the reasons set out in the Leader's report Cabinet

RESOLVED TO RECOMMEND

1. **That Council agrees to the prudential borrowing as set out in Appendix B and that the minimum level of General Fund balances should be £15m after taking account of all matters set out in the Chief Finance Officer's report on reserves and balances (paragraphs 9.38 to 9.73).**

Revenue Budget and Council Tax

3. **That the forecast revenue outturn for the year 2008/09 and the estimates of income and expenditure for 2009/10 be approved**

4. **That it be noted that the Chief Finance Officer under his delegated powers has calculated the amount of 136,605 (band D equivalents) as the Council Tax base for the year 2009/10 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.**

5. **That the following amounts be now calculated by the Council for the year 2009/10 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-**

   (a) £855,621,400 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;

   (b) £610,844,490 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;

   (c) £244,776,910 being the amount by which the aggregate at 5(a) above exceeds the aggregate at 5(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;

   (d) £92,708,066 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant or additional grant increased or reduced (as appropriate) by the amount of the sums which the Council estimates will be transferred in the year from:-

      (i) its collection fund to its general fund and;

      (ii) its general fund to its collection fund in accordance with Sections 97(3) and (4) and 98 (4) and (5) respectively of the Local Government Finance Act 1988;

   (e) £1,113.20 being the amount at 5 above less the amount at 5(d) above, all divided by the amount at 4 above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year 2009/2010;

London Borough of Barnet Valuation Bands (£)

A	B	C	D	E	F	G	H
742.13	865.82	989.51	1,113.20	1,360.58	1,607.96	1,855.33	2,226.40

being the amounts given by multiplying the amount at 5(e) 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 is 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 categories of dwellings listed in different valuation bands.

6. **That it be noted that for the year 2009/10 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:-**

Greater London Authority Valuation Bands (£)

A	B	C	D	E	F	G	H
206.55	240.97	275.40	309.82	378.67	447.52	516.37	619.64

7. **That, having calculated the aggregate in each case of the amounts at 5(e) and 6 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2009/10 for each of the categories dwellings shown below: -**

Council Tax for Area (£)

A	B	C	D	E	F	G	H
948.68	1,106.79	1,264.91	1,423.02	1,739.25	2,055.48	2,371.70	2,846.04

8. **(i) That in accordance with Section 38(2) of the Act the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 7 above pursuant to Section 30 of the Local Government Finance Act 1992 within a period of 21 days following the Council's decision.**

Housing Revenue Account and Rents

9. **That the Housing Revenue Account estimates for 2009/10 be approved.**

10. **That, with effect from 1 April 2009:-**

(a) the rent of all Council dwellings, with the exception of those included under Recommendation 11, be changed in line with the proposals outlined in this report, producing an average increase of 6.2%

(b) the rents of all properties relet for whatever reason be moved upwards to the formula rent. Where formula rent is below actual rent no reduction will be made.

(c) service charges for all tenants of all flats and maisonettes based on the services they receive be increased to the following charges (per week, 48 week basis):-

Caretaking	**£5.44**
Caretaking Plus	**£7.03**
Block Lighting	**£0.87**
Grounds Maintenance	**£0.56**
Quarterly Caretaking	**£1.09**

(d) That a new service charge of £0.72 per week (48 week basis) be introduced for all tenants of flats and maisonettes who receive communal digital TV services be introduced, subject to the results of consultation

(e) That there is an increase of 5% on the charge for space and water heating

11. That, with effect from 1 April 2009: -

(a) The basic rents of dwellings in the Council's equity sharing scheme at Moorlands Avenue, NW7 be amended in line with rent restructuring

(b) The net rents of dwellings in the equity share scheme at Friern Hospital be amended in line with rent restructuring.

The maximum increase in (a) and (b) above will be 5.5% plus £2 (pro rata to the rented share).

12. That, with effect from 1 April 2009, the rents of Council garages be increased by 4%.

13. That the Chief Executive be instructed to take the necessary action including the service of the appropriate Notices.

Treasury Management, Capital Prudential Code and Borrowing Limits

14. The Prudential Indicators set out in Appendix C to the Leader's report be recommended for approval to Council and that the Chief Finance Officer be authorised to raise loans, as required, up to such borrowing limits as the Council may from time to time determine and to finance capital expenditure from financing and operating leases subject to:

(i) the appropriate provision having been made in the estimates for 2009/10;

(ii) authorisation (where necessary) of the expenditure by the appropriate Government Department;

15. That the Annual Minimum Revenue Provision as set out and recommended in Appendix C to the Leader's report be agreed.

16. That it be noted that deposits with major UK banks will not be protected by the Credit Guarantee Scheme

Capital

17. That the capital programmes be approved, and that the Chief Officers be authorised to take all necessary action to implement them.

18. That the Chief Finance Officer be authorised to adjust capital project budgets in 2009/10 throughout the capital programme after the 2008/09 accounts are closed and the amounts of slippage and budget carry forward required are known.

19. That where slippage results in the loss of external funding and a new pressure being placed on prudential borrowing, the relevant Director report on options for offsetting this impact by adjusting other capital projects.

Contracts

20. That authorisation be given to allow tenders to be sought for contracts listed in Appendix F to the Leader's report.

Medium Term Financial Strategy (MTFS)

21. That it be noted that the current annual level of prudential borrowing cannot be sustained long term, and that Cabinet must also seriously consider using significant capital receipts generated in future years to repay borrowing rather than fund further expansion of the capital programme (paragraph 9.112).

NB: Cabinet's decisions of this date record their approval of recommendations that a public consultation be carried out in respect of proposed changes to the Fairer Charging Policy