

Meeting	Cabinet
Date	25 February 2014
Subject	Business Planning 2014/15 – 2015/16
Report of	Leader of the Council Cabinet Member for Resources and Performance
Summary of Report	This report sets out the Corporate Plan objectives, Budget, Council Tax and Medium Term Financial Strategy (MTFS) for the period 2014/15 – 2015/16

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Status (public or exempt)	Public
Wards Affected	All
Key Decision	Yes
Reason for urgency / exemption from call-in	N/A
Function of	Executive
Enclosures	Appendix A – Corporate Plan Appendix B – Consultation Appendix C – Medium Term Financial Strategy Appendix D – Detailed Revenue Budgets, Savings, Pressures and Council Tax Schedules Appendix E – Detailed Capital Programme Appendix F – Treasury Management Strategy Appendix G – Housing Revenue Account Appendix H – Equality Impact Assessments Appendix I – Reserves and Balances Policy Appendix J – Corporate Risk Register
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1. RECOMMENDATION

Corporate Plan

- 1.1 That Cabinet note the council's Corporate Plan included at Appendix A. This sets out the council's priorities for the forthcoming year.

Consultation

- 1.2 That Cabinet consider the consultation outcomes when making their decisions. The outcome of consultation is set out in Appendix B;

Medium Term Financial Strategy (MTFS)

- 1.3 That Cabinet approve the MTFS attached at Appendix C. The MTFS sets out all of the budget changes over the period from 2014/15 to 2015/16, including assumptions around inflation, changes to levies, pressures, savings and grant funding. It is the model around which the council's financial strategy is based;

Detailed Revenue Budgets, Savings and Pressures

- 1.4 That Cabinet recommend to Council for approval the estimates for income and expenditure, savings, pressures and council tax schedules as set out in Appendix D.

That Cabinet note that budget has been prepared on the basis of a 1% reduction in council tax for 2014/15 and a council tax freeze in 2015/16.

Overall the 2014/15 budget requirement totals £260,575,218.

- 1.5 That Cabinet note that the Chief Finance Officer under his delegated powers has calculated the amount of 128,463 (band D equivalents) as the council tax base for the year 2014/15 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended (the "Act")];
- 1.6 That Cabinet note that the council tax requirement for the Council's own purposes for 2014/15 (excluding precepts) is £141,575,218.
- 1.7 That Cabinet recommend to Council for approval the following amounts be now calculated for the year 2014/15 in accordance with Sections 31, 34, 35 and 36 of the Act:
- (a) £949,451,502 being the aggregate of the amounts which the council estimates for the items set out in the Section 31A(2) of the Act taking into account all precepts issued to it by precepting authorities.
 - (b) £807,876,284 being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £141,575,218 being the amount by which the aggregate at 1.8(a) above exceeds the aggregate at 1.8(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its council tax requirement for the year (Item R in the formula in Section 31A(4) of the Act).
 - (d) £1,102.07 being the amount at 1.8(c) above (Item R), all divided by Item T (Item 1.6 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (excluding precepts).

- (e) The Chief Finance Officer has determined that the Council's basic amount of council tax for 2014/15 is not excessive in accordance with the principles approved under Section 52ZB and 52ZC of the Local Government Act 1992.
- (f) £1,102.07 being the amount at 1.7 above divided by the amount at 1.6 above, calculated by the council, as the basic amount of its council tax for the year 2014/15;

London Borough of Barnet Valuation Bands (£)

A	B	C	D	E	F	G	H
734.71	857.16	979.62	<u>1,102.07</u>	1,346.97	1,591.88	1,836.78	2,204.14

Being the amounts given by multiplying the amount at 1.8(d) above by the number which, in the proportion set out in Section 5(1) of the Act, 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.

- 1.8 That Cabinet note that for the year 2014/15 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
199.33	232.56	265.78	<u>299.0</u>	365.45	431.89	498.34	598.0

- 1.9 That having calculated the aggregate in each case of the amounts at 1.8(d) and 1.9 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 2014/15 for each of the categories dwellings shown below:

Council Tax for Area (£)

A	B	C	D	E	F	G	H
934.04	1,089.72	1,245.40	<u>1,401.07</u>	1,712.42	2,023.77	2,335.12	2,802.14

- 1.10 That Cabinet recommend to Council 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 1.10 above pursuant to Section 30 of the Local Government Finance Act 1992 within a period of 21 days following the Council's decision.

Council Tax Support Scheme

- 1.11 That Cabinet recommend to Council for approval the Barnet Council Tax Support Scheme, adopted in January 2013, remain unchanged except for updating in line with Department for Work and Pension changes for housing benefit.

1.12 That Cabinet note that the working age non-dependent (ND) charges be updated as set out in paragraph 9.6.9.

1.13 That Cabinet note the technical changes to the scheme.

Capital

1.14 That Cabinet recommend to Council for approval the capital programme as set out in Appendix E, and that the Chief Officers be authorised to take all necessary actions for implementation.

1.15 That Cabinet recommend to Council that the Chief Finance Officer be authorised to adjust capital project budgets in 2014/15 throughout the capital programme after the 2013/14 accounts are closed and the amounts of slippage and budget carry forward required are known.

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

Treasury management, Capital Prudential Code and Borrowing Limits

1.17 That Cabinet recommend to Council for approval the Treasury Management Strategy for 2014/15 as set out in Appendix F.

1.18 That Cabinet note the full set of Prudential Indicators set out in Appendix F and authorise the Chief Finance Officer 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.

Housing Revenue Account

1.19 That Cabinet approve the following:

(a) The proposed rent increase of 2.5% for council dwellings as set out in paragraph 9.9.4 to take effect from 1 April 2014;

(b) The proposed increases to service charges for council dwellings as set out in paragraph 9.9.6 to take effect from 1 April 2014;

(c) The proposed rent increase of 3.2% for council garages as set out in paragraph 9.9.9 to take effect from 1 April 2014;

(d) The proposed reduction in rents for buyback properties as set out in paragraph 9.9.10 to take effect from 1 April 2014.

1.20 That Cabinet approve the Housing Revenue Account estimates for 2014/15 as set out in Appendix G.

Equality Impact Assessments

1.21 That Cabinet consider the Equality Impact Assessments included in Appendix H. A summary is set out in paragraph 5 of this report. The appendix provides the cumulative impact and individual delivery unit assessments where significant changes to service delivery are proposed.

1.22 That Cabinet recommend to Council to consider the Equality Impact Assessments at Appendix H.

Reserves and Balances Policy

- 1.23 That Cabinet recommend to Council to approve the Reserves and Balances Policy as set out in Appendix I and the Chief Finance Officer's assessment of adequacy of reserves in section 9.10. This states 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.

Corporate Risk Register

- 1.24 That Cabinet recommend to Council to note the Corporate Risk Register as set out in Appendix J.
- 1.25 That Cabinet note that the Local Government Finance Settlement has confirmed that government austerity measures will continue into 2015/16 and beyond meaning further cuts to government funding. This, alongside rises in the boroughs population and demand for services, provides new challenges for longer term financial planning which is being addressed through the council's Priorities and Spending Review.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet on 18 July 2013 agreed the budget setting process for 2014/15 and 2015/16.
- 2.2 Cabinet on 4 November 2013 agreed the draft budget proposals for 2014/15 and 2015/16 for consultation.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The annual business planning process enables Members to set the strategic direction of the Council – based on the priorities of residents - and for that direction to be reflected in the Council's Corporate Plan. The Corporate Plan stands as the primary document against which Council policy considerations are evaluated in Committee and Delegated Powers Reports.
- 3.2 The Council's strategic priorities and performance targets were refreshed for the period 2013/14 to 2015/16 as part of last year's business planning process and set out in the Council's Corporate Plan which was published in April. The Council's strategic priorities up to 2015/16, as reflected in the Corporate Plan, are as follows:
 - To create the right environment to promote responsible growth, development and success across the borough;
 - To support families and individuals that need it – promoting independence, learning and well-being; and
 - To improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.

The Council's budget is focused on delivering these strategic objectives, ensuring that resources follow strategy.

- 3.3 The Corporate Plan forms an overarching framework for more detailed Delivery Unit plans, team plans, and for setting performance objectives for individual officers, ensuring that all elements of the Council's business planning process are focused on achieving the strategic priorities agreed by Cabinet.

4. RISK MANAGEMENT ISSUES

- 4.1 There is a risk that service delivery cuts have a disproportionate impact on residents when combined with the impact of welfare reform and increasing cost of living. The Council has put in place support for people who will be affected by welfare reform, including supporting people into work and looking for sustainable housing options. Analysis of budget proposals and the completion of equality impact assessments is set out within this report.
- 4.2 As we continue to transform and adjust to austerity, the risk of Judicial Review is increasingly present, with an increasing number of claims against Local Authorities on grounds that a proper process was not followed in making the decision or relevant information was not taken into account. It is important that the Council considers its overarching statutory duties when considering budget planning and that processes are conducted in a rigorous and open minded way.
- 4.3 The Government announced further cuts for the 2015/16 Financial Year as part of the Spending Review 2013 and the Local Government Finance Settlement. This included a further cut to Local Government funding of around 10% in that year, as well as indicating that austerity is likely to continue until the end of the decade. Current modelling suggests that this is likely to equate to further annual reductions of between £15m and £20m to the Council's budget. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate future cuts.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Equalities and diversity issues are a mandatory consideration in decision making in the Council pursuant to the Equality Act 2010. This means that the Council and all other organisations acting on its behalf, have a duty to pay due regard to equalities when exercising a public function. The broad purpose of this duty is to integrate considerations of equality and good relations into day to day business and keep them under review in decision making, the design of policies and the delivery of services.
- 5.2 This duty requires decision makers to satisfy themselves that due regard has been paid to equalities in all proposals. It also requires consideration of any adverse impact on any protected group and whether mitigating factors can be put in train.
- 5.3 The Council has published its revised Equalities Policy and refreshed approach to equalities following the Council Meeting on 21st January 2014. The revised policy was subject to an 8 week public consultation commencing in October 2013 and it outlines aims and principles for the Council and our partners to meet the Public Sector Equalities duties and how performance will be monitored and published. The policy also indicates leadership roles within the council for this agenda. The Council has also an Equalities Action Plan to enable implementation of the Equalities Policy with Delivery Units and other strategic partners. The Council's equality pages have been updated following 21st January to replace the Equalities Policy dated 2010. http://www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity

- 5.4 The council published its Strategic Equalities Objective in the Corporate Plan 2013 - 16. The objective is enshrined in the constitution at Article 1 Para 1.03 which states that the purpose of the constitution is to address inequality and at Article 12, the Principles of Decision Making, which states at 12.02c that decision making, should be done with respect for Human Rights and Equalities. The strategic Equalities Objective states that citizens will be treated equally, with understanding and respect; have equal opportunity with other citizens and receive quality services provided to Best Value principles. This objective can be found at:
http://www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity
- 5.5 As the Council transitions to the new Commissioning Council structure and operating model the approach to Equalities has been reviewed and strengthened, to ensure that roles and responsibilities are clearly outlined. A common approach to equalities has been taken across internal and external Delivery Units who are responsible for undertaking the necessary analysis of the equalities impact of their budget proposals and considering the impact on any protected group, including whether any mitigating factors can be put in train.
- 5.6 Any decision (for example reductions to service budgets or service redesigns) is potentially open to challenge through a judicial review. Whilst no public body is immune from challenge, the risk can be significantly reduced by consistent adoption of best business planning practice, a consistent approach to analysing the equalities impact of proposals, an inclusive approach to engagement, a clear understanding of the impact of proposed changes, consideration of mitigations and monitoring of outcomes.
- 5.7 Delivery Units have autonomy in relation to their budget savings proposals and for assuring themselves that the equalities impacts of their proposals have been considered and that there is an action plan of mitigating actions as part of standard business planning and decision making.
- 5.8 Central advice and guidance has been provided to Delivery Units throughout the budget process to support a consistent approach to equality analysis and this is available on the council's intranet. The Policy Unit has worked with Delivery Units to:
- ensure the Council takes a consistent approach to assessing the equalities impact of their proposals including any cumulative impact on any particular group and whether mitigating actions can be put in place;
 - refine equality assessments as proposals develop.
- 5.9 In November 2013, Delivery Units were asked to review their initial analysis of the equalities impact of their proposals and update their analysis as necessary. Further work has been undertaken to refine and develop these proposed savings. The public consultation on the budget closed on 31st January 2014 and Delivery Units have undertaken some further work in response to consultation feedback.
- 5.10 Full equality impact assessments were completed on the Customer and Support Group (CSG) contract and the Re joint venture as part of those commercial contracts. Should Capita and Capita Symonds propose service change proposals these will need to be properly considered to ensure that due

regard have been given to equalities. This would include appropriate communication and consultation and equalities impact assessments, prior to decision making (in accordance with the Council's scheme of delegation) and the implementation of any changes. The policy unit organised a workshop with the relevant commercial contract managers to outline the Council's requirements and has subsequently offered advice as requested on proposals.

- 5.11 Appendix D to this paper outlines budget pressures and savings by Service area / Delivery unit, and Appendix H attaches the relevant Equality Impact assessments undertaken by each Delivery Unit/function which underpin those savings. Children's have completed 9 Equality impact assessments and Adults and Communities have completed 12. These two services are also the areas with the most new proposals for savings in 2014/15.
- 5.12 9 EIAs from Children's show a negative impact. As a result it has been decided not to proceed with savings in Domestic Violence Services and Young Carers and those savings have been absorbed elsewhere in the family services budget savings. In the remaining 7 EIAs action plans are in place to mitigate the adverse impact. Of the 12 EIAs submitted by Adults and Communities no proposals are currently flagged as having a high adverse equalities impact. 9 of the 12 EIAs in Adults and Communities are indicating a positive impact with 1 EIA showing no impact (provider cost negotiation) and 2 showing minimum negative impact (reduction in floating support and leisure saving through contract renegotiation and changed opening hours). Adults and Communities proposals focus on efficiencies, replacing out of borough services with in borough provision for supported housing schemes for people with high functioning autism – Asperger's (Speedwell Court) and promote the Delivery Unit priorities of promoting independence, choice and personalisation of services. This will be kept under review through the action plans in place with each EIA.
- 5.13 At Appendix H this paper also outlines the cumulative impact assessment of the proposed budget savings. This includes some analysis of cumulative impact across groups based on the equality analysis undertaken by each Delivery Unit/function which underpin the budget savings and it takes account of the bigger picture of performance monitoring against the Strategic Equalities objective and Delivery Unit measures and broader changes such as Welfare Reform together with any possible mitigations. The cumulative analysis considers all proposals including proposals in the Children's and Adults and Communities Delivery Units and matters affecting staff.
- 5.14 The key mitigations will be to share these findings with our partners and continue to pay due regard to equalities as we mainstream equalities through business planning and finance processes and performance indicators. For example, through the Strategic Equalities Objective so that adverse impact can be kept under review and any avoidable impact mitigated.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 This report covers the Council's Medium-Term Financial Strategy and business planning process. This report updates Cabinet on the details of the budget for 2014/15 and 2015/16. In November 2013, Cabinet agreed updated

2 year budget proposals over the period 2014/15 to 2015/16 for consultation. This report feeds back on this consultation and recommends the adoption of the budget proposals set out within the report.

- 6.2 The total budget gap is £36.663m over the next 2 years. There is a provision of £2.428m included in the budget to meet demographic pressures in relation to delivery units. The combination of these factors requires the council to make savings totalling £39.091m to enable a balanced budget to be set. The budget position is set out in section 9.4, with detailed savings and pressures included in Appendix D.
- 6.3 In addition to continued austerity, demographic change and the resulting pressure on services poses a significant challenge to the Council. The organisation is facing significant budget reductions at the same time as the population is increasing, particularly in the young and very old demographics. Given that nearly two thirds of the Council's budget is spent on Adult Social Care and Children's Services, this poses a particular challenge as these services are predominantly 'demand led'. There will also be costs related to infrastructure development. The annual allocation of New Homes Bonus funding will be allocated to the infrastructure reserve as a contribution towards these costs.
- 6.4 There are a number of staffing implications as a result of implementing the savings proposals. These are detailed below:
- TUPE transfer in: The savings resulting from alternative service provision in Street Scene will mean all in-scope employees working for May Gurney PLC at the time of transfer have automatically become employees of the Council under the TUPE Regulations when their work transferred in October 2013;
 - TUPE transfer out: as part of the Customer and Support Group (CSG) and Development and Regulatory Services (DRS) contracts staff were TUPED in 2013 to Capita and Re respectively. There were 429 managers and staff in scope for CSG and 256 for DRS;
 - Staffing reductions: compared to previous years the proposed numbers of staffing reductions are not significant. This is partly due to the staffing changes detailed above and also because most of the efficiencies in 2014/15 are being achieved from third party contracts. There are 11.4 proposed reductions across 2014/15 and 2015/16.
- 6.5 As at November 2013, the total number of staff at risk was estimated at 11.4. Consultation has been carried out with staff at risk, and this concluded on 25 November 2013.
- 6.6 Savings consist of a number of efficiency, service reduction and income generation proposals. Broadly, performance is not anticipated to be negatively impacted for the efficiency proposals, however given the scale of the efficiencies to be found the on-going impact will be closely monitored post implementation. The most significant service reduction proposals are in Children's Services and the service delivery impact has been considered and mitigating actions have been put in place where necessary.

7. LEGAL ISSUES

- 7.1 The Council has statutory obligations under the Equality Act 2010 and in particular s149 sets out the Public Sector Equality Duty (PSED).
- 7.2 All proposals emerging from the business planning process must be considered in terms of the Council's legal powers and obligations, including its overarching statutory duties such as the Public Sector Equality Duty. Any proposals including those to reduce or fundamentally change service delivery would require the decision makers to have due regard to the public sector equality duty which can be evidenced by the completion of equality impact analysis and full consideration of its findings.

General Public Sector Equalities Duty

- 7.3 The PSED consists of a general duty, with three main aims. The general duty requires public bodies to have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
 - Advance equality of opportunity between people from different groups; and
 - Foster good relations between people from different groups.

Specific Equalities Duty

- 7.4 The specific duties commenced in England in September 2011 and require public bodies to:
- Set and publish equality objectives, at least every four years; and
 - Publish information to show their compliance with the Equality Duty, at least annually.

The information published must include information relating to employees (for public health with 150 or more employees) and information relating to people who are affected by the public body's policies and practices.

- 7.5 The duty is a continuing duty. Through the process of finalising the budget and corporate plan, the Council will need to satisfy itself that these requirements have been adhered to in formulating the proposals outlined in this report. Equality impact assessments will need to be monitored and reviewed on individual projects as the projects are implemented.

Report of Independent Steering Group (ISG) Review of General and Specific Duties of Public Sector Equality Duty (PSED)

- 7.6 This review of the PSED was carried out by an independent steering group under the Government's Red Tape Challenge and the report was published in September 2013. The report recommendations made no change to any of the existing provisions of the Public Sector Equality Duty. It recommends that a further review should be carried out in September 2016.

Protected Characteristics

- 7.7 The 2010 Equality Act identifies the following protected characteristics:
- age;
 - disability;
 - gender reassignment;
 - pregnancy and maternity;
 - race;
 - religion or belief;
 - sex;

- sexual orientation.

It also covers marriage and civil partnership with regard to eliminating discrimination.

The 'Brown Principles'

- 7.8 The six Brown principles were first used in 2008 in *R. (Brown) v. Secretary of State for Work and Pensions [2008] EWHC 3158* to set out what the court considered a relevant body has to do to fulfil its obligation to have due regard to the aims set out in the general equality duty.
- 7.9 These principles are that:
- Decision makers must be made aware of their duty to have 'due regard' to the identified goals;
 - The due regard must be fulfilled before and at the time that a particular policy is being considered by the public authority in question;
 - The duty must be exercised in substance, with rigour and with an open mind;
 - The duty imposed on public authorities is a non-delegable duty;
 - The duty is a continuing one;
 - It is good practice for those exercising public functions in public authorities to keep an adequate record showing that they have actually considered their duties and pondered relevant questions.
- 7.10 The Equality Act 2010 also requires the provision of reasonable adjustment to meet the needs of a disabled person where they are different from the needs of non-disabled people in order to provide equal access and equal treatment.
- 7.11 There are also statutory Codes of Practice issued by the Equalities and Human Rights Commission which the Council has taken into account in formulating equalities guidance.

Consultation

- 7.12 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in three circumstances:
- Where there is a statutory requirement in the relevant legislative framework;
 - Where the practice has been to consult or where a policy document states the Council will consult then the Council must comply with its own practice or policy; and
 - Exceptionally, where the matter is so important that there is a legitimate expectation of consultation.
- 7.13 As a matter of public law the Council is required to consider whether to put out to consultation proposed policy changes and developments. This is particularly important when considering changes which affect any of the groups with protected characteristics. The results of that consultation must be taken into account when the final decision is made. The council will ensure compliance with this requirement.
- 7.14 Finally, staff consultation about these proposals, in compliance with s188 of the Trade Union and Labour Relations (Consolidation) Act 1992 took place during the period 24 October 2013 to 25 November 2013.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 Council Constitution, Responsibility for Functions, Section 4 sets out Responsibility for Executive Functions. Paragraph 4.8 provides for the Cabinet to recommend to the Council for adoption the Council's budget.

9. BACKGROUND INFORMATION

9.1 Executive Summary

- 9.1.1 In March 2013, the Council agreed its MTFs, which set a three year budget for the period 2013/14 – 2015/16. In November 2013, Cabinet agreed budget proposals for 2014/15 and 2015/16 for consultation. This report provides feedback on the outcome of consultation on the budget proposals for 2014/15 to 2015/16 and recommends budget proposals for 2014/15 to 2015/16 for approval;
- 9.1.2 The council's strategic context is set out in section 9.2. The strategic objectives form the basis of the Corporate Plans and drive the allocation of resources.
- 9.1.3 The total budget gap is £36.663m over the next 2 years (2014-16). The 2 year budget gap has been updated to reflect recent announcements and CSR 2013.
- 9.1.4 **Savings of £39.092m and pressures of £2.428m** have been identified to enable a balanced budget to be set. The two year budget position is set out in **Appendix C**, with detailed pressures and savings included in **Appendix D**.
- 9.1.5 The budget proposals within this report are predicated on a **1% reduction** in council tax for 2014/15 and a council tax freeze for 2015/16.

9.2 Strategic Context

- 9.2.1 Despite recent signs of more positive economic data, the economic climate remains challenging. At the Spending Review in October 2010, central Government set out plans for cutting total public spending by £81bn over four years from 2011 to 2015 in order to eradicate the national budget deficit. This translated to a cut of 27% - or £72m – to the Council's budget over that period. The Government has levied further cuts on Local Government since the 2010 Spending Review. An additional 2% will be cut from Council funding in 2014/15 and June's announcement for the 2015/16 Financial Year translates to a further cut of 10% to Local Authority budgets. The Government has made it clear that austerity is likely to continue until, at least, the end of the decade. The Council forecasts that the cut to its grant, after factoring in increases due to inflation and demographic pressures, over the four year period from 2016 to 2020 will result in a budget gap of £73.6m. When taking into account inflation, the Council's budget is expected to be 44% lower in 2020 than it was in 2010.
- 9.2.2 In spite of the on-going financial challenges, the Council continues to provide high quality services to residents. The Council's Residents Perception Survey, conducted in September - October 2013, shows that, compared to 2012,

resident satisfaction with the majority of council services has improved. Nine services – including the repair of roads and social services for adults and children - saw significant increases in satisfaction and the majority of these out-performed other outer London Boroughs. Overall resident satisfaction with the local area remains high and significantly above the national average – 86% of residents are satisfied with their local area as a place to live.

- 9.2.3 Overall resident satisfaction with the council has increased by 11% since 2012. Compared to 2012, residents think the council is doing a better job, making the area a better place to live, provides value for money, is efficient and well run, trustworthy, is doing a better job than a year ago, keeps residents informed and is easy to access council services. In addition, 91% of schools in Barnet are rated as 'good' or 'excellent' by Ofsted – the second best performance in the country - and Adults and Children's services are recognised as 'excellent' by external inspectors. The Borough remains an attractive and successful place to live, with household incomes totalling almost £6bn last year and 86% of residents satisfied with their local area.
- 9.2.4 During these challenging times, the Council does not want to increase the financial burden on families and individuals. This is why the Council has frozen Council Tax for four years from 2010/11 to 2013/14, and plans to reduce Council Tax in 2014/15, representing a real terms cut in Council Tax of 20% over the five year period.

9.3 Strategic objectives and the Corporate Plan

- 9.3.1 The Corporate Plan is the overarching strategic document for the Council, setting out its strategic priorities and objectives. The latest Corporate Plan which covers the period 2013/14 to 2015/16 was published in April and has been revised to reflect the new freedoms offered by the Localism Act.
- 9.3.2 The revised Plan is more focussed, with a reduced number of objectives, refined performance targets, and clear lines of accountability. The Corporate Plan sits above published Service Plans for each directorate providing a clear link between the Council's strategic objectives and the actions each service will take to deliver them. The Council's strategic objectives reflect the concerns of residents following a consultation exercise to understand the views of residents in relation to service priorities.
- 9.3.3 The strategic objectives set out in the Corporate Plan reflect the priorities of residents and achieving them will require collaboration between the Council and its public sector partners. For example, an objective to keep Barnet safe sets out how the Council will work with the Police and others to achieve this.

Overarching priorities

- 9.3.4 The Corporate Plan includes the three overarching priorities, and these will remain unchanged for the forthcoming year. They are:
- To create the right environment to promote responsible growth, development and success across the borough;
 - To support families and individuals that need it – promoting independence, learning and well-being; and

- To improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study

These top three strategic priorities are underpinned by a number of priority outcomes and performance indicators against which success is monitored which together forms the Council's strategic framework. This framework is set out below:

Barnet Council will work with local partners to:		
1. Create the right environment to promote responsible growth, development and success across the borough.	2. Support families and individuals that need it – promoting independence, learning and well-being.	3. Improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.
<p><i>This means...</i></p> <ul style="list-style-type: none"> • Creating jobs and new homes in the next five years via regeneration • Increasing skills, encouraging enterprise and reducing unemployment. <p><i>Measure:</i></p> <ul style="list-style-type: none"> • Business growth and retention. 	<p><i>This means...</i></p> <ul style="list-style-type: none"> • Encouraging families and individuals to live as healthily and independently as possible, giving targeted services to those who most need it. <p><i>Measure:</i></p> <ul style="list-style-type: none"> • Managing demand for services. 	<p><i>This means...</i></p> <ul style="list-style-type: none"> • Giving excellent services to residents • Protecting the unique character of the borough and providing sustainable infrastructure to support success. <p><i>Measure of success:</i></p> <ul style="list-style-type: none"> • Resident satisfaction with the borough as a place to live work and study • Satisfaction with the Council.

We will deliver this, by focussing our efforts on these outcomes:

- 1: To maintain a well-designed, attractive and accessible place, with sustainable infrastructure across the borough.
- 2: To maintain the right environment for a strong and diverse local economy.
- 3: To create better life chances for children and young people across the borough.
- 4: To sustain a strong partnership with the local NHS, so that families and individuals can maintain and improve their physical and mental health.
- 5: To promote a healthy, active, independent and informed over 55 population in the borough so that Barnet is a place that encourages and supports residents to age well.
- 6: To promote family and community well-being and encourage engaged, cohesive and safe communities.

9.4 Medium Term Financial Strategy

9.4.1 The Medium Term Financial Strategy (MTFS) sets out all of the budget changes over a rolling two-year planning period, including assumptions around inflation, changes to levies, pressures, savings and grant funding. It is the model which underpins the council's financial strategy.

2014/15 – 2015/16

9.4.2 The budget covering the period 2014-16 reflects a budget gap of £39.091m over the two years, together with savings proposals to reach a balanced position.

Funding from Central Government, Council Tax and Use of Reserves

9.4.3 The potential budget gap that the Council faces from 2014-16 includes assumptions about levels of expected Government grant, future levels of business rates and changes to the Council Tax base, along with a range of other assumptions about pay and non-pay inflation, future levies and other risks.

9.4.4 On 18 December, the Government announced further cuts for the 2015/16 Financial Year as part of Local Government Finance Settlement 2014/15 and 2015/16. This included a further cut to Local Government funding of around 10% in that year, as well as indicating that austerity is likely to continue until the end of the decade. It is important to stress that modelling for 2015/16 is based on a number of assumptions and for now, a 19% reduction in the Revenue Support Grant (RSG) is deemed sufficient until further detail is released from Central Government.

9.4.5 The administration has allocated savings as a result of signing the CSG and Re contracts and the council tax freeze grant, as follows:

- Council tax reduction and freeze: £2m
- Roads and pavements: £4m
- Other priority projects: £1m

2013/14 financial position

- 9.4.6 The latest position on budget monitoring for 2013/14 will be reported to Cabinet Resources Committee in February 2014. The report shows a projected £2.2m overspend across all services. Work is currently underway to ensure this is a balanced position by year end. This will ensure that the Council's level of general reserves will remain above £15m at the end of the year.
- 9.4.7 The most significant risks are the overspend reported in Street Scene delivery unit. Actions are being taken to address this position in the current year and beyond. Budget pressures also continue in respect of temporary accommodation but it is anticipated that this will be contained within existing contingency allocations. The level of reserves and contingency has been set within this budget recognise the risk associated with this position continuing into 2014/15.

Specific items and risks over the next two years provided for in MTFS

- 9.4.8 There are a number of risks that have been factored into the budget model for this final budget report. A commentary on these is set out below:
- Pay and non-pay inflation: assumptions included in the MTFS are for a 1% increase in local government pay and an assumption of 2.5% for non-pay inflation for third party contracts and spend. These assumptions are unchanged from the November budget report;
 - North London Waste levy: the latest projections from NLWA have been included within the MTFS for 2014/15 and 2015/16;
 - Contingency: provision is made within central expenses for specific risks including adverse equalities impacts that cannot be mitigated. There is money set aside to reflect the risk related to increase in cost associated with temporary accommodation, potential increase in Children's social care demographics, and provision for general and unforeseen risks; and
 - Formula grant, core grants and business rates: allocations for 2014/15 and provisional allocations for 2015/16 have now been announced. The impact on the MTFS was an increase in funding of £1m in 2014/15, and a reduction in funding of £3.5m in 2015/16. The net impact of this was offset by provision in contingency set aside for future funding risks.

Emerging risks over the next two years

- 9.4.9 There are a number of risks to the Council's financial position as a result of changes in demographics, changes to legislation and other factors. The Council holds reserves and contingency balances to address future risks and concerns. These risks will be kept under review as they materialise.
- Welfare reform: the move towards universal credit is anticipated to have an impact on housing and social care services (in Adults and Communities and Children's Services);
 - Social care funding reform and draft Care Bill: introduction of a cap on contribution towards care costs and assessments and services for carers is likely to increase the pressure on the service. There will be additional funding for social care to local authorities however at this stage it is unclear if this will meet the likely pressure;
 - Children and Families Bill: expected to become law in 2014 and will

extend the Local Authority's responsibility to ensure access to education for young people with special educational needs (SEN), from the current age limit of 19, up to the age of 25;

- New government guidance being consulted on in early 2014 regarding parking enforcement changes may have a negative impact on revenue collected;
- The creation of the Better Care Fund (BCF) is likely to have funding pressure for the Clinical Commissioning Group (CCG) and the creation of a pooled budget may mean the council reduces its control of the social care and health integration monies that has been funding demographic pressures in the service;

Dedicated Schools Grant (DSG) and Schools Budget 2014/15

9.4.10 The major reforms brought in for 2013 have now been implemented and there are no major changes for 2014/15.

9.4.11 The local authority funding rates remain frozen and the only increases in the DSG are due to additional pupils on the census and the expansion of the two year old free entitlement. The Barnet school funding formula remains the same and schools continue to be protected by a minimum funding guarantee which ensures they receive at least 98.5% of their 2013/14 per pupil funding in 2014/15.

9.4.12 Pressures on the budget come from high needs placements, especially those in independent special schools and from continuing growth in primary pupil numbers leading to new schools and expansions. Advance non-capital funding for setting up new classes is costing approximately £2m per year. Post 16 high needs funding is another pressure area with government limitations on growth.

9.4.13 The draft Schools Budget was presented and agreed by Schools Forum on 3rd December 2013. The final DSG has yet to be confirmed as the Early Years Block and the High Needs block will be adjusted in March 2014 following the January Census and the High Needs Place Return. In subsequent months this will be presented to the Schools Forum for consideration and agreement.

Revenue Budget

9.4.14 Savings proposals for 2014/15 and 2015/16 have been reviewed across the Council to ensure they remain deliverable and are in line with the direction of policy. These are set out in detail at Appendix D.

9.4.15 The total savings from each delivery unit are set out below:

Delivery Unit	2014/15 'm	2015/16 'm
Adults and Communities	8.377	8.424
Assurance	0.04	0.175
Children's Service	4.44	6.207
Commissioning	0.8	0.525
Customer and Support Group	2.393	2.1
Housing Needs and Resources	0.055	0.3
Legal	0.15	0.2
Re	1.355	0.3

Street Scene (including parking)	1.4	1.851
Total	19.01	20.082

9.4.16 An allowance has been included within the budget envelope for demographic growth in line with population projections for Adults and Communities and Children's Services.

9.4.17 The total pressures for each delivery unit are summarised below:

Delivery Unit	2014/15 'm	2015/16 'm
Adults and Communities	0.8	0.8
Children's Service	0	0.72
Street Scene	0.108	0
Total	0.908	1.52

9.4.18 The overall position for Member decision can be summarised as follows:

	2014/15 £000	2015/16 £000	Total £000
Budget Gap before savings & pressures	18,101	18,562	36,663
Proposed Pressures	908	1,520	2,428
Proposed Savings	(19,010)	(20,082)	(39,092)
Budget Gap after savings	0	0	0

9.4.19 Cabinet are asked to recommend the budget as set out in Appendix D for approval by Council.

Balanced position

As a result of the budget proposals set out above, the council has a balanced budget position for the period 2014/15 and 2015/16. This is based on actual funding announcements for 2014/15 and provisional announcements for 2015/16.

9.5 Consultation

9.5.1 Development of strategic objectives, business plans and savings options have been informed by consultation and engagement with residents and NNDRPs.

The consultation took place in two phases:

- Phase One: Residents' Perception Survey (September 2013 – October 2013)
- Phase Two: Formal Business Plan and Budget Consultation (8th November 2013 – 31st January 2014)

Residents' Perception Survey (September 2013 – October 2013)

9.5.2 The Residents' Perception Survey (RPS) provides a borough-wide understanding of residents' priorities, perception of public services and how

the views and priorities of residents have changed over the last twelve months. This information can be used to challenge and inform priorities for service plans, commissions and future budget options. Key headlines from the survey are as follows;

9.5.3 Overall satisfaction with the local area remains high and is in line with the National average

- The vast majority of residents (86 per cent) are satisfied with their local area as a place to live which is two per cent lower compared to 2012 (88 per cent) but not significant, and in line with the national average (plus one per cent).

9.5.4 Residents' top three concerns have shifted slightly since 2012

- Conditions of roads (30 per cent, up four per cent since last year) and crime (30 per cent, in line with last year) are the top two concerns for Barnet residents.
- The third top concern for Barnet residents is lack of affordable housing which has seen another significant increase since last year (plus six per cent). This increase, compounded by the 2012 increase, means a total increase in concern of 11 per cent has been experienced over a three year period, and is now significantly above the London average (plus four per cent).
- Concern for Council Tax has dropped by five per cent year on year, and is now in line with London. However, in the General Budget Consultation, when respondents were asked if they agreed with the council's proposal to cut council tax by one per cent next year, the vast majority of Citizens' Panel agreed (71 per cent).
- The increased concern experienced last year with: traffic congestion has now diminished; litter and dirty streets remains in line with last year, and as mentioned previously the concern for lack of affordable housing continues to rise.
- Apart from lack of affordable housing, Barnet residents are not significantly more than concerned than London on any other issues that were listed.

Formal Budget Consultations (8th November 2013 – 31st January 2014)

9.5.5 The council has a duty to consult with residents, service users, employees and other stakeholders where proposals to vary, reduce or withdraw services in the following circumstances: where there is statutory requirement; where the practice has been to consult on changes or where a policy to consult is in place; or where the service reduction or change of a nature, where there is a legitimate expectation of consultation, regardless of statutory duties. Consultation is also recommended in other circumstances, for example to identify the impact of proposals or to assist with complying with the Council's equality duties.

9.5.6 As part of this duty to consult, phase two of the formal consultation consisted of:

- General Consultation: used to ascertain views on the councils overall approach to its business plan and budget; the proposal to cut council tax by one per cent next year; Delivery Unit priorities identified for 2014-15; and to invite general comments on efficiency savings and income generation identified in the budget
- Service-specific consultations where the council has indicated there will be variations to services in their budget proposals for 2014/15

General Consultation on the Business Plan and Budget

- 9.5.7 The general consultation was published on the council's engage space <http://engage.barnet.gov.uk/> which gave detailed background information about the council budget and the challenges the council faces. Collection of respondents views were fed back via an open web online self-completion survey and paper copies were made available. In order to boost the response, and ensure the views of a profiled representative sample was achieved, the survey was also sent to the Citizens' Panel¹. Also as part of the Council's statutory duty to consult with National Non Domestic Rate (NNDR) Payers, letters were sent out to all the council's NNDR payers inviting them to take part in the consultation. The consultation was widely promoted via the council's Residents' magazine, Barnet First, Community Barnet, the Youth Board and various service user group newsletters and partnership boards.
- 9.5.8 In total 497 surveys were completed, 443 by the Citizens' Panel and 54 were completed by the general public via the open online web survey². The findings have been reported on separately so that comparisons can be made with the larger representative sample of the Citizens Panel and the much smaller response to the open web survey. The Citizens' Panel response was also weighted to ensure the achieved sample was representative of the borough's population. As the web survey has only received a total response of 54, when considering the web findings account should be taken of the small sample size. Key findings are as follows:
- 9.5.9 The majority of Citizens' Panel members agree that the council has got the right balance in terms of efficiency savings, increased revenue and reductions to services, with three fifths agreeing (63 per cent). Conversely, those responding to the open web survey were much less likely to agree with the council's approach (39 per cent, 21 out of 54 respondents)
- 9.5.10 The vast majority of Citizens' Panel members welcome a cut in council tax next year, with nearly three quarters agreeing with the cut (71 per cent). However, those responding to the open web survey, were less likely to agree with the cut, just under half of respondents (49 per cent, 24 out of 49 respondents) agreeing with the proposal to cut council tax by one per cent next year.
- 9.5.11 The vast majority of respondents agreed with most of the priorities the delivery units have identified for 2014/15. More of a majority was experienced with the Citizens Panel, with around four fifths or more agreeing with many of the priorities, compared to the open online web respondents, who although supportive, were not as enthusiastic in their level of agreement. This was particularly apparent with, the Street Scene Priorities, where they were more likely to be neutral or said they did not know.
- 9.5.12 The theme of protecting the vulnerable was clearly evident in the responses to this consultation, with the highest level of agreement experienced for those

¹ The **core** panel is made up of 1500 Barnet residents, selected to be representative of the adult population of the borough in terms of ward, age, gender, ethnicity, housing tenure, faith and disability

² The open web survey closes on 31st January, so the response may increase, The Citizens' Panel has now closed; the survey was sent directly to panel members via their e mail or postal address. The Panel survey had a four week consultation period, with two reminders sent during this period.

priorities within Adults and Communities and Children's Service, that seek to protect the vulnerable.

Service Specific Consultations

9.5.13 There were two service specific consultations where the council had indicated there will be variations to services in their budget proposals for 2014/15

- Adults and Communities: The Community Offer
- Children's Services: Commissioned Services and Traded Services for Schools

9.5.14 The service consulted with their users and other stakeholders via face to face engagement and an online survey. The general public were also given an opportunity to have their say and register their interest on the council's engage space. Full details on all the consultation findings can be found in appendix B of this report. Key findings are as follows:

Community Offer consultation

9.5.15 In the main the Community Offer was positively received. However some respondents raised concerns. The main focus of concern was whether offering telecare and equipment as an alternative to home care calls would increase social isolation for affected individuals. Respondents indicated that it was essential that individuals were carefully and individually assessed to ensure this did not happen. Adult Social Care will continue to have a legal duty to assess needs on an individual basis and meet eligible social care needs. Assessment and support plans will consider an individual's social needs. Those carrying out support planning will work with service users to identify concerns and will ensure that individuals where isolation may be an issue are supported to access befriending and community support, such as older peoples' neighbourhood services. This should mitigate concerns about increased isolation. Concerns were also raised about ensuring that appropriate support was in place for people using Direct Payments and ensuring that the payments being provided are sufficient to cover the cost of the care needed by an individual. As a result, the Adults and Communities Delivery Unit are re-establishing a Forum for Direct Payment Users and Carers, chaired by the Assistant Director of Adult Social Care to advise users and carers on the process of Direct Payments and assist them with any concerns they have. Each social care team has a dedicated Direct Payments Advisor who is available to support individuals.

Commissioned services, and Traded services for schools consultation

9.5.16 In relation to commissioned service savings, most respondents tended to agree with the proposal to make savings by jointly buying services with health, although concerns were expressed that there could be reduction in service as a consequence. Respondents tended to agree or strongly agree with the proposal to reconfigure short breaks, with concerns expressed about how this would impact on service delivery, especially for those with lower level needs. Respondents thought that reviewing and joining up similar services could be beneficial, so long as the overall service levels were not adversely affected. There was a mixed response to this proposal; 37 per cent of respondents strongly agreed or tended to agree, whereas 38 per cent tended to disagree or strongly disagree, with the remainder being neutral (21 per cent) or indicating they don't know (four per cent). A similar percentage of respondents strongly agreed or tended to agree (39 per cent) compared with the

percentage that strongly disagreed or tended to disagree (38 per cent), with the remainder being neutral (15 per cent) and indicating don't know (eight per cent), about the proposal to develop a traded services model for educational welfare and educational psychology, and find the balance of savings by reducing the 'schools causing concern' budget. A high number of schools indicated they would be willing to buy back educational psychology services.

Staffing implications and associated costs

9.5.17 The budget savings options set out in Appendix D have a number of staffing implications in the following Delivery Units:

- Family Services: Reduction of 2.4 FTE
- Education & Skills: Reduction of 2.3 FTE
- Assurance: Reduction of 1 FTE

9.5.18 In addition to the reductions above, the level of buy back for the schools traded service within the council is still being finalised and may have staffing implications. Consultation continues with these members of staff and trade unions.

9.5.19 The information above is provided to enable the Cabinet to understand the full service delivery and financial implications of the budget proposals. Further work is being undertaken as part of a longer term workforce strategy to determine the future size and shape of the council. All staffing related decisions are within the remit of the General Functions Committee.

9.5.20 On 4 November 2013, General Functions Committee considered the staffing implications of the budget headlines, and agreed that subject to the completion of statutory consultation with staff and Trade Unions an compliance with the council's 'Managing Organisational Change' policy, that the Chief Operating Officer be instructed to arrange with the respective Directors for redundancy letters to be issued to those employees who are to be made redundant as a result of this process.

9.5.21 As a result of consideration of consultation and other factors, the following amendments have been made to the budget proposals:

a) To cut Council Tax by one per cent next year;

b) Investment of £1m will be allocated to fund priority projects to tackle key concerns from the Residents' Perception Survey;

c) The Adults and Communities (A&C) delivery unit will be implementing the proposals set out under the Community Offer. However, concerns raised through the consultation about assessing cases on an individual basis and the need to ensure that people do not become isolated through the increased use of equipment technology will be taken into account. A&C will be mindful about how these proposals are implemented and address the concerns raised. Additionally, as a result of concerns raised regarding Direct Payments A&C will be re-establishing the Direct Payments Forum for users and carers; and

d) The Commissioned services and Traded services for schools proposals are being taken forward. In response to feedback it is not proposed to reduce commissioned domestic violence services or to reduce commissioned

services for young carers. Consultation feedback will also be taken into account when implementing the proposals.

9.6 Council Tax

9.6.1 As part of the Localism Act the government has introduced new arrangements for council tax setting. These include provisions for a referendum on excessive council tax increases. The government has indicated that the level that it considers excessive is 2%. In effect this means that council tax increases are capped at 2% for 2013/14. The Council's budget is based on a council tax decrease of 1% for 2014/15 and freeze for 2015/16.

9.6.2 The detailed council tax base schedules are included in Appendix D. Under delegated powers, the Chief Finance Officer has determined the 2013/14 taxbase to be 125,294 (Band D Equivalents) – the calculation is set out below:

Council tax base	Band D Equivalent	
	2013/14	2014/15
Number of Properties	164,244	165,611
Estimated discounts	(17,060)	(14,964)
Estimated other charges	(19,612)	(20,309)
Total Relevant Amounts	127,539	130,338
Estimated non-collection (1.5 %)	(2,365)	(1,956)
Contribution in lieu of MoD	87	81
Council tax base	125,294	128,463

9.6.3 The Localism Act requires Council approval of the council tax requirement (including formula grant) in place of budget requirement (excluding formula grant). This simplifies existing rules and does not affect council tax.

9.6.4 The calculation of the council tax for Barnet is set out below:

BUDGET	2013/2014 Original	2013/2014 Current	2014/2015 Original
	£	£	£
Total Service Expenditure	292,984,580	292,984,580	286,412,080
Contribution to / (from) Specific Reserves	6,180,701	6,180,701	8,418,138
NET EXPENDITURE	299,165,281	299,165,281	294,830,218
Other Grants	(31,522,000)	(31,522,000)	(34,255,000)
BUDGET REQUIREMENT	267,643,281	267,643,281	260,575,218
Business Rates Retention	(33,608,000)	(33,608,000)	(34,500,000)
Business rates top-up	(17,436,000)	(17,436,000)	(17,800,000)
BUSINESS RATES TOTAL	(51,044,000)	(51,044,000)	(52,300,000)
RSG	(77,122,000)	(77,122,000)	(65,200,000)
Collection Fund Adjustments			(1,500,000)
BARNET'S ELEMENT OF COUNCIL TAX REQUIREMENT	139,477,281	139,477,281	141,575,218
Council Tax base	125,294	125,294	128,463
Basic Amount of Tax	1,113.20	1,113.20	1,102.07

GLA Tax	303.00	303.00	299.00
Total Council Tax (Band D Equivalent)	1,416.20	1,416.20	1,401.07

9.6.5 The GLA precept is £38,410,437 making the total estimated demand on the collection fund and council tax requirement £179,985,655.

London Borough of Barnet	£ 141,575,218
Greater London Authority	£ 38,410,437
Total Requirement for Council Tax	£ 179,985,655

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

Council Tax Band	Barnet	GLA	Aggregate
	£	£	£
A	734.71	199.33	934.05
B	857.16	232.56	1,089.72
C	979.62	265.78	1,245.40
D	1,102.07	299.00	1,401.07
E	1,346.97	365.45	1,712.42
F	1,591.88	431.89	2,023.77
G	1,836.78	498.34	2,335.12
H	2,204.14	598.00	2,802.14

9.6.7 Individual council tax bills will reflect occupancy status with discounts for low occupancy (one or no adults) and exemptions for specific circumstances. In addition, some residents will be eligible for council tax support.

Council Tax Support Scheme

9.6.8 On 22 January 2013, following a 12 week consultation, The Council, adopted a Local Council Tax Reduction Scheme called Council Tax Support. The scheme had the following features:

- Contribution of 8.5% for working age claimants unless in a protected group;
- Simplified system of non-dependent deductions;
- Abolition of second adult rebate for working age customers;
- Protection from the impact of the minimum contribution for war pensioners;
- War pension income disregarded from both the working age scheme and the pension credit age scheme;
- Other changes relating to the effective date of a change of circumstances and how Universal Credit would be treated.

9.6.9 That the working age Non-dependant (ND) charges be uprated as follows:

Claimant or partner receiving Jobseekers Allowance (income based, Income related Employment and Support allowance or Pension credit.	£0.00
Gross Income up to £187.99 pw regardless of source if ND not receiving above benefit.	£5.00 per week
Gross Income £188.00 pw or over regardless of source if ND not receiving above benefit.	£11.25 per week

9.7 Capital programme and invest to save

9.7.1 The Council's capital programme is contained within Appendix E. The current programme (including 2013/14 spend and new approvals) is £537.846m from 2013/14 to 2018/19, with £106.836m government grants, £50.465m capital receipts, £120.029m borrowing, £175.473m Major Repairs Allowance (MRA) and Revenue Contribution to Capital (RCCO), £33.948m capital / infrastructure reserve and £51.095m "other" funding.

9.7.2 Additions to the capital programme as set out in this report are as follows:

Project	Amount £'000	Funding
Adults investing in IT	500	Grant funded, re-profiling of current programme
New secondary 14-19 provision	7,000	Funded from external grant and existing schools capital allocations
Relocation of Pupil Referral Unit	8,000	Funded from existing schools capital allocations
Fuel tank to provide additional liquid fuel storage capacity at Mill Hill Depot	60	Funded from borrowing
Brent Cross – design cost funding	4,000	Funded from infrastructure reserve and recovered from developer
Brent Cross – procurement	1,000	Funded from infrastructure reserve and recovered from development partner
Brent Cross – funding for land acquisition	26,000	Funded from infrastructure reserve and recoverable from developer through procurement process

Project	Amount £'000	Funding
West Hendon – advance delivery of highways improvements	3,400	Funded from infrastructure reserve
Colindale – Lanacre Avenue and Aerodrome Road junction improvements	5,800	Funded from infrastructure reserve
Colindale – Grahame Park decant programme enhancement	9,600	Funded from infrastructure reserve
Town Centres – match funding for external grant opportunities	5,000	Funded from infrastructure reserve
Disabled Facilities Grant (DFG)	1,230	Funded from borrowing
Empty homes grants	790	External grant funding

9.8 Treasury Management Strategy

9.8.1 The Treasury Management Strategy is included at Appendix F. The main recommended revisions to the Treasury Management Strategy are as follows:

- Extension of maximum investment duration from 2 to up to 10 years subject to a limit of £50 million for investments of more than one year duration and a limit of £20 million for investments of more than two years duration; and
- Extend range of counterparties to include pooled property and equity funds.
- Decisions in respect of investments over 2 years, and deposits with pooled property and equity funds will be taken in consultation with the Council's investment advisor, and approved by the Chief Finance Officer.
- The prudential indicators have been updated to reflect the Council's capital programme; and
- The strategy has been updated to reflect the latest forecasts for interest rates. Base rate is expected to remain at 0.5% for 2014/15, and therefore the assumptions in the budget strategy for interest receipts remain the same.

9.8.2 Cabinet are asked to note the Treasury Management Strategy as set out in Appendix F which will go to Council for approval.

9.9 Housing Revenue Account

9.9.1 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. The quarter 3

monitoring position indicated that at 31 March 2013 the HRA balances were £16.1m, and forecast to be £13.9m at 31 March 2014.

9.9.2 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.

HRA rents

9.9.3 Although the HRA settlement assumed that rents would continue to increase in line with the formula RPI + 0.5% + £2 until convergence was achieved with housing association rents, Local Authorities are now at liberty to set rents locally. The only potential financial constraint is the rent rebate limit, which determines the subsidy that the Council can claim from the Treasury for housing benefit payments made to tenants, if the average council rent exceeds the rent rebate limit rent, the Council cannot claim full housing benefit subsidy on this additional amount.

Council dwelling rents

9.9.4 Although the government recommends that local authorities continue to follow the national policy for rent setting, it has confirmed that this is only guidance and that councils are free to set rents that reflect local priorities and needs.

9.9.5 The economic situation and welfare changes, such as council tax benefit and housing benefit, mean that many lower income households in council homes are facing financial pressures. In view of this it is proposed that the Council moves away from Government formula rents which would see rents increase by an average of 5.19%, and limits the annual increase to 2.5%.

9.9.6 Based on the 2.5% increase, the average weekly rent on a 52 week basis will be £100.93. This has increased from an existing weekly average rent of £98.47.

Service charges and garages

9.9.7 Service charges have been reviewed by Barnet Homes and the following changes³ are recommended to take effect from 1 April 2014:

	2013/14	2014/15	Increase	% Increase
Grounds Maintenance	£1.26	£1.81	£0.55	44%
Lighting	£1.07	£1.12	£0.05	4.4%
Heating - Grahame Park	1 Bed- £11.37	1 Bed- £11.73	1 Bed- £0.36	3.2%
	2 Bed - £15.76	2 Bed - £16.26	2 Bed - £0.50	
	3 Bed - £17.02	3 Bed - £17.56	3 Bed - £0.54	
Heating – excluding Grahame Park	3.2%			
Digital Television	£0.78	£0.80	£0.02	3.2%

³ All charges in this table are shown on a 48 week basis and rounded to the nearest penny

Weekly Caretaking	£6.26	£6.35	£0.09	1.5%
Caretaking Plus	£8.08	£8.20	£0.12	1.5%
Quarterly Caretaking	£1.26	£1.28	£0.02	1.5%
Enhanced Housing Management and Alarm Service (sheltered housing)	3.2%			

9.9.8 Proposed increases for Grounds Maintenance, Lighting and Caretaking reflect the actual cost of providing these services.

9.9.9 Proposed increases for Heating and Digital Television are in line with inflation.

9.9.10 It is proposed that the rents of council garages are increased by 3.2% in line with inflation.

Buyback properties on regeneration estates

9.9.11 The council has acquired a number of homes on the regeneration estates from leaseholders experiencing hardship and uses these properties as short term temporary accommodation, charging rents which are similar to those for emergency accommodation in the private rented sector.

9.9.12 The buyback properties are no longer required as short term temporary accommodation as this is now being sourced effectively in the private rented sector. The properties also provide a useful option for use as longer term temporary accommodation for households impacted by welfare reform who need to remain in the borough.

9.9.13 It is therefore proposed that rents are now brought into line with other forms of longer term temporary accommodation, and are reduced to levels in line with the housing benefit subsidy for Temporary Accommodation, which is set at 90% of local housing allowances plus £40 a week.

9.9.14 The proposed rents for buyback properties from April 2014 are set out in the table below:

Summary	Area	Current Rent	Proposed Rent
1 Bed	Grahame Park	£368.04	£195.77
2 Bed	Grahame Park	£368.04	£237.31
2 Bed	Stonegrove	£368.04	£237.31
2 Bed	Dollis Valley	£368.04	£247.90
3 Bed	Grahame Park	£368.04	£299.61
3 Bed	Stonegrove	£368.04	£299.61

HRA Summary & Working Balance

9.9.15 Total expenditure for 2014/15 is estimated at £65.2m, including charges for financing HRA debt under the self-financing proposals and a contribution to the Major Repairs Reserve of £14.7m.

9.9.16 The HRA for 2014/15 shows a use of balances of £3.3m, after a contribution to Major Repairs Reserve of £14.7m. The estimated HRA balance as at 31 March 2015 is £10.6m.

9.10 Robustness of the budget and assurance from Chief Financial Officer

9.10.1 The Chief Finance Officer is required under section 25 of the Local Government Act 2003 to report to the Council on the robustness of the estimates and adequacy of reserves. The Council's reserves and balances policy has been updated and is presented for approval at Appendix I.

Robustness of estimates

9.10.2 The financial planning process for 2014/15 is in light of confirmation of further cuts from central Government. This has posed a significant challenge for all authorities to balance budgets with significant reductions in government support. Barnet Council is meeting this long term challenge through its Priorities and Spending Review which will consider plans up to 2020 in order to develop a balanced budget.

9.10.3 The financial planning process has been managed at officer level through the Delivery Board. This Director level group has overseen the process for financial planning, including medium-term resource projections, the strategic context for the borough, the quantification of new pressures on resources, and the identification of potential budget savings.

9.10.4 Extensive consultation has taken place in respect of the budget proposals in general, and also in respect of specific planned changes. Consultation feedback has been taken into consideration as final proposals to the Council have been formulated.

9.10.5 At Member level, the Budget and Performance Scrutiny Committee has considered the financial planning process and made recommendations to the Cabinet. The Cabinet has given extensive informal and formal consideration to the financial planning process, including at formal meetings in July and November 2013.

In the view of the Chief Finance Officer, the proposed budget for 2014/15 is robust.

Adequacy of reserves

9.10.6 The Council's reserves and balances policy is set out at Appendix I. The extreme constraints on the Council's financial resources means that the core budget process is only able to reflect unavoidable increases in Council expenditure. The Council must, however, retain its ability to respond to the most urgent corporate priorities which do not come within this category. The policy therefore maintains the provision for a service development reserve. The policy sets out principles for the consideration of the level of general reserves. These principles have been addressed as follows:

- **Strategic Financial Context:** continued cuts to local government funding will continue in 2015/16 and beyond. For this reason, it is important that the Council is prudent with its use of reserves and contingency to mitigate against future cuts.
- **Robustness of the Budget Process:** the process that has been undertaken to set the budget has included engagement of officers from service

departments throughout the year, regular reporting to Cabinet and scrutiny, consultation with the public, along with due consideration of statutory duties, particularly in respect of equalities. For these reasons, it can be confirmed that the budget setting process has been robust;

- **Effectiveness of Risk Management:** risk management processes have continued to improve during 2013/14. The corporate risk register is attached at appendix J, and service and corporate risks have been taken into account in budget-setting and in considering the adequacy of reserves;
- **Effectiveness of Budget Management:** the Council has robust arrangements for managing budgets and performance. Close attention will continue to be paid to the implementation of agreed savings, with regular reporting to the Cabinet Resources Committee.

9.10.7 Having considered the application of the above principles, the Chief Operating Officer recommends:

- General fund general reserves of a minimum of £15m; and
- Housing revenue account general reserves of a minimum of £3m, increasing to a target minimum level of £5m over the medium term in recognition of planned increased local autonomy.

9.10.8 The latest position in respect of general reserves is as follows:

General reserve	Mar-13	2013/14	Mar-14	2014/15	Mar-15
	£m	£m	£m	£m	£m
General fund	15.8	0.0	15.8	0.0	15.8
Housing revenue account	16.1	(1.2)	14.9	(2.9)	12.0

9.10.9 For specific reserves, the Chief Operating Officer has considered relevant to each reserve and advises the following planned levels:

Specific reserves	Mar-13	2013/14	Mar-14	2014/15	Mar-15
	£m	£m	£m	£m	£m
Risk	16.3	(5.0)	11.3	0.0	11.3
Transformation	13.5	(3.0)	10.5	0.0	10.5
PFI	2.5	(0.4)	2.1	0.0	2.1
Service Development	6.5	(6.0)	0.5	0.0	0.5
Infrastructure	15.0	8.0	23.0	4.0	27.0
Service Reserves	21.7	(5.0)	16.7	0.0	16.7
Council total	75.5	(11.4)	64.1	4.0	68.1
Schools reserves	14.8	0.0	14.8	0.0	14.8
Total	90.3	(11.4)	78.9	4.0	82.9

9.10.10 The council's arrangements for ensuring financial resilience have been assessed by external auditors during 2013/14 and have been found to be robust.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH
Cleared by Legal (Officer's initials)	JF