



## Policy & Resources Committee

### 28<sup>th</sup> June 2016

<b>Title</b>	<b>Business Planning 2017-20</b>
<b>Report of</b>	Interim Chief Executive Interim Chief Operating Officer Director of Resources
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Updated Medium Term Financial Strategy (MTFS) to 2020 Appendix B – Adults and Family Services amended budget for 2016/17
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## Summary

This paper sets out the council's updated Medium Term Financial Strategy (MTFS) to 2020. The paper sets out the proposed revenue and capital budget amendments for 2016/17 as well as setting out the previously agreed savings requirements across Theme Committees for the period 2017-20.

In relation to funding from central Government, this paper sets out how we propose to engage with the Department for Communities and Local Government (DCLG) in order to access a multi-year settlement and contribute to consultations on the localisation of business rates – both of which were announced during the 2015 Spending Review.

This report seeks approval from Policy and Resources Committee on the following:

- The process by which Theme Committees will confirm the delivery and achievement of savings plans already agreed;
- Movements to the budget in 2016/17; and
- Amendment to the capital programme.

## **Recommendations**

**The report recommends that the Committee:**

- 1. Notes the updated Medium Term Financial Strategy (MTFS) to 2020 as set out at appendix A and the assumptions underpinning this in para 1.3.3;**
- 2. Approves the proposal to engage with DCLG to seek a multi-year funding settlement to 2020, which requires the council to submit an 'Efficiency Plan' to DCLG by 14 October 2016, as set out in para 1.2.18-22;**
- 3. Delegates authority to the Chief Finance Officer, in consultation with the Chairman of Policy and Resources Committee, to submit the 'Efficiency Plan';**
- 4. Notes the distribution of savings across Theme Committees for the period 2017-20, which have previously been agreed, and the process to confirm delivery and achievement of these savings during the autumn, ahead of a draft budget report being presented to Policy and Resources Committee in December 2016;**
- 5. Approves the budget amendments in respect of 2016/17 as shown in section 1.4; and**
- 6. Approves the amendments to the current capital programme as shown in section 1.6.**

### **1. WHY THIS REPORT IS NEEDED**

#### **1.1 Executive Summary**

- 1.1.1** In March 2016, the council set a Medium Term Financial Strategy (MTFS) covering the period 2016 – 2020. The MTFS for this period identified a total budget gap (including proposed pressures) of £80.1 million with savings identified to meet this gap.
- 1.1.2** The business planning process works on an annual cycle to confirm the council's budget each year. The council typically re-assesses the assumptions underpinning the MTFS once a year through a report to Policy and Resources Committee during the summer, ahead of the draft budget for the year ahead being presented in the autumn ahead of consultation. The final budget is presented to Policy and Resources Committee and Full Council for agreement in the spring.
- 1.1.3** This report sets the national and local context in which Local Government and the council is operating and updates Members on changes to the council's future budget assumptions. It also sets out amendments to the current year's budget and the process for confirming the achievement of savings for 2017/18.

## 1.2 **Strategic Context**

- 1.2.1 The past five years have been challenging for all local authorities; the combination of reduced public spending and increasing demand meant that Barnet needed to save £75 million between 2011 and 2015, just over a quarter of its budget. As far as possible, the council sought to meet this challenge through savings to the 'back office' and non-front line services. During this time of significant challenge, the council has seen levels of resident satisfaction remain high both in terms of satisfaction with the council as well as with a range of local services. According to the Autumn 2015 Residents' Perception Survey, 88 per cent of residents are happy with Barnet as a place to live, and 74 per cent are satisfied with how the council runs things. This is part of an upwards trend in satisfaction since 2012.
- 1.2.2 Between 2016 and 2020, a further £81.8 million of savings needs to be made as a result of increasing demand on services – driven largely by a growing population and changing demographic – and continued reductions in central Government funding.
- 1.2.3 However, in spite of these challenges, there are significant opportunities for Barnet. As funding from central Government is likely to reduce to zero, the council will need to generate its income through local and regional sources of funding – Council Tax, Business Rates, fees and charges and the commercialisation of some of our services, where appropriate. Whilst challenging, this also provides all authorities with an opportunity as the further devolution of funding means that, increasingly, councils will become masters of their own destinies.

### **UK economy to 2020**

- 1.2.4 At this year's Budget in March 2016, the Chancellor re-confirmed plans to achieve a UK budget surplus of £10.4 billion by 2020, which will result in further reductions to funding for non-ring fenced departments, including Local Government.
- 1.2.5 The Government plans to eradicate the national debt – and move to a surplus position – will be achieved through reductions to public spending and income that will be generated by economic growth. The Budget set out forecasts showing that the Government currently expects the UK economy to grow faster than any other major advanced economy in 2016 with GDP in quarter 4 2015 being 12.6% higher than in quarter 1 2010. However, the economic outlook globally has deteriorated since the Spending Review and Autumn Statement 2015, with the International Monetary Fund (IMF) and Organisation for Economic Cooperation and Development (OECD) revising down their global forecasts for GDP in 2016. The OBR forecasts GDP growth to be 2% in 2016, rising to 2.2% in 2017 and 2.1% in 2018. The main reason for the reduced GDP forecast is a lower forecast for potential productivity growth (the amount of output growth per hour worked the economy is capable of producing sustainably).

## **Public spending to 2020**

- 1.2.6 The Government's Spending Review in autumn 2015 set out total public spending reductions of £21.5 billion to 2020. This was subsequently revised at the 2016 Budget, with a further £3.5 billion of savings to be made in 2019/20. The Government will take forward a series of 'efficiency reviews' across departments to achieve these additional reductions, which will report in 2018. There are no further details at this stage, although Local Government funding will be in scope.

## **Service specific national context**

### **Academies and schools improvement**

- 1.2.7 The Queen's Speech on 18 May confirmed the Government's intention to bring forward the 'Education for All' Bill, which will set out the Government's strategy to move towards a system where all schools are academies, and all schools are funded fairly. The ambition is for the conversion of local authority maintained schools to academies in the worst performing local authorities and in those areas that can no longer viably support their remaining schools because a critical mass of academies in the area has been reached.
- 1.2.8 The Government has already launched the first part of its consultation to prepare the move towards a national funding formula for schools with further consultation expected in autumn this year. Barnet's Schools Forum and the Children, Education, Libraries and Safeguarding Committee have received reports setting out what is currently known but it is too early to indicate the financial impact on school funding in Barnet.

### **Adult Social Care**

- 1.2.9 In October 2015, a national plan 'Building the Right Support' and a national service model for learning disability services was published to help Transforming Care Partnerships (TCPs) meet NHS England's (NHSE) commitment to reduce the length of stay in hospitals and stop admissions to assessment and treatment units (such as the former Winterbourne Unit). Barnet CCG forms part of the North Central London TCP alongside Camden, Enfield, Haringey and Islington. An implementation plan is being developed to be in place by July 2016 for delivery by March 2019..
- 1.2.10 In 2016/17 Barnet Council and Barnet CCG received a combined total of £24.3 million to spend on services which will achieve the goals set out in our Better Care Fund Plan; of a joined up health and social care system that is built around the needs of an individual and their carer, delivers the best outcomes when needed and provides the best value for public money as well as providing services closer to home in the community. The Relative Need Formula allocation of £6.7m has been applied for the protection of adult social care in the Better Care Fund, along with the nationally mandated amount for Care Act 2014 new burdens (£833k); £782k dedicated funding for Integrated Care teams and £1.9m Disabled Facilities Grant (DFG) allocation. The detailed spending plan submitted in the NHSE Submission demonstrates the breadth of the Barnet BCF plan in investing in NHS commissioned services out of hospital. This includes not only NHS community services and social care services but a range of prevention services included in the Ageing Well

programme, the mobilisation of Dementia Hubs, the carers support services, palliative/end of life services and the locality teams. Given the financial position of the Barnet health economy, significant emphasis will still be applied to delivery of targets related to reducing non-elective emergency admissions for the cohorts identified within the plan, alongside supporting the required improvements in relation to delayed transfers of care as well as a reduction in residential placements.

- 1.2.11 During 2016, every health and care system will work together to produce a multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years – ultimately delivering the Five Year Forward View vision. Local health and care systems have come together in STP ‘footprints’ with Barnet included in the North Central London sub-regional area. The health and care organisations within these geographic footprints will work together to narrow the gaps in the quality of care, their population’s health and wellbeing, and in NHS finances.

### **Housing**

- 1.2.12 In 2012 the Government ended the Housing Revenue Account (HRA) Subsidy System and moved towards a self-financing system where local authorities fund their own ring-fenced HRAs through rental income and other direct service charges. This settlement saw Barnet move away from having to pay circa £11m of council rents it collected to the Treasury to a position whereby the HRA is self-sufficient and able to meet the on-going investment needs of council homes. In addition, the settlement provided the council with the opportunity to borrow an additional £38m as a result of headroom generated by differences between the actual HRA debt and the amount assumed in the settlement.
- 1.2.13 It was announced in last year’s Budget (2015) that from April 2016 council housing rents for existing tenants have to reduce by 1% each year for four years up to 2020. The aim of this is to reduce the amount of housing benefit paid out which in turn aims to halt the trend of increasingly higher rents. At this point it is too early to say what the impact on Barnet will be. The HRA and headroom is currently being remodelled to take account of these changes.
- 1.2.14 The recently enacted Housing and Planning Act 2016 (“the 2016 Act”) will require all stock holding local authorities, including Barnet, to pay a levy to the Treasury based on an estimate of the higher value empty stock that councils own. Councils with a housing development pipeline may be able to reduce the levy paid which is also being used to fund the extension of the Right to Buy for housing association tenants. Other reforms set out in the 2016 Act, but yet to come into force include charging market rents for council tenants defined as ‘high income tenants’, (the Secretary of State may produce regulations pursuant to sections 80 - 81 of the 2016 Act defining what constitutes a ‘high income tenant’), and the phasing out of council tenancies for life. The 2016 Act also provides a new requirement for councils to promote the supply of Starter Homes, which are to be sold at a discount of at least 20% of market value (subject to a maximum price cap of £450,000). Starter Homes are to be available for first time buyers between the ages of 23 and 40. Starter homes are going to be “affordable housing” for the purposes of the National Planning

Policy Framework and, therefore will count towards Councils' affordable housing targets as well as the provision of "affordable housing" by developers under Section 106 Agreements. The provisions relating to Starter Homes are yet to be brought into force.

- 1.2.15 The new Mayor has also indicated that he will wish to introduce a number of measures in relation to housing, the impact of which is not yet known.

#### **Changes to Business Rates**

- 1.2.16 In the Budget 2016, the Chancellor announced that from April 2017, small businesses that occupy a property with a rateable value of £12,000 or less will not pay business rates. There will be a tapered rate of relief on properties worth up to £15,000, exempting 600,000 businesses from business rates. This will support the growth of small businesses in the borough. The council's share of the additional relief will be repaid by CLG through a s31 grant.

- 1.2.17 Crucially for local government funding, the Chancellor also announced that Government will explore options for moving to 100 per cent of business rates retention by 2020. It was also announced that this would be trialled in London ahead of the full roll-out of reforms. Full details of this have not yet emerged but a consultation will be launched in July 2016. The council is preparing a response to this by evaluating its business rates offer and likely impact of the changes.

#### **Multi-year Settlement Deal**

- 1.2.18 Following the Spending Review and Autumn Statement 2015, Rt Hon Greg Clarke, Secretary of State for DCLG, wrote to local authorities inviting them to submit 'Efficiency Plans' detailing their plans to 2020 responding to the funding challenge in return for a minimum funding commitment as set out in the provisional local government finance settlement released on 17 December 2015.

- 1.2.19 The minimum funding guarantee only relates to the Revenue Support Grant, Transitional Grant and Rural Services Grant. There are, of course, a raft of specific grants including the Better Care Fund and New Homes Bonus, which also form a significant part of our budget but are not included in the settlement deal and further details on the future levels are yet to emerge. Despite this, it is recommended that the council engages with DCLG with a view to agreeing the multi-year settlement to 2020.

- 1.2.20 Officers from DCLG have confirmed that accepting the multi-year settlement provides clarity on the minimum funding guarantee but doesn't preclude Members from further lobbying of Government. It is recommended that Barnet, along with other outer London boroughs, continue to lobby Government on adjusting the existing funding formula.

- 1.2.21 There isn't any prescriptive guidance in respect of drawing up Efficiency Plans. The steer is that these should be locally driven and locally owned. The main elements of the plan need to cover:

- Plans to achieve a balanced budget;

- Benefits it will bring to the council and community;
- Collaboration with neighbours and partners;
- Cover the period up to 2020.

1.2.22 Barnet, due to its forward planning, is one of the few councils that has a Corporate Plan and MTFS that stretches to 2020. Officers will use these documents as foundations for drawing up the Efficiency Plan. This will be finalised by the Chief Finance Officer and chairman of Policy and Resources Committee, ahead of submission to DCLG on 14 October 2016.

## **Barnet's priorities – how we will meet the financial challenge**

### **Responsible growth and regeneration**

1.2.23 As the council becomes less reliant on central Government funding, more of the council's revenue must be generated locally. Barnet now has the largest population of any London borough and this has placed an increased demand on housing. The council has plans to build more than 20,000 new homes by 2025 – the most in outer London – and 700 homes on council land, 320 of which will be council affordable homes. The increased housing in the borough will increase income through Council Tax, which will benefit our residents by helping us maintain lower Council Tax bills.

1.2.24 Most residents will benefit from the opportunities that a growing local economy will bring. Barnet, working across a range of partners, is developing space for 30,000 new jobs, most of which will be at the Brent Cross Cricklewood development. These jobs will help get more people into employment and contributing to the local economy.

1.2.25 However, some residents will need additional support to get a job and this is an area where Barnet has been successfully working together with other public sector agencies to improve outcomes through co-located teams such as the Welfare Reform Task Force and 'BOOST' at Burnt Oak and the Workfinder project on regeneration estates.

### **Managing demand for services**

1.2.26 As far as possible, the council has sought to make savings through efficiencies and changes to the 'back office' in order to provide a degree of relative protection to front line services. Pressure on budgets is driven by rising demand for services as well as continued reductions to central funding. In order to meet £61.5m budget gap in 2017 - 2020 the council will need to focus even more on reducing demand on services through supporting residents to change their behaviour and developing early interventions to prevent residents as much as possible from reaching a stage where they become dependent on council services.

1.2.27 The council is already involved in a range of demand management activities, including early intervention in family services to safely reduce the rate of children in care and measures taken in Adult Social Care to better enable people to stay in their own homes. However, over the next few years, demand management will become more central to the council's approach, with all

services reviewing what can be done to reduce demand in light of the increasing population and reduced funding.

### **Transforming services**

- 1.2.28 The way in which local services are designed and delivered will also continue to change to ensure that the best outcomes are achieved in the most effective way. Through its service transformation plans, the council is also looking at how to make a range of services more accessible and convenient to those that use them.
- 1.2.29 The council has a variety of transformation programmes underway including a push towards 'digital by default' and working closely with partners to trial place-based commissioning approaches. The council is developing a Customer Access Strategy which aims for the majority of contact with the council to be online or via other digital means by 2020 – this aims to save customers time and save the council money which can be directed at those most in need. In doing so, it is important that we ensure that those unable to access services digitally are still supported.
- 1.2.30 Place based commissioning has been successfully trialled in Burnt Oak where efforts have been coordinated to address a number of local issues including health and well being, community, business support, waste management and Anti-Social Behaviour. This process involves collaboration between various council departments, local community groups and organisations. The community has been involved in developing a Town Centre plan for the area that proposes a number of improvements to the physical environment as well as a number of local priorities. This period of focus on Burnt Oak has already started delivering benefit including:
- a 20% reduction in reports of Anti- Social Behaviour compared with the previous two years;
  - recruitment of 10 volunteer health champions who are working with GPs and the community to offer a range of support; and
  - introduction of multiagency employment support through the Burnt Oak Opportunity Support Team (BOOST) who have supported 161 people to find work in the past year.

The intention is that the learning from Burnt Oak will now be rolled out more widely across other town centres in the borough.

### **More resilient communities**

- 1.2.31 A key part of Barnet's strategy, which complements demand management, is equipping residents to help themselves and tailoring services to their needs, therefore increasing self-sufficiency and reducing reliance on statutory services. This includes encouraging civic engagement through residents taking on greater responsibility for their local areas and where appropriate, being involved in the design and delivery of services – this will ensure that services are suited to specific needs in a given area so that resources are targeted and outcomes reached in the most efficient and effective way.



1.2.32 The council has developed a Community Participation Strategy, which outlines the development of an interactive database showing the support provided by the voluntary organisations in the borough, and a comprehensive volunteering brokerage service, which will put residents and council staff interested in volunteering in touch with local opportunities.

### 1.3 Medium Term Financial Strategy

1.3.1 The MTFS to 2020, set out at Appendix A, takes into account national economic factors such as forecasts to Government spending and inflation, along with local factors which will have an impact on the council's budget such as population change, housing and development and other demand pressures on services.

1.3.2 Given the uncertainty with local government funding beyond 2020 due to the changes in Revenue Support Grant and Business Rates, the current MTFS is not extended beyond this period. It is intended that the council will conduct another 'Priorities and Spending Review' (PSR) – as it did between 2013/14 to fully revise the MTFS through to 2023 and present options to the new administration after the May 2018 local elections. The PSR will begin again next summer.

1.3.3 The assumptions within the MTFS are:

- **Pressures:** an assumption has been made in the MTFS for future demographic pressures specifically for Adults and Children's Social Care costs. This is based on the latest demographic projections from the GLA and specific data from the Projecting Older People Population Information System (POPPI) and the Projecting Adult Needs and Service Information System (PANSI). An assumption has also been included for increased costs relating to complexity of cases in Special Education Needs (SEN) and Learning Disabilities (LD);
- **Inflation (pay):** the local government pay award has been confirmed as 1% increase for two years;
- **Inflation (non-pay):** contractual inflationary amounts have been included, but general inflation has to be met from existing budgets;
- **North London Waste Authority (NLWA) levy:** figures for the NLWA levy are based on the latest information from the NLWA, but doesn't take into account the upgrade to the plant required as decisions on this are still to be taken by members of the NLWA;
- **Capital financing costs:** the council's borrowing requirement have been reviewed, taking into account the latest projections on the capital programme spend, this has resulted in a reduction of approximately £1million on the interest costs from the original requirement;
- **Contingency:** A provision was added from 2017/18 to cover general risks;
- **Concessionary fares:** increases have been projected in line with demographic changes of the 60+ population in Barnet;
- **Business rates:** the council, along with other London boroughs, have noticed a decrease in business rates due to an increase in successful appeals against rateable values; therefore a decrease in the baseline has

been factored in to reflect this, however successful appeals have brought about an increase in backdated refunds;

- **Revenue Support Grant (RSG):** the assumption for reduction in RSG reflects the Government's aspiration to have a budget surplus by 2018/19, and is based on local government finance settlement released by DCLG on 17 December 2015;
- **Education Services Grant;** the 'Autumn Statement 2015' announced a £600m reduction in this budget. A 10% year on year reduction in this grant has been factored into the MTFS.
- **General Council Tax:** a proposed freeze to general Council Tax i.e. the proportion of council tax that goes to services other than adult social care has been factored into the MTFS for 2017/18, with a proposed increase of 2% per annum beyond that. The setting of the council tax will be subject to consultation and an Equality Impact Assessment.
- **Social Care Precept element of council tax:** the precept has been applied at 1.7% for 2016/17 and is recommended at 2% for 2017/18 – this will see an increase to Council Tax for spending exclusively on adult social care, including care for the elderly.

1.3.4 Savings plans to close the £80.1 million gap (2016-20) were agreed by Full Council in March 2016, with £5million to be funded by reserves in 2019/20. Funding savings from reserves is not sustainable in the long term, however, the chief financial officer recognises that the council tax base beyond 2020 is expected to increase, based on projected council tax receipts from new housing in the west of the borough and therefore the use of reserves is projected to be necessary for one year only.

1.3.5 In 2016/17, the council introduced the Social Care Precept at 1.7% on Council Tax for spending exclusively on adult social care. This will generate £2.4m which will be used to support the pressures in the service area and will provide approximately 32 residential placements for older adults, 27 nursing placements for older adults with dementia and 86 packages of domiciliary care.

### **Savings proposals 2017-20**

1.3.6 The proposed budget to 2020 reflects a budget gap of £61.5m, with savings proposals to reach a balanced position.

1.3.7 The 2017-20 savings targets by Theme Committees are as below:

<b>Theme Committee Savings</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	£000	£000	£000	£000
Adults & Safeguarding	5,412	5,161	4,497	15,070
Assets, Regeneration & Growth	6,362	5,132	48	11,542
Children, Education, Libraries & Safeguarding	4,062	2,596	5,818	12,476
Community Leadership			243	243
Environment	2,315	2,165	2,080	6,560
Health & Wellbeing Board				
Policy & Resources	3,720	4,389	2,544	10,653
Policy & Resources Reserve			5,000	5,000
	<b>21,871</b>	<b>19,443</b>	<b>20,230</b>	<b>61,544</b>

- 1.3.8 Theme Committees are asked to confirm delivery of savings against plans agreed at the March 2016 Council meeting. Theme Committee meetings are intended to take place over the autumn, with a draft budget for 2017/18 being presented to Policy and Resources Committee in December 2016, ahead of the public consultation and the final budget being brought back to Policy and Resources in February 2016 and Full Council in March 2016 with a full Equality Impact Assessment.
- 1.3.9 The overall targets for Theme Committees remains the same and any proposals that are not either unachievable or will not deliver on their original estimate will need to be supplemented by bringing forward new proposals to meet the gap.

#### 1.4 Budget Management 2016/17

##### Transfers from contingency and reserves

- 1.4.1 Each year the council sets aside an amount of money in contingency to cover costs of pay awards and inflation. In accordance with the council's financial regulations, budget virements from contingency over £250,000 have to be approved by the Policy & Resources Committee.
- 1.4.2 The **public health grant**, when announced, was £489k lower than originally anticipated; this requires a reduction in both the public health expenditure and public health grant income to be processed.
- 1.4.3 Due to the lower Revenue Support Grant (RSG) allocation, a **transitional grant** was allocated to some councils. For Barnet, this meant that £1.4 million was allocated for both 2016/17 and 2017/18. This amount requires a transfer to contingency in 2016/17.
- 1.4.4 On-going allocation from contingency for pressures in Family Services Social Care, as detailed below:

Reason	Cost £000
Increase in demand at the front door	444.0
Increase in demand in the rest of the system	670.5
Adjustments to transformed structure	175.0
Early Years places	160.0
Child Sexual Exploitation & Missing	110.0
Caseload reduction	343.0
Other Family Services Pressures	1,445.0
<b>Total</b>	<b>3,347.5</b>

- 1.4.5 On-going allocation from contingency for pressures in Adult Social Care, as detailed below:

Reason	Cost £000
Demand and other service pressures	1,500
Non pay contractual inflation and	1,500

living wage	
<b>Total</b>	<b>3,000</b>

Appendix B details all of the additions that have been made to Adults and Family Services delivery units.

- 1.4.6 Pay inflation: Due to national pension changes, the council will pay national insurance contributions at the rate of 13.8% of all earnings above the 'secondary threshold'. Between the 'secondary threshold' and the 'upper accrual point', the rate prior to 1<sup>st</sup> April 2016 was 10.4% but the Council no longer receives the 3.4% rebate. In accordance with the agreement made with the Greater London Provincial Council, inner and outer London pay spines are increased in line with NJC pay settlements and a four-year settlement has been agreed. The figures exclude those on Hay grades.

<b>Delivery Unit</b>	<b>NI @ 3.4% £000</b>	<b>1% Pay Award £000</b>	<b>Total £000</b>
Adults and Communities	264.1	76.7	340.8
Assurance	53.7	16.2	69.9
Children's Education & Skills	27.7	14.7	42.4
Children's Family Services	518.6	214.6	733.2
Commissioning	175.5	28.1	203.6
Parking & Infrastructure	25.0	10.5	35.5
Streetscene	233.7	179.5	413.2
<b>Grand Total</b>	<b>1,298.3</b>	<b>540.3</b>	<b>1,838.6</b>

#### **Transfers between Delivery Units**

- 1.4.7 Following the transfer of Education and Skills to Cambridge Education, a number of services were retained within the council. These are Schools Causing Concern, Virtual Head Teacher and Caretakers' Rents. The total retained budget is £128,530 and responsibility for these budgets will transfer to the Commissioning Group.

#### **1.5 Transformation**

- 1.5.1 In December 2014, Policy and Resources Committee agreed to set up a reserve for transformation projects of £16.1m. An initial drawdown of £2.7m was approved and the remaining £13.4m was approved by this committee in July 2016 to be released as the projects had reached the appropriate gateways. An additional £4.3 m was approved by this committee in February 2016. The following table indicates by Portfolio where the reserve of £12.7m remains to be drawn down.

<b>Portfolio</b>	<b>£000</b>
Growth & Development	784
Environment	1,954
Children's & Families	4,573
Adults & Health	2,048

Central	3,294
Overall Total	12,653

## 1.6 Capital Programme

- 1.6.1 Investing in the future is a key strand of the council's response to the scale of the challenge facing Local Government from funding reductions and increasing demand. Barnet will not be able to support the growth needed to ensure the council's financial independence without investment for the future. The capital programme doesn't only support the growth agenda but also includes a number of additions that enable the achievement of the revenue savings proposals.
- 1.6.2 The current approved capital programme totals £565m, from 2016 up to 2020, funded from a combination of capital receipts, borrowing, revenue and external grant contributions. The MTFS includes provisions for future capital expenditure on council priorities through 2020.
- 1.6.3 Additions and deletions to the capital programme need to be approved by Policy and Resources Committee, the following have been identified for approval:

Directorate	Capital Programme	Amount £'000	Narrative
<b>Additions &amp; Deletions 15/16</b>			
Adults and Communities	Autism Innovation Grant	1.89	Utilisation of additional Department of Health grant monies to match in-year related expenditure on the Autism and Innovation capital project.
Regional Enterprise	TFL 2014-15	108.73	Finalisation of 2014/15 Local Implementation Plan works, to be funded from Transport for London grant monies.
Regional Enterprise	TFL 2015-16	5.20	Finalisation of 2015/16 bridge assessment works, to be funded from Transport for London grant monies.
Regional Enterprise	Outer London Fund - Cricklewood	0.17	Utilisation of additional S106 monies to match in-year related capital expenditure on Outer London Fund (Cricklewood).
Regional Enterprise	Outer London Fund - North Finchley	0.30	Utilisation of additional S106 monies to match in-year related capital expenditure on Outer London Fund (North Finchley).
Children's Families Services	Education Systems	-50.00	The Education System project was wholly funded from revenue. No additional capital requirement, hence deletion of

Directorate	Capital Programme	Amount £'000	Narrative
			project.
<b>Additions &amp; Deletions 16/17</b>			
Barnet Homes (Housing General Fund)	Housing	126.00	Essential fire safety works to be carried out at Chilvins Court (General Fund property) which will ultimately be funded from Leaseholder contributions.
Regional Enterprise	Bus Stop Accessibility	400.00	Additional bus stop accessibility works to be carried out, to be funded from Transport for London grant monies.
Regional Enterprise	Brent Cross	11,750.00	Thameslink project increased from £4.9m to £16.65m, funded by grants.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Local Government as a whole, not just Barnet, continues to face significant reductions in funding and demand for services, as set out in the strategic context. These require continual longer term robust financial planning and the recommendations in this report support the plan to ensure that adequate budget provision is allocated to the council's service areas.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Following approval of these recommendations, the budget changes will be processed in the financial accounting system.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 This supports the Council's corporate priorities as expressed through the Corporate Plan for 2015-20 which sets out the vision and strategy for the next five years based on the core principles of fairness, responsibility and opportunity, to make sure Barnet is a place:
- Of opportunity, where people can further their quality of life;
  - Where people are helped to help themselves, recognising that prevention is better than cure;
  - Where responsibility is shared, fairly;
  - Where services are delivered efficiently to get value for money for the taxpayer.

## **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 The revenue budget proposals will enable the council to meet its savings target as set out in the MTFS. These budgets will be formally agreed each year, after appropriate consultation and equality impact assessments, as part of the council budget setting process. For this reason, the proposals are subject to change annually.
- 5.2.2 The council's financial regulations require that virements for allocation from contingency for amounts over £250,000 and capital programme additions must be approved by Policy and Resources Committee.

## **5.3 Social Value**

- 5.3.1 None applicable to this report, however the council has to take into account the requirements of the Public Services (Social Value) Act 2012 to try to maximise the social and local economic value it derives from its procurement spend. The Barnet living wage is an example of where the council has considered its social value powers.

## **5.4 Legal and Constitutional References**

- 5.4.1 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.
- 5.4.2 Council Constitution Responsibilities for Functions Annex A sets out the terms of reference of the Policy and Resources Committee which include:
- To be the principal means by which advice on strategic policy and plans is given and co-ordinated on strategic issues such as the Council's Capital and Revenue Budget setting, Medium Term Financial Strategy and ensuring effective Use of Resources and Value for Money.
  - To be responsible for the overall strategic direction of the Council including strategic partnerships, Treasury Management Strategy and internal transformation programmes.
  - To consider and take any necessary action on proposals for new legislation, Bills before Parliament, Acts of Parliament and other proceedings before Parliament affecting or likely to affect the interests of the Borough or its inhabitants generally, where not the specific concern of any other committee(s). The promotion of Bills and Provisional and Statutory Orders in parliament shall be dealt with by the Council.
- 5.4.3 The council's financial regulations state that amendments to the revenue budget can only be made with approval as per the scheme of virement table below:

### **Revenue Virements**

Virements for allocation from contingency for amounts up to £250,000 must be approved by the Section 151 Officer in consultation with appropriate Chief Officer
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Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service that do not alter the bottom line are approved by Service Director
Virements between services (excluding contingency allocations) up to a value of £50,000 must be approved by the relevant Chief Officer
Virements between services (excluding contingency allocations) over £50,000 and up to £250,000 must be approved by Chief Officer and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements between services (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee

## Capital Virements

Performance and Contract Management approval is required for all capital budget and funding virements and yearly profile changes (slippage or accelerated spend) between approved capital programmes i.e. as per the budget book. The report must show the proposed: i) Budget transfers between projects and by year; ii) Funding transfers between projects and by year; and iii) A summary based on a template approved by the Section 151 Officer
Policy and Resources Committee approval is required for all capital additions to the capital programme. Capital additions should also be included in the quarterly budget monitoring report to Performance and Contracts Committee for noting.
Funding substitutions at year end in order to maximise funding are the responsibility of the Section 151 Officer.

## 5.5 Risk Management

- 5.5.1 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. The allocation of an amount to contingency was a step to mitigate the pressures that had yet to be quantified during the budget setting process.
- 5.5.2 In December 2015, the Government confirmed spending totals for Councils for 2016/17 and indicative figures from 2017-20. Ahead of this the Spending Review and Autumn Statement 2015 has confirmed that the deficit elimination and debt reduction programme is set to continue until the end of the decade. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate future cuts.
- 5.5.3 The challenges set out in this report require fundamental change in the way Council services are delivered, which impacts on the human resources of the organisation and related policies and practices. This process will be managed in conjunction with Trade Unions and staff.
- 5.5.4 The future savings proposals are significantly challenging and dependent on a range of factors often outside of the control of the service and with longer lead in times. The achievement of savings predicated on reducing demand through



improved preventative work and social work practice should lead to better outcomes. However the relationship between early intervention/prevention and reduced demand on social care is not always linear and is subject to a range of both controllable and uncontrollable variables. There is therefore a risk that the savings set out may not be deliverable as the Council must always ensure that safeguarding of adults, children and young people remains paramount.

## **5.6 Equalities and Diversity**

5.6.1 The Equality Act 2010 and The Public Sector Equality Duty outlined in statute, require elected Members to satisfy themselves that equality impact considerations have been fully taken into account in developing all the proposals which emerge from the finance and business planning process, and considered together with any mitigating factors. As part of the council's approach to strengthening how due regard is paid to equalities in decision making, the council will analyse the equality impact of each of those proposals in the budget year in question and will also develop a cumulative impact assessment of all the proposals. The council's Annual Equalities Report for 2015/16 reports on how this process was carried out in 2015/16.

5.6.2 Similarly, all human resources implications will be managed in accordance with the council's Managing Organisational Change policy that supports the council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

## **5.7 Consultation and Engagement**

5.7.1 Preliminary engagement will inform the development of the council's budget proposals, to be put forward for formal consultation on the budget for 2017/18.

5.7.2 As part of the council's statutory duty to consult with National Non Domestic Rate Payers (NNDRs), letters will be sent out to all the council's NNDRs inviting them to comment on the 2017/18 budget.

5.7.3 In terms of service specific consultations the Council has a duty to consult on proposals to vary, reduce or withdraw services in the following 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;
- exceptionally, where the matter is so important that there is a legitimate expectation of consultation.

5.7.4 Consultation is also recommended in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equalities duties. Consultation will take place on individual proposals linked to projects as they are developed, and the outcome of the consultation will need to feed into Committees as decision are taken.

## **5.8 Insight**

5.8.1 Not applicable.

## **6. BACKGROUND PAPERS**

6.1 Full Council, 1 March 2016, agenda item 11.1 Business Planning 2016 – 2020

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8343&Ver=4>