

## Policy & Resources Committee 11 December 2018

<b>Title</b>	<b>Corporate Plan 2019-24, Business Planning – Medium Term Financial Strategy 2019/24 and Draft Budget for 2019/20</b>
<b>Report of</b>	Chairman of the Policy and Resources Committee
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	Yes
<b>Key</b>	Yes
<b>Enclosures</b>	<p>Appendix A – Corporate Plan 2019-2024  Appendix B – Policy and Resources Committee Priorities  Appendix C – Medium Term Financial Strategy (MTFS) 2019– 2024  Appendix D – Savings Proposals by Theme Committee  Appendix E – Capital Programme Changes  Appendix F – Proposed Capital Programme  Appendix G – Draft Capital Strategy  Appendix H – Fees and Charges  Appendix I – Theme Committee Priorities</p>
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### Summary

On 29 October 2018, the Chancellor of the Exchequer set out the 2018 Autumn Budget. The Autumn Budget is based on the latest forecasts from the Office for Budget Responsibility (OBR) for the UK economy and public finances. Informed by this, the council's Medium Term Financial Strategy (MTFS) has been reviewed and updated, thus ensuring the budget is

accurate and sustainable.

Alongside this, to ensure the council has a plan that reflects local priorities, the development of a new draft Corporate Plan and MTFs have been aligned to cover the next five years (2019-to 2024). The Corporate Plan, known as Barnet 2024, has been refreshed to reflect the priorities of the administration elected in May 2018, and resident feedback on what matters to them. Feedback was captured through public consultation and engagement that took place over the summer of 2018 and the Plan was amended accordingly. The Corporate Plan will set the strategic direction of the council, including outcomes for the borough, the priorities we will focus limited resources on, and how we will approach delivery.

This paper sets out the council's refreshed Corporate Plan for approval, the priorities for this committee and each theme committee, MTFs, savings plans and capital programme. These figures are based on a financial forecast for the period 2019-2024 and will help to ensure resources are aligned to the strategic outcomes set out in the council's Corporate Plan.

This report forms a key part of the budget setting process for 2019/20 onwards. It provides the key budget headlines on both a local and national level. In addition, the report seeks to provide an update on the council's underlying financial strategy. Finally, the report seeks approval to make 'housekeeping' changes required to effectively manage the 2018/19 position.

## **Officers Recommendations**

### **Officers recommend that the Committee:**

1. Approve the draft Corporate Plan (Appendix A) and the outcomes, priority and approach that it sets out for referral to Council;
2. Approves the additional priorities and approach to delivery for this Theme Committee, as set out in Appendix B;
3. Notes the updated Medium Term Financial Strategy (MTFS) to 2024 as set out at Appendix C and the assumptions underpinning this in paragraph 1.5.9;
4. Agrees to consult on the use of the Council's flexibility to raise the level of General Council Tax by 2.99% in 2019/20;
5. Agrees that the savings proposals as set out in Appendix D, subject to consultation and equalities impact assessment, come back to Policy and Resources Committee in February 2019 and Full Council in March 2019 for final approval of the 2019/20 budget including Council Tax;
6. Approve the Fees and Charges as set out in Appendix H and outlined in paragraphs 1.4.9 to 1.4.12
7. Agrees the changes to the existing Capital Programme as set out in section 1.5.52 to 1.5.79 and Appendix E;
8. Notes the update on the London wide Business Rates Pool as set out in paragraphs 1.3.18 to 1.3.21;

9. Agrees the process for consultation as set out in section 5.8;
10. Agrees the bad debt write offs as set out in section 1.6.13;
11. Notes the recommendation in relation to the motion submitted by the Adults and Safeguarding Committee outlined in paragraph 1.6.11;
12. Agrees the proposed reserves strategy outlined in paragraphs 1.4.38 to 1.4.42 of the report;
13. Notes the draft capital strategy in Appendix G; and
14. Note the Theme Committee priorities as set out in Appendix I.

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

## **1.1 Executive Summary**

- 1.1.1 On 29 October 2018, the Chancellor of the Exchequer set out the 2018 Autumn Budget. The Budget, and further related announcements, are based on the latest forecasts supplied by the Office for Budget Responsibility (OBR) for the UK economy and public finances. Further statements are to be delivered in the spring of 2019; however, these are intended to be economic, as opposed to budget, statements.
- 1.1.2 In March 2018, the council set a Medium Term Financial Strategy (MTFS) covering the period 2018 to 2020. The MTFS for this period identified a total gross budget gap of £39.1 million; after mitigating actions and the planned use of reserves, this resulted in a balanced position for 2018/19 and a remaining gap of £5.9m anticipated for 2019/20.
- 1.1.3 Following a financial review in June 2018, and to ensure the council has a plan that reflects local priorities, as well as a financial strategy that will support a financially sustainable position, the Corporate Plan and MTFS were realigned to cover the next five years (2019-2024). This will help to ensure we have a medium-term plan for how we will allocate our limited resources in line with what we want to achieve for the borough.
- 1.1.4 The Corporate Plan, known as Barnet 2024, has been refreshed to reflect the priorities of the administration elected in May 2018, and resident feedback on what matters to them. Feedback has been captured through public consultation and engagement that took place over the summer of 2018 and the Corporate Plan has been amended accordingly. This document will set the strategic direction of the council, including outcomes for the borough, the priorities we will focus limited resources on, and how we will approach delivery of these. The recommendations ask this committee to approve the plan and theme committee priorities.
- 1.1.5 To support delivery of the outcomes in the Corporate Plan, each Theme Committee will be responsible for delivering any corporate priorities that fall within its remit, as well as any additional priorities that relate to matters the Committee is responsible for under its Terms of Reference.
- 1.1.6 These priorities will inform an annual delivery plan for each Theme Committee which will set out the key activities, performance indicators/targets, and risks in relation to delivery of the corporate and committee priorities.
- 1.1.7 In line with the priorities for each Committee and to close the anticipated budget gap, Theme Committees have recommended savings proposals to Policy & Resources totalling £68.0m over the period 2019-2024. When recognising additional income as a result of the business rates pooling arrangements and increased social care funding, a balanced position is presented for approval for 2019/20.

- 1.1.8 A budget gap of £5.2m is currently forecast for 2020/21, which is assumed to be 50% (£2.6m) funded from reserves. It is expected that additional funding for social care is more likely to continue than not, therefore the gap does not present such a critical concern at this stage; however, this will be kept under review during 2019/20. The reduced use of reserves to balance the gap is in keeping with the council's overarching financial strategy of eradicating the use of one-off funding to balance the budget over the MTFs period.
- 1.1.9 The council's reserves are forecast to total £46.4m at the end of 2019/20. Over the course of the MTFs this is expected to reduce to £33.0m, with the crucial measure of Non Ringfenced Revenue Reserves expected to be £21.6m at the end of 2023/24. This represents a rapid stabilisation of the reserves position.
- 1.1.10 The council's capital programme was at £856m at the start of the financial year; however, following significant work by officers this has been reduced to £641m. This reduction has been the result of, and a direct benefit to, the council's need to achieve a sustainable revenue position.
- 1.1.11 The General Fund revenue forecast at the end of period 6 for 2018/19 is £295.414m, which is a net overspend of £2.073m compared with the revised budget of £293.341m. This forecast is stated after the contribution from specific and general earmarked reserves totalling £2.836m. Excluding these reserve movements, the forecast overspend is £4.909m.
- 1.1.12 Non-domestic rates totalling £703,369.06 are recommended for write off. The individual debts are all over £5,000 and cover the financial years 2007/08 to 2018/19.

## **1.2 Corporate Plan and Priorities**

- 1.2.1 The council wants to create successful places, achieve great outcomes, deliver quality services and develop resilient communities. Like all councils, however, it faces an increasingly difficult financial challenge, with funding decreasing, demand increasing and uncertainty about how services will be funded in the future.
- 1.2.2 So far, the council has successfully risen to its financial challenges, evidenced by delivering savings in excess of £155m since 2010. However, looking forward, it is anticipated that these challenges are set to continue as the organisation now faces an anticipated budget gap of £69.9m to 2023/24.
- 1.2.3 To address that gap, the council will need to make some tough decisions about priorities and how limited funds are spent. This may mean that the council stops doing some things or does them in very different ways, as well as looking at how it can find opportunities to generate more income.
- 1.2.4 Despite the challenges, the council is ambitious for Barnet and the people that live and work here. 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 the range of local services. The latest Residents' Perception Survey (Autumn 2017) indicates that 85 per cent of residents are

satisfied with Barnet as a place to live and 65 per cent feel that the council is doing a good job.

- 1.2.5 The council must now prioritise its limited resources effectively and develop plans for the next five years to deliver both statutory duties and ambitions for Barnet within these financial constraints. The council wants to ensure residents get a fair deal by maximising opportunities, sharing responsibilities with the community and partners, and working effectively and efficiently.
- 1.2.6 To ensure the council has a plan that reflects local priorities, as well as a financial strategy that will support a financially sustainable position, the development of the Corporate Plan and MTFs have been aligned to cover the next five years (2019/20 to 2023/24). This will help to ensure we have a medium-term plan setting out how we will allocate our limited resources in line with what we want to achieve for the borough. The priorities within the Corporate Plan are considered by Policy and Resources committee at this meeting, before going to Full Council in March 2019.
- 1.2.7 The Corporate Plan, known as Barnet 2024, has been refreshed to reflect the priorities of the administration elected in May 2018, and resident feedback on what matters. Feedback has been captured through public consultation and engagement that took place over the summer of 2018. The Corporate Plan, Barnet 2024, will set the strategic direction of the council, including outcomes for the borough, the priorities we will focus limited resources on, and how we will approach delivery.
- 1.2.8 The three outcomes for the borough focus on place, people and communities:
  - A pleasant, well maintained borough that we protect and invest in
  - Our residents live happy, healthy, independent lives with the most vulnerable protected
  - Safe and strong communities where people get along well
- 1.2.9 The draft Corporate Plan including the full list of corporate priorities for the next five years that support these outcomes, and the approach to delivery, can be seen in Appendix A.
- 1.2.10 To support delivery of the outcomes in the Corporate Plan, Barnet 2024, each Theme Committee will be responsible for delivering any corporate priorities that fall within its remit, as well as any additional priorities that relate to matters the Committee is responsible for under its Terms of Reference.
- 1.2.11 These priorities will inform an annual Theme Committee delivery plan which will set out the key activities, performance indicators/targets, and risks in relation to the corporate and committee priorities. Delivery plans will be approved by Theme Committees in early 2019 and will be refreshed on an annual basis.
- 1.2.12 The priorities relevant to this Theme Committee, and the strategic approach to delivery can be seen in Appendix B. All other Theme Committee priorities are included in Appendix I.

## 1.3 Strategic Context

### National Strategic Context

#### Autumn Budget 2018

1.3.1 On 29 October 2018, the Chancellor of the Exchequer announced the 2018 Autumn Budget, with a Spring Statement to follow in early 2019. In addition to the updates on the performance of the UK economy and health of the public finances, the Chancellor delivered several key financial and policy announcements specific to local government. These headlines have been summarised below:

- Additional funding for Social Care – confirmation of £240m of new funding for Adult Social Care in 2019/20. This is in addition to the £240m winter pressures funding earmarked for 2018/19. It is estimated the London boroughs will share an estimated £37m in both years;
- A further £410m will be made available to support both adult and children’s social care in 2019/20. Further details are to follow but it is estimated that London boroughs will receive between £60-100m;
- Disabled Facilities Grant – the Chancellor announced a further £55m funding in 2018/19 to help provide home aids and adaptations for disabled children and adults on low incomes;
- Removal of HRA borrowing caps – the immediate removal of the HRA borrowing limits was confirmed (from 29 October 2018) and the government estimates that an additional 10,000 homes a year will be built. Initial estimates suggest this will cost £4.6bn over 5 years (£1.3bn a year by 2022/23);
- Highways and Infrastructure - an additional £420m to local authorities in 2018/19 to tackle potholes, repair damaged roads, and invest in keeping bridges open. In addition, the government will also be making £150m of funding from the National Productivity Investment Fund (NPIF) available to local authorities for small improvement projects such as roundabouts;
- Schools - additional funding is to be made available in 2018/19 for schools across England with £400m to spend on their equipment and facilities;
- Small businesses - retail relief was announced for retail businesses with a rateable value (RV) less than £51,000 for two years – this will cost government £900m and local government will be “fully compensated”;
- High Streets – a further £675m to be invested in England to support local areas in redeveloping their high streets and town centres. This will invest in town centre infrastructure, including to increase access to high streets and support redevelopment and densification around high streets. Although spread across the whole period up to 2023/24, 90% of this funding is only to be made available after 2021/22; and
- Children in care – £84m will be invested over a 5 year period to expand programmes for those children in care.

1.3.2 The implications of each of the announcements above has been included within the council’s MTFs presented at Appendix C.

## Local Government Finance Settlement

- 1.3.3 During July 2018 the government issued its technical consultation paper on the Local Government Finance (LGF) Settlement. This is usually an indicator of the types of issue to be considered in more detail in the full settlement.
- 1.3.4 The full LGF settlement is not due until the 6 December 2018 meaning the details are not available for analysis within this report. It is usual that the settlement occurs after this budget headlines report is presented in December, with the implications being considered during the Policy and Resources Committee in February. As such, the following paragraphs provide an outline of the issues considered within the consultation.
- 1.3.5 The government sought views on:
- the continuation to the final year of the multi-year settlement offer;
  - the level at which councils are required to hold a referendum to support council tax rises; and
  - eliminating negative Revenue Support Grant from some authorities.
- 1.3.6 The council has not assumed any changes in its assumptions resulting from the issues raised in the settlement consultation.

## Brexit

- 1.3.7 Although there are many and varied factors which impact the UK's economy, uncertainty over Brexit is potentially having one of the most significant impacts. With speculation over whether a deal will be reached and what the nature of this will be; the UK economy has experienced slow growth and there is unpredictability around how our population, demand on services and council funding will be affected. This means there is a strong potential for Brexit to exacerbate existing challenges facing local government.
- 1.3.8 The government has now undertaken economic analysis of EU exit under different scenarios, published in a briefing paper in November 2018. This outlines that in the worst-case scenario, GDP could decrease by 10% over the next 15 years. Across all scenarios it is anticipated that the economy will contract. On a local level, this could cause significant challenges for businesses as levels of public spending are anticipated to decrease and they're likely to be affected by increased costs of trade. The council's revenues from business rates and growth could therefore be significantly affected by this, particularly due to the likelihood of a 75% retention scheme. This could add to the already significant financial challenges that are being faced across local government.
- 1.3.9 However, economic implications of Brexit for the Council and borough are still very difficult to forecast and quantify with the terms of exiting the European Union yet to be confirmed. There is insufficient detail available to be able to take a more informed view at this stage, and due to this uncertainty, whilst

refreshing the MTFs, neither a positive nor negative impact has been assumed within the budget.

1.3.10 Across the organisation, steps are being taken to ensure we have an awareness of the potential impacts Brexit could have across different areas and we are monitoring developments closely. One of the key risks is around our workforce and workforce supply chain, as it is anticipated that there may be skills shortages and challenges with recruitment. This is a particular concern across health and social care which is already an area facing great pressures. Further analysis is currently underway to try and quantify the impacts and identify mitigations where possible.

1.3.11 Despite the lack of detail available, during the Autumn Budget 2018 a number of notices relating to Brexit were announced and these have been taken into account. The headlines have been summarised below:

- Preparations for leaving the EU - The Chancellor announced an additional £500 million would be available to government departments to assist with preparations for leaving the EU
- Spring Statement – The Chancellor indicated that the Spring Statement next March could be updated to a full fiscal event if necessary
- European Investment Banking Group – If no future relationship with the EIBG is in place before the UK leaves the EU, the government has announced that it will provide the British Business Bank with the resources to enable it to make up to £200 million of investment in UK venture capital and growth finance in 2019-20.

### UK economy to 2020

1.3.12 The UK's public finances have performed more strongly than expected in 2018, reflecting stronger than expected tax receipts and lower than expected spending on welfare and debt interest. This is despite the wider real economy performing more weakly than expected this year. Gross Domestic Product (GDP) grew 1.3% in the year to the third quarter of 2018 and, whilst forecasts have been revised downwards, employment remains at near record high levels.

1.3.13 The OBR forecasts a “relatively stable but unspectacular trajectory for economic growth” in the medium-term. Growth in 2017 was slightly higher than forecast. The downwards revision to growth in 2018 primarily reflects snowy conditions in the first quarter and growth has now been revised upwards in 2019 from 1.3% to 1.6%; forecasts for 2020 have also been raised slightly, up from 1.3% to 1.4%.

1.3.14 Consistent with the last fiscal year, household spending continues to grow at a steady rate, although this has cooled somewhat relative to 2017's forecast. Business investment has grown moderately over the past year with net trade making a positive contribution to GDP growth.

### Public spending to 2020

- 1.3.15 Significant progress has been made since the 2009/10 fiscal year, with the deficit having fallen by 75% – from 9.9% to 1.9%. The OBR expects the deficit to remain below 2% of GDP and, after a modest rise in 2019/20, to fall slowly over the following four years to 2023/24. The central forecast is for a structural deficit of 1.6% in 2019/20 and 1.3% in 2020/21.
- 1.3.16 The OBR revised its underlying borrowing forecast, predicting that it will be around £12 billion lower in 2018/19 than it forecast in March 2018, approximately £2 billion lower in the following three years and less than £1 billion lower in 2022/23. The (revised) net borrowing as a percentage of GDP figure will rise slightly to 1.4% in 2019/20, up from 1.2% in 2018/19.
- 1.3.17 Public debt peaked in 2016/17 and is now falling, with the OBR forecasting a drop in the debt-to-GDP ratio for each year in the forecast period. On average, spending on public services will grow 1.2% above inflation a year from next year until 2023/24.

### Service specific national, regional and local context

#### London Business Rates Pooling

- 1.3.18 For the 2018/19 financial year the council has been part of the London Business Rates Pool. The principles operated within the pool for the current financial year are that the pool is voluntary, but includes all London authorities; London retains a greater share of business rates in exchange for Revenue Support Grant; a “no detriment guarantee” ensures that the pool could not be worse off than the participating authorities would have been collectively if they had not entered the pilot pool; no “new burdens” were to be transferred to London and participation in the pilot would not affect the development or implementation of the Fair Funding review (currently anticipated in 2020/21).
- 1.3.19 Distribution - All authorities within the pool receive at least as much from the pool as they would have under the previous 50% retention scheme. Any additional net benefits of the pool –approximately £240m in 2018/19 – is distributed on the following basis:
- 15% to reward growth
  - 35% to reflect population
  - 35% to reflect Settlement Funding Assessment
  - 15% set aside for a “Strategic Investment Pot”

The resources not top-sliced for the investment pot would be shared between the GLA and the boroughs in the ratio 36:64.

- 1.3.20 The arrangements for the pool are likely to change for the 2019/20 financial year. It is expected that the pool would be at 75% retention, in line with the other pilot pools to be agreed for 2019/20. It is likely that this will be without a

“no detriment” guarantee. The “no detriment” guarantee was helpful in ensuring that the council was comfortable to enter the current pilot, but its financial significance is limited: the prospect of London’s overall tax base declining in the single year 2019/20 to such an extent that the guarantee would be triggered is remote.

1.3.21 The financial benefit of a 75% retention pilot would depend on the level of growth in business rate income across the capital next year, which cannot currently be accurately calculated. However, given the level of growth already anticipated to be achieved in 2018/19, London could expect to collectively retain additional business rates in 2019/20 of approximately £200m even without any additional year-on-year growth. Under the agreed distribution mechanism, this would lead to an additional £109m for the boroughs and the City of London, £61m for the GLA and £30m for the Strategic Investment Pot. It is anticipated this would mean an estimated £3m additional funding to Barnet.

### Children’s and Education Services

1.3.22 In April and May 2017, Children’s Services in Barnet were judged by Ofsted to be inadequate when they undertook an ‘Inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board’. The Council fully accepted the findings of the report and has been working collectively with the designated Improvement Partner to drive the improvements needed to transform services for children, young people and their families from inadequate to good.

1.3.23 There have been four Ofsted monitoring visits to date, which have indicated that there is steady progress but that there is still some way to go to be ‘good’. The most recent letter following a visit in July/August stated that ‘the scope and pace of the improvement work over the last year has been appropriately considered and has been steady.’

1.3.24 The Children’s, Education & Safeguarding Committee is also responsible for education services. The Dedicated School Grant (DSG) is ringfenced funding to fund education in schools within the borough. It is split into four blocks: schools block, high needs block, central schools services block and early years block. There are regulations and statutory guidance prescribing how the funding can be used to ensure a minimum funding guarantee to schools. Not all of the council’s education responsibilities can be funded from the DSG and if there is a shortfall in funding in the DSG, the council can decide to use funding from its general fund to meet this shortfall. There is increasing pressure on high needs block (“High Needs”) budgets across the country, as a result of demographic growth, the increasing complexity of needs and the impact of the government’s special educational needs reforms (in particular extending educational provision for pupils with special educational needs from 0 to 18-year olds to 0 to 25-year olds).

1.3.25 Across 27 London Boroughs there is an overall overspend on High Needs budgets of £55.7 million. These pressures have impacted on the councils High Needs budget this year, which is now forecasting an overspend of over £1m in 2018-19, despite savings of £1.2m having already been made.

### 1.3.26 The main causes of the overspend are

- Increasing numbers of pupils with Education, Health and Care Plans (EHCPs) - a 30% increase in the number of children and young people with an EHCP between 2014 (when the new SEND reforms were introduced) and 2017.
- An increase in post-16 numbers and costs – 16-19 year olds with EHCPs rising from 309 in 2016 to 493 in 2018, and 19-25 year olds with EHCPs rising from none in 2016 to 174 in 2018.
- Increasing complexity – Barnet’s Special Schools provide for pupils with the most complex needs; their placement costs rose from £5.5m in 2015-16 to £7.1m forecast for 18-19.

### Adult Social Care

1.3.27 A recent benchmarking exercise based on 2017 figures showed that Barnet was the 31<sup>st</sup> lowest spending authority on adult social care out of 152 England authorities (where 1=lowest and 152=highest), decreasing from the 34<sup>th</sup> lowest in 2014.

1.3.28 The total adult social care net budget for 2018/19 is £95.4m. There is continued pressure on this budget, largely driven by the numbers of adults requiring care and support, the complexity of presenting care needs and inflation of providers’ care costs.

1.3.29 Barnet’s challenge is echoed nationally, with the Joint Select Committee for Health and Local Government stating that ‘social care [is] under great strain due to rising demand for services at a time of increasing costs and reductions in social care budgets’. According to reports, the pressure from increasing levels of social care need based on increasing number of older adults and adults with disabilities has been estimated at 2.8%, contributing to a funding gap in London of over £250m by the end of the decade. The recently published National Audit Office Factsheet sets out the links between increasing longevity, increasing social care needs (including complexity of need) and increases in the costs of care.

1.3.30 The Adult Social Care Outcomes Framework (ASCOF) 2017/18, a national performance report, showed that the council:

- Maintained or improved on strong performance against key indicators for strengths-based practice, ranking highly in our comparator group of 16 authorities;
- Had a 63.6% overall satisfaction rate (the proportion of people who were “very” or “extremely” satisfied with their care and support), second highest in our comparator group, an increase of 1.9% on the previous year;

- Continued to admit relatively few people to residential care, with the second lowest admissions rate for older adults and the fourth lowest for working age adults (within our comparator group);
- Enabled positive outcomes for adults with learning disabilities, with 78.7% supported to live independently, an increase of 7.1% on the previous year;
- Performed less well in supporting people with mental health issues into employment and stable accommodation, respectively ranking 12<sup>th</sup> and 15<sup>th</sup> in the comparator group; and
- Improved performance in relation to joint working with the NHS, for example in numbers of delayed transfers of care (DToC) from hospital, which fell from 6.2 to 3.9 delays per day per 100,000 people.

### Housing

1.3.31 The 2018 Autumn Budget included a number of measures aimed at increasing housing supply including:

- The Housing Revenue Account cap that controls local authority borrowing for house building has been abolished from 29 October 2018 in England, enabling councils to increase house building 10,000 homes per year;
- An increase in the Housing Infrastructure Fund of £500m to a total of £5.5bn. This is expected to unlock a further 650,000 new homes;
- Confirmation that the Government will introduce a simpler system of developer contributions that provides more certainty for developers and local authorities, while enabling the capture of a greater share of uplift in land values for infrastructure and affordable housing;
- Creation of a £675m of a future high street fund to support councils to draw up formal plans for the transformation of their high streets, supporting them to invest in the improvements they need to facilitate redevelopment of underused retail and commercial areas into residential;
- From April 2021, a new Help to Buy Equity Loan scheme will run for 2 years before closing in March 2023. The new scheme will be available for first time buyers only, and for houses with a market value up to new regional property price caps; and
- Stamp duty relief will be extended to first-time buyers of shared ownership properties up to £500,000, the government has announced, with the relief applied retrospectively to the time of the previous Budget.

### North London Waste Authority (NLWA)

1.3.32 In 2018/19 £12.175 million is projected to be spent on waste treatment and disposal for the year through the NLWA levy. The existing energy from waste facility at Edmonton EcoPark has been operating for over 40 years and the current payments for disposing of our waste are low compared to other areas of London. The Secretary of State for Business, Energy and Industrial Strategy granted a Development Consent Order for NLWA to build a replacement energy recovery facility and associated development at the Edmonton EcoPark in February 2017. This is known as the North London Heat and Power Project (NLHPP). The NLWA levy costs are projected to increase significantly in future years as the existing facility comes to the end of its life when the NLHPP is built. NLWA has agreed that the energy recovery facility will be funded through direct public borrowing.

#### **1.4 Barnet's approach to the financial challenge**

1.4.1 Barnet has been innovative in its approach to tackling the challenges local government faces. The council has been open to new ways of doing things and working closely with partners across the public, private and voluntary sectors. It is vitally important that Barnet continues this approach to ensure that it is well placed to meet current and future challenges, and continues to be a successful London borough.

1.4.2 The council will continue to focus on the best possible outcomes for Barnet, thus utilising a combination of internal, external, and shared service deliveries to achieve this. As part of meeting these strategic objectives, the council will ensure that all residents are treated equally, with understanding and respect, and will have access to quality services which provide value to the taxpayer. Our job is to work together and deliver:

- successful places
- resilient communities
- quality services
- great outcomes

The scale of the ongoing financial challenges means the way we deliver our services will need to change and there will be some difficult choices to make to ensure that savings are achieved, but not at the expense of delivering quality services and protecting our most vulnerable residents.

1.4.3 These challenges do, however, present opportunities for us as a council to further build on the progress we have already made in areas such as supporting people into employment. To continue to do so means making careful choices about what we invest in, where and how we make savings, and generating revenue through council tax and other sources to help pay for services. Through using the proceeds of growth to invest in our borough's infrastructure, we are ensuring the sustainability of the council by laying the groundwork for (local) future income generation.

#### Theme Committee Savings

1.4.4 To address the budget gap identified between 2019-24, Theme Committees have been asked to consider a programme of savings for the five-year period 2019-24.

1.4.5 Potential additional saving options in Adults services (highlighted in the table below under 'Adults pipeline savings'), of around £5.5m, were not presented to the Adults and Safeguarding Committee as firm proposals given their challenging nature, however if these savings ideas are not recognised, a larger MTFs gap occurs. These saving proposals, therefore, require detailed consideration before final inclusion in our MTFs. If they cannot be achieved, further savings will need to be identified elsewhere in the council to achieve the required balanced position.

1.4.6 The savings proposed have been fully recognised within the MTFs however, there are potential delivery risks which will be managed as plans progress.

1.4.7 The savings identified by Theme Committees are as below:

	19/20	20/21	21/22	22/23	23/24	Total
Theme Committees	£'000	£'000	£'000	£'000	£'000	£'000
Adults & Safeguarding	(6,330)	(3,586)	(1,724)	(1,332)	(1,092)	(14,064)
Assets, Regeneration & Growth*	(1,064)	(2,273)	(1,757)	(700)	(500)	(6,294)
Children, Education & Libraries	(3,912)	(1,959)	(1,009)	(1,404)	(1,509)	(9,793)
Community Leadership	(243)	-	-	-	-	(243)
Environment	(4,930)	(3,500)	(1,800)	(2,400)	(2,500)	(15,130)
Housing	(1,248)	(869)	(1,640)	(1,660)	(1,237)	(6,654)
Policy & Resources	(4,499)	(1,768)	(661)	(434)	(361)	(7,723)
Public Health	(1,132)	(424)	(310)	(350)	(352)	(2,568)
<b>Identified Savings</b>	<b>(23,358)</b>	<b>(14,379)</b>	<b>(8,901)</b>	<b>(8,280)</b>	<b>(7,551)</b>	<b>(62,469)</b>
Adults Pipeline Savings	-	-	(1,200)	(2,375)	(1,950)	(5,525)
<b>Total Savings</b>	<b>(23,358)</b>	<b>(14,379)</b>	<b>(10,101)</b>	<b>(10,655)</b>	<b>(9,501)</b>	<b>(67,994)</b>
CT growth savings (shown as CT income)	(657)	-	-	-	-	(657)
<b>Savings as per MTFs</b>	<b>(22,701)</b>	<b>(14,379)</b>	<b>(10,101)</b>	<b>(10,655)</b>	<b>(9,501)</b>	<b>(67,337)</b>

\* Includes a further increase in Council Tax base which will be delivered as an increase in Council Tax rather than a reduction in net budget.

1.4.8 The detailed savings plans are included at appendix D.

#### Fees and Charges (Policy & Resources)

##### Court Costs

1.4.9 A review of the costs associated with obtaining a liability order against those who do not pay their council tax as billed suggests it is costing the council around £112 per case. This has been reviewed and the amount sought from court will be increased to reflect the cost of bringing the case. Each individual award is at the court's discretion.

##### Building Control

1.4.10 The fee structure in Building Control has been updated to enable the local authority to more accurately relate its charges to actual costs of carrying out their main building regulation functions.

1.4.11 The competitive and customer driven environment within the construction industry means categories of work must reflect operational demand which have changed over the past few years.

1.4.12 The new structure of fees, as set out in Appendix H, will provide fairer charges to consumers and the building industry in order to ensure that the recipient pays the full cost of the chargeable work to recover the local authorities' costs.

## **1.5 Financial Strategies**

#### Overarching financial strategy

1.5.1 At its meeting in March 2018, Council agreed the following financial strategy of the council:

- within the medium term, balance recurrent expenditure with estimated income in order that the council has a sustainable financial position;
- quickly address ongoing financial pressures with a permanent solution, reducing the instances where one off solutions are used;
- maintain an appropriate level of reserves to protect the council against future budgetary impacts and the continuing financial pressures which the council faces;
- plan over a medium term of at least 3 years in order that the council is fully informed as to future scenarios and can prepare appropriate action; and
- risk manage its budget estimates to ensure that they are robust and, to ensure that the budgets agreed are managed and delivered in year as required.

1.5.2 The council has been successful in its pursuit of these rules despite setbacks which inevitably come when managing a business of such a scale. The MTFS presented at Appendix C is fully compliant with the bullet points set out.

1.5.3 In order to continuously improve financial processes to support the financial sustainability of the council, the Section 151 officer recommends the inclusion of the following principles within the overarching financial strategy. Their

inclusion is to articulate the practice that already takes place and recognises a shift in focus from bringing the MTFS from a deliberate deficit position to one which supports the achievement of strategic aims of the council over the future period.

- to invest in the council's agreed priorities;
- where grants are ceasing or funding streams of services are reducing, that exit strategies must be developed and adhered to;
- to align budgeting and service planning, ensuring that any reductions required are considered within a corporate and strategic framework, and impacts on other services are fully taken into account; and
- to ensure that savings are genuinely achievable, that the estimated financial implications are robust and subject to an assessment in accordance with equalities legislation.

### Review of the Medium Term Financial Strategy (MTFS)

#### MTFS Summary

- 1.5.4 The MTFS presented to the Committee displays a balanced position for 2019/20 when accounting for a planned use of reserves of £3.720m. The overall deficit increases for 2020/21 however this dissolves into a balanced position as savings in the later part of the MTFS are delivered.
- 1.5.5 The council has assumed the benefit from Business Rates localisation does not continue into 2020/21. Whilst this may be considered a cautious view, there is presently no guarantee that the London Business Rates Pool will continue beyond 2019/20.
- 1.5.6 Additionally, the MTFS recognises £3.9m of grants towards the cost of Social Care (both adults and children's) in 2019/20 only due to confirmation being received just for that year. Clearly the national pressure caused by increased demand for social care will not go away in 2020/21 so it is likely that the government will continue this funding. The key risk to this assumption would be the impact of the Fair Funding Review, due to be implemented for 2020/21.
- 1.5.7 The MTFS presented includes significant additional funding towards service pressures. This is intended to resolve the carried forward budget deficits together with meeting the growth in costs associated with increasing demand. Cost increases as a result of pay and non-pay inflation are also provided for at broadly the same level as forecast inflation levels.
- 1.5.8 The following paragraphs explore the elements contained within the MTFS in further detail.

#### Assumptions contained within the MTFS

- 1.5.9 The assumptions relating to key items of income and expenditure within the MTFS are included in the table below. Other key items are discussed in further detail in the subsequent paragraphs.

Item	2019/20	2020/21	2021/22	2022/23	2023/24
Business Rates Multiplier	2.9%	2.4%	2.2%	0.0%	0.0%
Council Tax	2.99%	2.99%	2.99%	2.99%	2.99%
Social Care Precept	0.0%	0.0%	0.0%	0.0%	0.0%
Increase in Council Tax Base (No of Band D Equivalents)	2,512	1,750	1,316	1,532	1,212
Revenue Support Grant	(37.6%)	-	-	-	-
New Homes Bonus (£m)	0.658	0.390	1.004	(0.507)	-
Consumer Price Index (CPI)	2.0%	2.0%	2.1%	2.1%	2.1%
Pay Award	2.0%	2.0%	2.1%	2.1%	2.1%
Superannuation Rate	27.9%	27.9%	27.9%	27.9%	27.9%
Borrowing Rates – Long Term	3.00%	3.20%	3.40%	3.40%	3.40%

### Service Pressures & Growth requests

1.5.10 As part of the budget setting process, services were canvassed for the pressures that they expect to either carry forward from the current financial year, or those that they expect to occur next year. The table below summarises the amounts requested by services and the recommended items to be funded. This funding of pressures is included within the MTFs presented at Appendix C.

Service Area	Pressure Requested by Service £'000	Proposed Pressures Funding £'000	Remaining Pressure to be Managed by Service £'000	Growth or Existing Pressure carried forward
<b><u>Adults &amp; Safeguarding</u></b>				
Existing placements	1,026	1,026		Existing
Anticipated change in complexity	1,180	1,180	-	Growth
DoLs	100	-	100	Growth
Ordinary Residents Cases	600	600	-	Growth
CHC extra income	(400)	(400)	-	Growth
Capitalised telecare	450	-	450	Growth
			-	
<b>Total Adults &amp; Safeguarding</b>	<b>2,956</b>	<b>2,406</b>	<b>550</b>	

### **Assets, Regeneration & Growth**

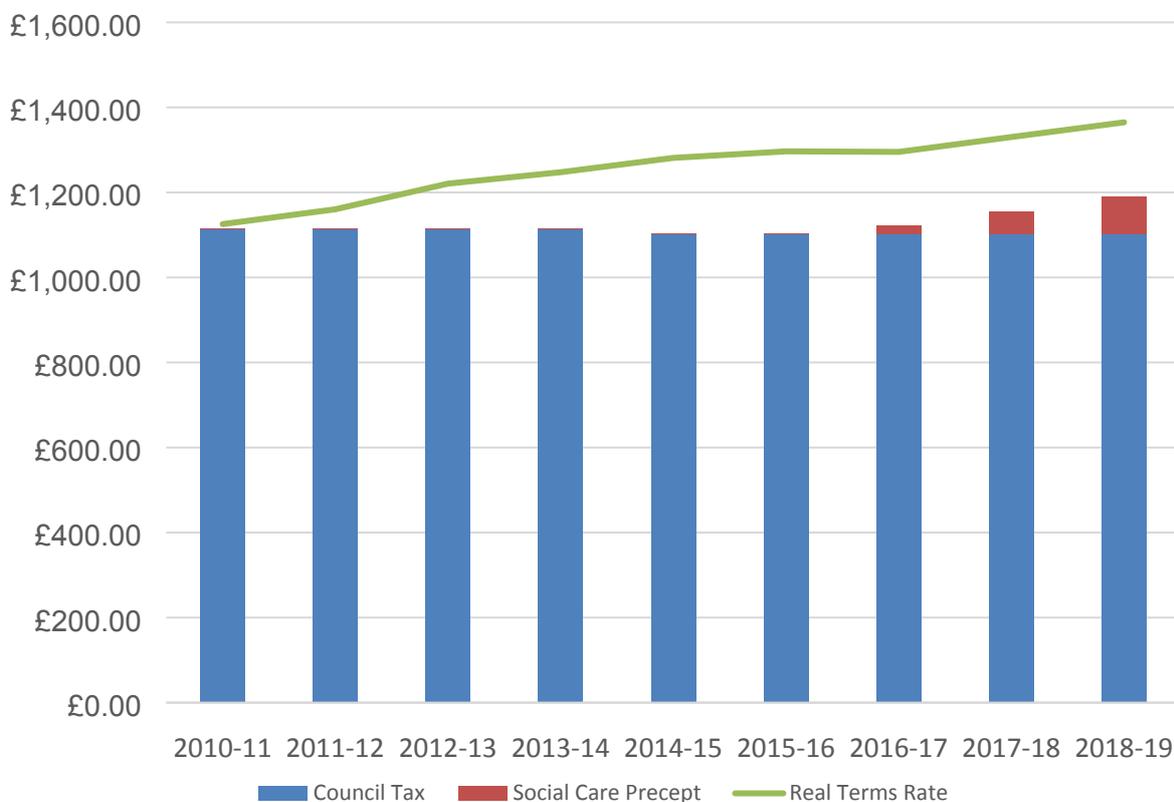
Estates remaining structural overspend	919	919	-	Existing
RE Guaranteed income (HRA offset)	810	810	-	Existing
RE LBB client costs (Legal)	165	165	-	Existing
			-	
<b>Total Assets, Regeneration &amp; Growth</b>	<b>1,894</b>	<b>1,894</b>	<b>-</b>	
<b><u>Children, Education, Libraries</u></b>				
One of mitigating pressures	1,340	1,340	-	Existing
Caseloads/staffing	360	360	-	Growth
CSW Bill	100	-	100	Growth
Demographics and complexity (placements)	1,400	1,400	-	Growth
Special Guardianship Orders	300	-	300	Growth
			-	
<b>Total Children, Education, Libraries</b>	<b>3,500</b>	<b>3,100</b>	<b>400</b>	
<b><u>Community Leadership Committee</u></b>				
Registrars structural shortfall in income	280	280	-	Existing
<b>Total Community Leadership Committee</b>	<b>280</b>	<b>280</b>	<b>-</b>	
<b><u>Environment Committee</u></b>				
RE Managed Budgets (LIP Income)	500	500	-	Existing
<b>Total Environment Committee</b>	<b>500</b>	<b>500</b>	<b>-</b>	
<b><u>Housing Committee</u></b>				
Temporary Accommodation	560	560	-	Existing
<b>Total Housing Committee</b>	<b>560</b>	<b>560</b>	<b>-</b>	
<b><u>Policy &amp; Resources</u></b>				
Internal Audit Service Growth	116	116	-	Growth
HB Public Law legal costs budget rightsize	1,100	600	500	Existing
Human Resources Team	54	-	54	Existing
Interest Receivable	440	440	-	Growth
Managed Budgets Structural Deficit	872	872	-	Existing
Service pension costs	400	400	-	Growth
North London Waste Plan	64	-	64	Existing
Local Plan	130	-	130	Existing
<b>Total Policy &amp; Resources</b>	<b>3,176</b>	<b>2,428</b>	<b>748</b>	
<b>Total Council Pressures</b>	<b>12,866</b>	<b>11,168</b>	<b>1,698</b>	

Council Tax

1.5.11 The council has already taken the maximum allowed flexibility to apply a social care precept over the past three financial years. It has been assumed that no further flexibilities will be allowed and therefore there is no additional precept included within the MTFS.

1.5.12 As can be seen in the summary of assumptions in section 1.5.9, the MTFS assumes an annual increase in each of the financial years of 2.99% for general council tax.

1.5.13 The proposed increase in general council tax will be the first increase for nearly a decade. Over that time, the council's income from council tax has not kept pace with inflation which can be seen in the graphic below. Even with the assumed increases in rate, by 2024 Barnet's Council Tax will be around £150 less per year than if general inflationary rises had been applied every year since 2009.



### Council Tax Support Scheme

1.5.14 The Council Tax Support scheme helps residents on low incomes to pay their council tax. Under the current scheme, a working-age household liable for council tax could get up to 80% of the charge paid through the scheme, dependent upon their circumstances (Working-age is anyone under Pension Credit age).

1.5.15 A new simplified version of the scheme is being proposed to bring the scheme in line with Universal Credit and help reduce the overall cost of the scheme.

The proposed changes will see the overall cost of the scheme fall from £23.99m to £20.8m.

1.5.16 Further details on the proposed change can be found within the Policy & Resources Theme Committee savings section of this report and appendix D.

### Contingency

1.5.17 The contingency budget is a useful tool in effective financial management of an organisation. It provides a mechanism to allocate additional funding on a temporary or permanent basis during the financial year. This allows the recognition and funding of costs over and above those included within the council's base budget. It is a more appropriate mechanism than the use of one-off funding, such as reserves, in meeting the costs of pressures as it enables the council to 'live within its means' both in the short and longer term. This therefore supports the delivery of the organisation's overall financial strategy.

1.5.18 The proposed MTFs allows a general, uncommitted contingency of around £2.5m in each of the financial years. For the years 2022/23 and 2023/24 this rises substantially to recognise the inclusion of a risk factor around the savings proposals. This approach has been taken to recognise that some of the proposals are at an early stage of development. As the MTFs is reviewed in future periods, these amounts will be considered against the prevailing risks to delivery.

### Grossing up of grant allocations

1.5.19 The MTFs has recognised non-ringfenced grant income and an equal value of expenditure. This 'grossing up' ensures that the MTFs shows all of the available funding sources which underpin the council's expenditure. The grants which have been included in this exercise are:

- London Crime Prevention Fund
- Flexible Homelessness Support Grant
- Special Educational Needs and Disability

### Other key areas of council funding

1.5.20 A narrative about other key areas of funding are as follows:

#### *Improved Better Care Fund (IBCF)*

1.5.21 The 2019/20 Barnet IBCF allocation is £7.9m and is used to fund work to strengthen the provider market, provide workforce capacity to meet social care pressures and predominantly to fund social care packages arising given the pressures from demand from health

1.5.22 In 2019/20 the Council has allocated:

- c£2.9m on “Ensuring that the local social care provider market is supported”,
- c£0.896m on “Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready”
- c£3.9m on “Meeting adult social care needs”

1.5.23 The success of the IBCF is measured through the achievement of a reduction in emergency hospital admissions, reduction in delayed transfers of care, admissions to residential and care homes and the effectiveness and efficiency of the local social care provider market.

#### *Dedicated Schools Budget (DSG)*

1.5.24 In September 2017, the Department for Education (DfE) confirmed the introduction of a National Funding Formula for schools, high needs and central school services from 2018/19 and set out the details of the formulae for 2018/19 and 2019/20. The Government announced an additional £1.3bn for schools and High Needs across the next two years, over 2018/19 and 2019/20.

1.5.25 In late July 2018, the DfE published announcements and guidance detailing their continued proposals for implementation of a National Funding Formula for schools and high needs. The main structure of the National Funding Formula is not changing, but there have been minor changes to some of the calculation of elements of Schools Block funding to Local Authorities. In their July announcement, the DfE also advised that Local Authorities will be able to continue transition to the National Funding Formula (soft formula) in 2021/22 rather than the ‘hard’ National Funding Formula in that year, as previously expected.

1.5.26 The retained duties element of the Education services grant to cover the statutory duties carried out for maintained schools has now been transferred into the DSG central services school block, £0.825m (2018-19). With Schools Forum agreement this money can be retained by Barnet.

#### *Housing Revenue Account*

1.5.27 Housing Committee has made commitments to significant investment in improving fire safety in council blocks. Too partly offset the pressure of this investment, the Committee has identified savings that deliver benefits to the Housing Revenue Account (HRA). This totals £0.860m for 2019/20 and comprises the proposals below:

- Reduction in the management and repair costs due to forecast stock losses through estate regeneration and Right to Buy sales;
- Enhancing the value of contract arrangements, reduced accommodation costs and new ways of effective use of IT;
- Stopping ‘non-essential’ works and re-prioritisation of certain types of non-urgent repairs

## *Public Health Grant*

- 1.5.28 The Public Health (PH) Grant will continue to be ring-fenced until April 2020. It is anticipated that further announcement about its ring-fence status and PH Grant allocations beyond 2020 will be announced at Spring Spending Review in 2019. There is anticipated national PH Grant reduction in 2019/20 of 2.8%.
- 1.5.29 PH Grant currently funds statutory and non-statutory services such as sexual health, the Healthy Child Programme, drug and alcohol, smoking cessation, healthcare public health, and the resilience school programme – offers help targeted to local needs and is aimed at improving public health outcomes.
- 1.5.30 In recent years decreases in spend in core PH Grant due to the national grant reduction have been achieved via efficiencies and contract re-procurement. Furthermore, as part of MTFs the PH Grant is supporting demand management in social care: an investment in prevention and wellbeing contracts in adult social care (£1.3m in 2018-19 and £1.639m in 2019/20) and investment in early help (1.125m in 2018/19 and £1.464m in 2019/20).
- 1.5.31 A refresh of the Health and Wellbeing Strategy was reported to the Health and Wellbeing Board in July 2018, setting the whole system priorities for 2018/19 and 2019/20. The guiding principles will seek to maximise the impact on population health outcomes through the use of the PH Grant and influencing system wide prevention across the whole Council and local NHS agenda.

## *Risks contained within the MTFs*

- 1.5.32 There are known risks which have not been factored into the current MTFs, these are:
- **Children's improvement plan:** although the likelihood is low and the direction of travel has been positive, the risk of not successfully implementing the children's improvement plan at pace could lead to direction from the Secretary of State through Essex County Council, our improvement partner, which could lead to additional financial pressures;
  - **Demographic increases:** the MTFs factors in an increase in demographic pressures (both absolute population number and also the characteristics thereof), however if the increase services experience is more than this, then this could result in an overspend across those services impacted;
  - **Temporary accommodation pressure:** there is an insufficient supply of affordable, local, temporary accommodation. The council is looking to use temporary accommodation which may be in borough, out-of-borough or out-of-London;
  - **Non-pay inflation:** the current MTFs assumes an average 2.1% increase in contract spend, however inflation on some types of expenditure is estimated at 10%. If the average increase across expenditure and contracts exceeds 2.1%, then this could result in an overspend across services;
  - No benefit or dis-benefit has been assumed in the MTFs for the **Fair Funding Review** (expected to be 2020/21);

- No benefit or dis-benefit has been assumed in the MTFS for implications of **Brexit**, other than the macroeconomic trends currently being experienced;
- No benefit or dis-benefit has been assumed in the MTFS as a result of **Business Rates baseline** resets (due in 2020/21).
- **Potential insourcing costs:** £400k towards the additional ongoing costs of operating in-house Finance and Strategic HR services have been included within the MTFS as set out in the separate report to this Committee. There is a risk that the forecast costs of insourcing are exceeded. If the Committee makes future decisions to in-source services the MTFS will be updated accordingly.

### Council Reserves

1.5.33 The council's earmarked reserves are forecast to be £46.445m at the end of 2018/19, £29.3m lower than the beginning of the year. Whilst this is a significant reduction, approximately 67% of this relates to the spending of Community Infrastructure Levy (CIL) - £19.8m.

1.5.34 The proposed MTFS includes reserves funding of £3.7m in 2019/20 and £2.6m in 2020/21 contributing towards getting to a balanced budget. The use of reserves in this way is a temporary measure to balance the budget and is to be eradicated by 2021/22 in keeping with the council's overarching financial strategy of balancing expenditure within its income.

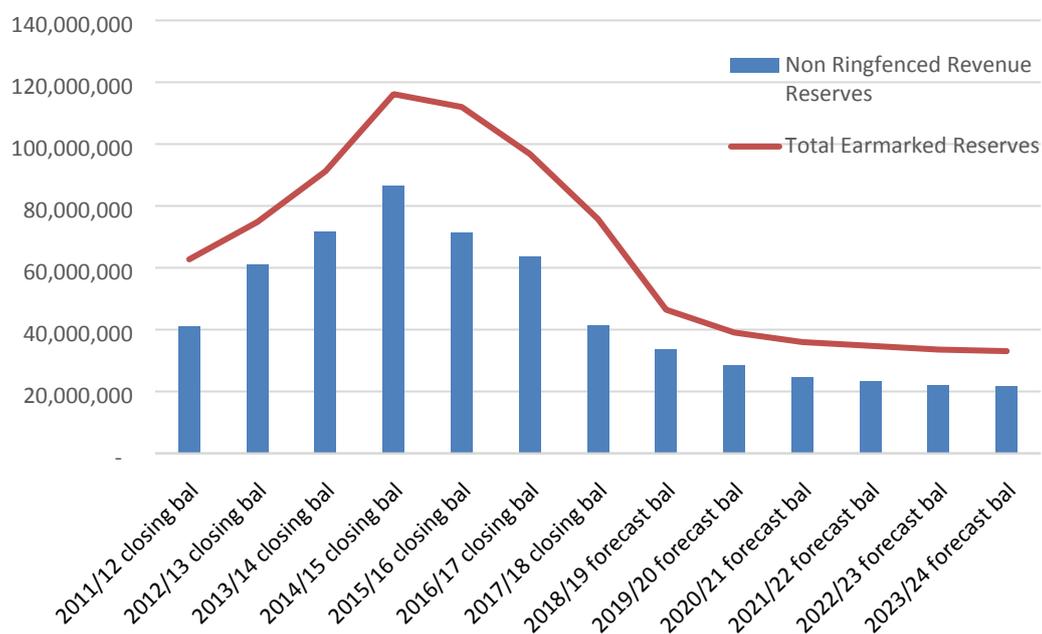
1.5.35 The table below incorporates the current forecast outturn position, MTFS planned usage of reserves and other known plans in order to create a forecast of the council's reserves position over the MTFS period. In terms of financial sustainability, the Non-Ringfenced Revenue Reserves is the key measure. This is due to reduce over the next two years but then level out to around £21.6m.

	2017/18 closing bal	2018/19 forecast bal	2019/20 forecast bal	2020/21 forecast bal	2021/22 forecast bal	2022/23 forecast bal	2023/24 forecast bal
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital - CIL	22,560	2,733	2,733	2,733	2,733	2,733	2,733
Revenue implications of capital	-	2,428	1,942	1,457	971	486	-
<u>Revenue</u>							
New Homes Bonus	19,330	-	-	-	-	-	-
MTFS	11,045	27,954	24,234	21,634	21,634	21,634	21,634
Revenue - Uncommitted	2,612	2,267	267	-	-	-	-
Transformation	3,432	532	2,000	1,500	1,000	500	-
Revenue - Service Specific	5,144	2,867	2,150	1,434	717	-	-
<b>Non Ringfenced Revenue Reserves</b>	<b>41,563</b>	<b>33,620</b>	<b>28,651</b>	<b>24,568</b>	<b>23,351</b>	<b>22,134</b>	<b>21,634</b>
<u>Ringfenced</u>							

DSG	501	(1,002)	(1,002)	-	-	-	-
Collection Fund Smoothing Reserve	2,482	5,000	5,000	5,000	5,000	5,000	5,000
Housing Benefits	3,542	3,112	3,112	3,112	3,112	3,112	3,112
North London Sub Region	567	567	567	567	567	567	567
PFI	-	-	-	-	-	-	-
Public Health	2,392	1,772	-	-	-	-	-
Special Parking Account	2,149	643	-	-	-	-	-
<b>Total Ringfenced</b>	<b>11,633</b>	<b>10,092</b>	<b>7,677</b>	<b>8,679</b>	<b>8,679</b>	<b>8,679</b>	<b>8,679</b>
<b>Total Earmarked Reserves</b>	<b>75,756</b>	<b>46,445</b>	<b>39,061</b>	<b>35,980</b>	<b>34,763</b>	<b>33,546</b>	<b>33,046</b>

1.5.36 Although several of the reserves appear to maintain a steady balance (eg Capital – CIL, Collection Fund Smoothing & Housing Benefits Reserves) there will be movements in and out throughout the year. The assumption is that income will offset expenditure in each year. With the CIL reserve, for instance, seeing forecast receipts and expenditure in the region of £10m each year.

1.5.37 The council's reserves have been decreasing consistently since 2014/15. This reduction is broadly in line with what the sector as a whole has experienced. The council's reserves balance over time (including a forward forecast) is shown within the graphic below.



### Reserves strategy

#### **MTFS Reserve**

1.5.38 The purpose of this reserve is to set aside an amount of money which can be drawn down to balance the council's budget when a budget deficit is unavoidable. This can be either through the planned use as displayed on the

MTFS for 2019/20 and 2020/21 or to top up the General Fund Balance when the council experiences an overspend. In considering the risks associated with the council's budget, the Section 151 officer recommends that the balance for this reserve be maintained at or above £20m.

#### *Costs of delivering the MTFS*

1.5.39 It is inevitable that there will be one-off costs in relation to the delivery of the savings required over the MTFS period. The transformation reserve has previously been accessed in order to fund this delivery in the past. Going forward it is necessary to top up the transformation reserve to meet the next 5 years savings challenge. The forecast in paragraph 1.5.35 includes the creation and application of a £2m fund for this purpose. This is expected to be sufficient based on the business cases produced to date. This facility will be kept under review by the section 151 officer as savings and projects are implemented.

#### *Collection Fund Smoothing Reserve*

1.5.40 The purpose of this reserve is to account for timing differences between when the MTFS expects tax receipts to come on stream and when the income actually starts to be accrued. Differences can occur as a result of a number of factors such as accelerated or slipped completion of housing developments affecting when properties are liable for council tax.

1.5.41 It is deemed that an appropriate 'cap' on this reserve should be £5m. Any additional balance above that will be freed up and placed into other earmarked reserves. It is anticipated that the year-end balance of this reserve will be £7.428m meaning that £2.428m can be released for other purposes.

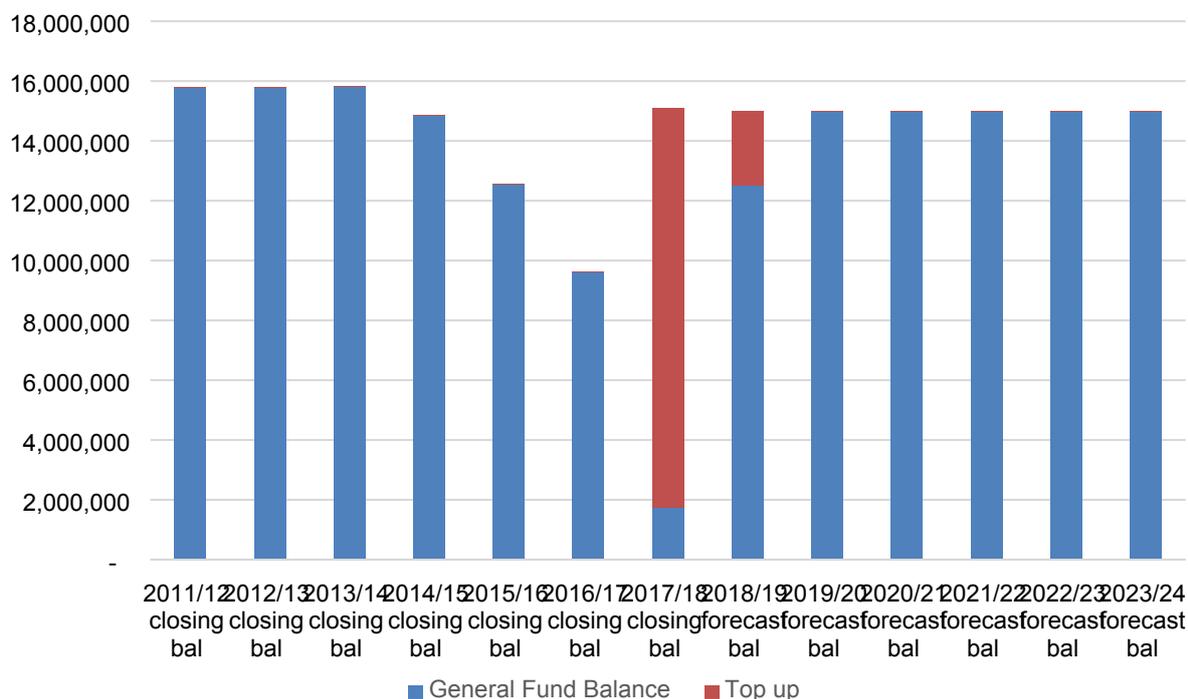
#### *Revenue implications of capital*

1.5.42 Over the past year, Policy & Resources Committee approved the realignment of the New Homes Bonus from the infrastructure reserve to revenue. An unintended consequence of this change was that the council removed the source of funding towards costs which did not meet the strict definition of capital expenditure but for which there was no revenue provision. An example of this type of cost would be feasibility work or for costs such as the decanting of staff contained within the costs of the Office Build project. A solution is proposed to establish a new reserve from the surplus of the Collection Fund Smoothing reserve. The balance would therefore stand at £2.428m which is deemed an appropriate amount for the MTFS period. This has been included within the reserves forecast above.

#### *General Fund Balances*

1.5.43 In addition to Earmarked Reserves, the council maintains a General Fund balance to manage the impact of uneven cash flows and unexpected events or emergencies. The level of general reserve required to be held is not specified, however the council uses a guide of 5% of annual net revenue expenditure in line with the professional judgement of the Chief Financial Officer. For 2019/20 this equates to £14.5m. At the 31st of March 2018, the balance stood at £15.8m however this will reduce by an amount equal to the general fund overspend. The Director of Finance intends to 'top up' the general fund balance to £15m

post outturn. This transfer will be from the MTFFS reserve. The General Fund balance, including a look backwards and forecast forward is shown in the graphic below.



## Capital Programme

### Current Capital Programme

1.5.44 The council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). Capital projects are considered within the council's overall medium to long term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects in the revenue budget setting process.

1.5.45 The capital programme, including changes approved at this Committee's October meeting, currently totals £644.126m. This is broken down between Theme Committees as per the table below.

Theme Committee	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	25,611	12,515				-	38,126
Assets, Regeneration & Growth	82,947	87,235	4,677	20,550	750	250	196,409
Children's Education & safeguarding	51,503	25,346	-	-	-	-	76,849

Community Leadership & Libraries	-	-	-	-	-	-	-
Environment	22,497	12,061	-	-	-	-	34,558
Housing	53,147	71,314	6,974	-	-	-	131,435
Policy & Resources	14,284	3,120	-	-	-	-	17,404
<b>Total - General Fund</b>	<b>249,989</b>	<b>211,591</b>	<b>11,651</b>	<b>20,550</b>	<b>750</b>	<b>250</b>	<b>494,781</b>
Housing Revenue Account	41,872	69,835	19,589	18,049	-	-	149,345
<b>Total - all services</b>	<b>291,861</b>	<b>281,426</b>	<b>31,240</b>	<b>38,599</b>	<b>750</b>	<b>250</b>	<b>644,126</b>

### *Financing of the current programme*

1.5.46 The capital programme shown above is funded from the following sources:

- **Grants:** capital grants from central government departments (Transport for London, Education Funding Authority) or other partners;
- **S106:** developer contribution towards infrastructure; confined to specific area and to be used within specific timeframe;
- **Community Infrastructure Levy (CIL):** developer contribution towards infrastructure; can be used borough wide but still has time restrictions on use; paid into infrastructure reserve;
- **New Homes Bonus (NHB):** There are no restrictions on how this can be used but is currently being used to fund infrastructure needs within the borough and is paid into the infrastructure reserve. There is uncertainty over the future of NHB beyond 2020;
- **Capital Receipts:** these are proceeds of capital sales (land, buildings, etc.) and are re-invested into purchasing other capital assets; and
- **Borrowing:** typically Public Works Loan Board loans to support capital expenditure; this type of capital funding has revenue implications (i.e. interest and provision to pay back loan)

### *Capital Receipts*

1.5.47 The council has previously highlighted a risk in the level of capital receipts that it currently holds or forecasts to receive.

1.5.48 The current capital programme is estimating to spend in excess of £640m over the next six years, £54.3m of which is planned to be funded by capital receipts. Of the £54.3m, £26.6m are Right to Buy receipts (RTB). Current RTB balances plus future estimates suggest that there will be enough receipts to fund the relevant projects.

1.5.49 The remaining £27.3m is expected to come from General fund receipts. With £15.7m needed in 18/19. Current general fund receipts are standing at £8.4m. This is forecast to increase by £1.5m for receipts from the Inglis consortium which have yet to come in. This leaves a gap of approximately £5.8m for the current financial year.

1.5.50 Beyond 2018/19 a further £11.6m of general fund receipts are needed. £2.6m of receipts are forecast to be received leaving a gap of around £9m. Any

shortfall in capital receipts would impact the revenue position of the council to the extent of £0.053m per £1m additional borrowing.

1.5.51 The Capital Receipts position will continue to be monitored closely and regular updates provided to both the Policy and Resources Committee and the Financial Performance and Contracts Committee.

### Changes to the Capital Programme

#### *Amendments to current schemes*

1.5.52 There are often several reasons why there can be in year requests for approval to change the profile of existing capital schemes. Examples of some of these reasons can be variances in the anticipated timings in the design process, completion of acquisition/land assembly stages, obtaining planning permission and starting on-site construction. These changes have no net impact on the overall cost of the programme and are presented in the following table as slippage or accelerated expenditure.

1.5.53 Occasionally it is necessary to vary the overall budget level of the project. This can occur as a result of project deletions, cost over or underruns or changes in the scope of a project.

1.5.54 The following table contains a summary of the changes requested for approval. Further detail on a scheme by scheme level can be found in Appendix E.

Theme Committee	2018/19		2019/20		All other years		Total	
	add/del	slip/acc	add/del	slip/acc	add/del	slip/acc	add/del	slip/acc
Adults and Safeguarding	-	-	-	-	-	-	-	-
Assets, Regeneration & Growth	-	(1,009)	-	(58)	-	1,067	-	-
Children's Education & Safeguarding	(2,442)	(9,895)	-	9,395	-	500	(2,442)	-
Community Leadership & Libraries	-	-	-	-	-	-	-	-
Environment	91	(1,557)	-	1,557	-	-	91	-
Housing	-	17,289	-	(17,289)	-	-	-	-
Policy & Resources	(1,000)	-	-	-	-	-	(1,000)	-
<b>Total - General Fund</b>	<b>(3,351)</b>	<b>4,828</b>	<b>(6,395)</b>		<b>1,067</b>		<b>(3,351)</b>	<b>-</b>
Housing Revenue Account	-	(1,983)	-	1,983	-	-	-	-
<b>Total - all services</b>	<b>(3,351)</b>	<b>2,845</b>	<b>-</b>	<b>(4,412)</b>	<b>-</b>	<b>1,067</b>	<b>(3,351)</b>	<b>-</b>

1.5.55 The revised capital programme including the changes described above is shown in the table below. This proposed programme does not presume any of the additions described in the subsequent section are approved. Should each individual scheme be approved they will be in addition to the position displayed in the following table.

Theme Committee	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000	£000	£000	£000
Adults & Safeguarding	25,611	12,515	-	-	-	-	38,126
Asset, Regeneration and Growth	81,938	87,177	4,677	21,617	750	250	196,409
Children's Education & safeguarding	39,166	34,741	500	-	-	-	74,407
Community Leadership & Libraries	-	-	-	-	-	-	-
Environment	21,031	13,618	-	-	-	-	34,649
Housing	70,436	54,025	6,974	-	-	-	131,435
Policy & Resources	13,284	3,120	-	-	-	-	16,404
<b>Total - General Fund</b>	<b>251,466</b>	<b>205,196</b>	<b>12,151</b>	<b>21,617</b>	<b>750</b>	<b>250</b>	<b>491,430</b>
Housing Revenue Account	39,889	71,818	19,589	18,049	-	-	149,345
<b>Total - all services</b>	<b>291,355</b>	<b>277,014</b>	<b>31,740</b>	<b>39,666</b>	<b>750</b>	<b>250</b>	<b>640,775</b>

#### *Addition of new schemes*

1.5.56 There are a number of additions to the capital programme which are being proposed. These form a mixture of expanding current schemes, recognising additional costs for projects currently in delivery or those required in order to support savings proposals discussed in section 1.4.7. A summary of the proposals is laid out in the table below. An explanatory narrative is contained within the subsequent paragraphs.

Description	£000						Total
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
LED Lighting	-	7,600	-	-	-	-	7,600
Pay and display parking machine estate upgrade	120	-	-	-	-	-	120
Moving Traffic Cameras	50	200	150	100	-	-	500
Controlled Parking Zones Review	50	100	150	150	50	-	500
St Georges Lodge	100	250	-	-	-	-	350

Temporary Accommodation conversion							
Colindale Parks Improvement Project	71	333	-	-	-	-	<b>404</b>
Hermitage Lane	537	86	-	-	-	-	<b>623</b>
Microsites	-	5,700	-	-	-	-	<b>5,700</b>
Sports and Physical Activity	-	2,868	-	-	-	-	<b>2,868</b>
<b>Total</b>	<b>928</b>	<b>17,137</b>	<b>300</b>	<b>250</b>	<b>50</b>	<b>-</b>	<b>18,665</b>

### LED Lighting

1.5.57 This project would replace all LBB owned & maintained Street Lighting assets across the borough. Approximately 26,000 assets to be converted from high pressure discharge lighting to state of the art low energy LED units. This will deliver a whiter light, reduced electricity consumption and therefore costs and a lower carbon footprint.

1.5.58 Operational costs will also reduce with the more reliable LED units, which require less routine & non-routine maintenance, with the additional benefit of less vehicular traffic contributing to reduced pollution and congestion. Ultimately this project will make a major contribution to managing the huge expected increases in energy charges, which if not counteracted with this project, would place significant financial pressures on the council's finances in the later years of the PFI contract.

1.5.59 As the project will significantly reduce energy consumption and positively impact on reducing carbon emissions, the council is able to access interest-free loans from SALIX. Salix Finance Ltd provides interest-free government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy usage. It is anticipated that the council may be able to access £4.9m (approx. 67% of the project costs) through this route. The remaining £2.7m would need to be made available from capital funds or PWLB borrowing.

1.5.60 This investment will be more than offset by the resultant cost reductions. Revenue savings will be generated via the annual reduction in electricity consumption, and associated cost, once the LED conversion has been completed. In addition, further annual savings will be made due to reduced maintenance.

### Pay and display parking machine upgrade

1.5.61 This proposal involves the upgrade of the council's 61 pay and display parking machine estate. The cost of the project is expected to be £0.120m. This will ensure all machines have new card payment equipment, and are therefore Payment Card Industry(PCI) compliant from 2019. They will have new keypads which will allow motorists to enter vehicle registration details therefore enabling the ANPR (automatic number plate recognition) solution which will be rolled out in the new parking enforcement contract. The keypads will prevent meter

feeding and enforce maximum stay periods, therefore preventing fraud and maximising revenue to the council.

1.5.62 This will be funded by council borrowing. The pay back on capital investment will be achieved in the roll out of ANPR as part of the enforcement contract.

#### Moving Traffic Cameras

1.5.63 This project involves the further roll out of Moving Traffic Cameras (MTC) to complement the current cameras and allow further locations to see the traffic management benefits achieved following the successful implementation of earlier phases of MTC deployment.

1.5.64 The objective of the project is to improve safety on the highway and increase compliance by motorists with regulations and ultimately to assist the authority to meet its Traffic Management statutory duties. The project outcomes include helping to ensure the smooth and safe operation of the road network, managing congestion and ensuring journey times, particularly for public transport, are maintained.

1.5.65 The anticipated project cost would be £0.5m and this will be funded by borrowing. The payback on capital investment is anticipated to be achieved within 12 months based on previous experience, due to the level of non-compliance that will be identified by the cameras.

#### Controlled Parking Zone Review

1.5.66 An addition to the programme is requested to conduct a thorough review of existing parking provisions with a particular focus on Controlled Parking Zones. The project would implement identified changes which will include amendments to existing zones and the addition of new zones and make the parking provisions provided throughout the borough fit for purpose.

1.5.67 The outcome would ensure that the parking provision is fit for purpose as it matches local requirements/demand and better aligns with other council policy, such as the Network Management and Transport Strategy.

1.5.68 This project is expected to cost £0.5m and will be funded by borrowing and payback on capital investment is projecting be achieved within 18 months.

#### St George's Lodge

1.5.69 St George's Lodge sits adjacent to Hendon Town Hall and is in a poor state of repair and requires substantial work. The previous use was for a commercial tenant, GMB, who sublet to ADDISS. The property is hard to let and is more financially viable if used as cost neutral Temporary Accommodation (TA).

1.5.70 This project would convert the property to 2x2 bedroom units for use as TA. This will increase supply of accessible and affordable TA in borough and produce a better return on investment for council, with TA cost avoidance and higher revenue return from housing rents than if it was let as a commercial

property. The anticipated project cost is £0.350m which would be funded through council borrowing and repaid through reductions in the cost of TA together with rental income.

### Colindale Parks Improvement

1.5.71 This proposed addition is to increase the current capital programme allocation of £7.665m for this project to £8.069m as a result of external grant funding totalling £0.404m being secured. The funding is provided by the GLA (£0.324m) and the Environment Agency (£0.80m). This will have no additional net cost to the council.

### Hermitage Lane

1.5.72 The Hermitage Lane scheme will provide new affordable homes which will contribute significantly towards reducing the costs to the council of providing temporary accommodation to households in need. The total cost avoidance is expected to be approximately £0.042m per year for the council.

1.5.73 This requested addition is to undertake the necessary legal and property work to support the legal proceedings and achieve vacant possession. Alongside this, and following ARG approval of the outline business case on 27 September 2018, the scope is to also progress the scheme to full business case and undertake the necessary due diligence required.

1.5.74 £0.282m is the remaining Development Pipeline budget funded by section 106 money. It is requested that this funding is transferred into a new project for Hermitage Lane to fund in part the work to full business case. The project then requires an additional £0.341m towards the anticipated costs.

1.5.75 As this expenditure relates to the preliminary stages of the project it does not meet the definition of capital expenditure. As such borrowing cannot be used as a funding method therefore the proposed new reserve for Revenue implications of capital schemes is suggested. Should this reserve not be established then the scheme would be funded from general earmarked revenue reserves.

### Microsites

1.5.76 An increase to the budget for microsites programme by £5.700m from £2.625m to £8.325m, following approval from Assets, Regeneration and Growth Committee 17 September 2018 to extend the programme to build 17 additional new homes for affordable rent on council land. 70% (£3.953m) of the project cost will be funded through section 106 contributions. The remaining £1.694m is being sought from the GLA in the form of a grant. If this is unsuccessful then the project is still financially viable when this amount is instead provided through borrowing.

### Sports and Physical Activity Project (Leisure Centres)

1.5.77 The construction programme commenced in November 2017 and has progressed with completion of the substructure elements. Risk items and further costs have materialised. Areas of significant cost relate directly to the New Barnet construction programme with the requirement to complete more extensive utility diversions and further work to resolve the robustness of ground conditions. This has impacted the allocated contingency and a further £2.868m is required in order to deliver the SPA project. The SPA project business case remains viable.

1.5.78 The redevelopment of New Barnet and Barnet Copthall Leisure Centres remain on track to deliver practical completion in June and August 2019 respectively.

#### Brent Cross Cricklewood

1.5.79 The changes to the capital programme recommended in the separate report to this Committee have not been incorporated in the capital programme as presented here. If the Committee agrees the recommendations of that report they will be included in the updated approved capital budget.

### Council Capital Strategy

1.5.80 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services an overview of how the associated risk is managed
- the implications for future financial sustainability.

1.5.81 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

1.5.82 The council has drafted a capital strategy, which is attached at Appendix G. This is presented to the Committee to note the progress and to invite comments at this stage. The proposed final version of this report will be presented to the February 2019 Committee for endorsement to full Council as part of the budget setting process.

## **1.6 Budget Management 2018/19**

### Period 6 Budget Monitoring

1.6.1 Full details of the council's in year financial performance are reported to the Financial Performance and Contracts Committee on a regular basis. The following section provides a high-level summary of the latest available information.

1.6.2 The General Fund revenue forecast for 2018/19 is £295.414m, which is a net overspend of £2.073m compared with the revised budget of £293.341m (see table below). This forecast is stated after the contribution from specific and

general earmarked reserves totalling £2.836m. Excluding these reserve movements, the forecasted overspend is £4.909m.

1.6.3 All proposed reserve drawdowns and contributions will be considered and approved, if appropriate, later in the financial year. It is important to note that these reserve movements are over and above the planned use of £4.040m of reserves in balancing the budget.

1.6.4 The original budget approved by Council in March of each year is revised during the year to reflect movements between budgets and the allocation of contingency held within central expenses. All movements from contingency above £0.250m must be approved by Policy and Resources Committee. Significant allocations from contingency during 2018/19 to date include £2.333m allocated to fund pressures in Family Services (first reported at period 4).

1.6.5 At the Policy and Resources Committee on 23 October approval was provided to allocate additional funds from the council's contingency budget. These movements have been reflected in the table below. Additionally, it was announced that additional government funding would be made available in year towards Adult Social Care. This will be included in future period forecasts once more details are available and will significantly mitigate, if not eradicate, the current forecast overspend.

1.6.6 Other budget changes include the reallocation of Greenspaces from Streetscene to the Commissioning service (£1.368m).

#### General Fund Revenue Forecast

Service	Revised Budget	Period 6/Quarter 2 Forecast	Variance from Revised Budget Adv/(fav)	Reserve Movts	Period 6/Quarter 2 Forecast after Reserve Movts	Variance after Reserve Movts Adv/(fav)
	£000	£000	£000	£000	£000	£000
Adults and Communities	95,498	97,331	1,832	(600)	96,731	1,232
Assurance	6,178	8,156	1,978	(879)	7,277	1,099
Central Expenses	44,379	42,184	(2,195)	150	42,334	(2,045)
Commissioning Group	36,355	36,836	482	(1,377)	35,460	(895)
CSG and Council Managed Budgets	24,952	25,816	864	-	25,816	864
Children's Services	66,654	66,654	-	-	66,654	-
Housing Needs and Resources (Barnet Homes)	6,926	6,957	31	-	6,957	31
Regional Enterprise (Re)	689	2,270	1,581	(130)	2,140	1,451
Street Scene	11,711	12,047	336	-	12,047	336
<b>Total</b>	<b>293,341</b>	<b>298,250</b>	<b>4,909</b>	<b>(2,836)</b>	<b>295,414</b>	<b>2,073</b>

### Motion from the Adults & Safeguarding Committee

1.6.7 On the 30<sup>th</sup> November 2018, the Urgency Committee considered a report in relation to the settlement of historical commercial disputes with Capita. The outcome of which is an expected £4.120m receipt to the council which was formed of the following key items:

- a) Mosaic (the Adults Social care system) – new IT system implementation that experienced issues with timeliness and quality of delivery;
- b) Development pipeline – delays in delivering housing on council land;
- c) Increased monitoring associated with financial controls – to cover cost of Grant Thornton and additional council resources (in addition to first payment made in September 2018);
- d) Procurement gainshare – settling of respective claims; and
- e) Miscellaneous items – estates compliance (related to 2013 to 2016); and KPI failures related to the Re contract.

1.6.8 On the 26<sup>th</sup> November 2018, the Adults & Safeguarding Committee passed the following motion: “That the Committee request the Strategic Director for Adults, Communities and Health to prepare a proposal for inclusion in the business planning report for the Policy and Resources Committee in December 2018, setting out the revenue pressures arising from the reimplementation of the Mosaic system and how the Capita contractual settlement can be used to address these financial pressures.”

1.6.9 The Adults service has seen additional costs forecast within the revenue budget as a result of the reimplementation totalling £0.300m which initially increased the overspend for the service.

1.6.10 Since the period 6 monitoring report was produced, additional funding to social care has been recognised which moves the Adults revenue budget into a marginal underspend position in period 7. As such the useful motion from the Adults & Safeguarding Committee is not necessary in order to manage the pressures as a result of the reimplementation.

1.6.11 As such, it is recommended that the full £4.120m receipt is put into the council’s MTFS reserve. This provides the council with additional resilience against unforeseen events and maintains the Non Ringfenced Revenue Reserves level above the £20m watermark as recommended by the Chief Financial Officer.

### Transfers from contingency

1.6.12 The constitution requires that any virement from contingency of £0.250m or above are approved by the Policy & Resources Committee. There are presently no proposed allocations from contingency for approval.

### Debt Write Off

#### Business Rates (NNDR)

1.6.13 Non-domestic rates totalling £703,369.06 are recommended for write off. The individual debts are all over £5,000 and cover the financial years 2007/08 to 2018/19.

1.6.14 All the debts are in respect of closed accounts. Most are in respect of debtors who have absconded, including some who are known to be abroad and out of our jurisdiction. Other debts are either limited companies that have been dissolved or wound up or again companies registered abroad. None or insufficient monies to clear these debts have been yielded as Business Rates debts do not rank as preferential debt in insolvency proceedings therefore no further action can be taken.

1.6.15 Attempts to trace absconded debtors include searches of internal systems, credit reference agencies, internet searches, enquiries with owners, agents, and new occupants of the relevant properties and visits by the inspector and Enforcement Agents. With regard to cost effectiveness, the extent of tracing activity will correspond to the amount of individual debts and with a greater emphasis on checks made in respect of larger debts. It should be noted that if an absconder is subsequently located following a write off then the debt can be re-raised and attempts made to recover it, subject to statutory limitation periods and it being economical to do so.

1.6.16 The breakdown of the value of the Business Rates debts by year is as follows:

<b>Year</b>	<b>Court Cost</b>	<b>Liability Debt</b>	<b>Grand Total</b>
2007		£189.37	£189.37
2008		£910.14	£910.14
2009		£1,499.14	£1,499.14
2010	£340.00	£3,769.05	£4,109.05
2011	£170.00	£4,231.62	£4,401.62
2012	£170.00	£905.93	£1,075.93
2013	£170.00	£11,998.54	£12,168.54
2014	£510.00	£14,420.82	£14,930.82
2015	£1,190.00	£51,878.29	£53,068.29
2016	£3,520.00	£205,260.73	£208,780.73
2017	£4,590.00	£362,309.70	£366,899.70
2018	£680.00	£34,655.73	£35,335.73
<b>Grand Total</b>	<b>£11,340</b>	<b>£692,029.06</b>	<b>£703,369.06</b>

## **2. REASONS FOR RECOMMENDATIONS**

2.1.1 The council is legally obliged to set a budget each year, which must balance service expenditure against available resources. It is also a key element of effective financial management for the council to put together a financial forward plan to ensure that it is well placed to meet future challenges, particularly in the context of reductions to local authority funding, demographic increases and legislative changes.

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

3.1.1 This report sets out a range of options across the council's remit to meet the budget challenge. This includes proposals for workforce savings, as well as generating income. Alternatives to this could include more significant reduction to the services that the council provides but those are not included in this report.

### **4. POST DECISION IMPLEMENTATION**

4.1.1 Following approval of these recommendations, resident consultation will begin on 12 December 2018 and end on 16 January 2019. The savings proposals will then be reviewed in light of the results from the consultation and individual and cumulative equality impact assessment and a further set of proposals along with the findings from the consultation will be presented to Policy and Resources committee on 20 February 2019.

4.1.2 Policy and Resources Committee will then, after considering the consultation responses and the equalities impact assessments, refer the proposals to Council. Council will set the budget envelope. Some savings proposals may need individual detailed consultation and this will be carried out before individual decisions are made. If the consultation and equality impact assessment results are such that the decision makes decide not to implement the proposals then alternative proposals will be considered including the use of reserves.

4.1.3 Savings proposals along with the council tax requirement will then be taken to Council on 5 March 2019.

### **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 2019-24 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:

- A pleasant, well maintained borough that we protect and invest in
- Our residents live happy, healthy, independent lives with the most vulnerable protected
- Safe and strong communities where people get along well

## **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 budget proposals in this report will have an impact on staff. Individual reports will be presented to General Functions Committee detailing the extent of the impact on staffing.

## **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 Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirement in accordance with the prescribed requirements of that section. This requires consideration of the authority’s estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.
- 5.4.3 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of the council tax payers and ratepayers and the community’s interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 5.4.4 These proposals will be referred to Policy and Resources Committee consulted on, and if approved by Policy and Resources Committee referred on to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers

have some flexibility should any decisions have detrimental equalities impact that cannot be mitigated.

- 5.4.5 All proposals emerging from the business planning process will need to be considered in terms of the council's legal powers and obligations (including, specifically, the public-sector equality duty under the Equality Act 2010). All proposals are already, or will be, subject to separate detailed project plans and reports to committee. The detailed legal implications of these proposals are included in those reports, which will have to be considered by the committee when making the individual decisions.
- 5.4.6 The Council Constitution (Article 7 – Committees, Forums, Working Groups and Partnerships) sets out the responsibilities of all council Committees.
- 5.4.7 All proposals emerging from the business planning process will need to be considered in terms of the council's legal powers and obligations (including, specifically, the public-sector equality duty under the Equality Act 2010).
- 5.4.8 Under the financial regulations 2.4.15 any significant changes in the planned use of a reserve must be approved by Policy and Resources Committee.

## **5.5 Risk Management**

- 5.5.1 Risk is defined as an uncertain event that, should it occur, will have an impact on the organisation's ability to achieve its objectives. A risk is measured by the likelihood of a perceived threat or opportunity occurring and the magnitude of its impact on the organisation's objectives.
- 5.5.2 The overarching aims of the council's risk management framework are to improve the organisation's ability to deliver its strategic objectives by managing risk; creating a risk culture that adds value to operational activities; and achieving sustained benefit across the portfolio of activities.
- 5.5.3 The risk management framework should help to ensure risk management is embedded throughout the organisation and involves all key stakeholders, including officers, senior managers, members and partners.
- 5.5.4 The council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation.
- 5.5.5 The council's medium term financial strategy is designed to meet the challenges ahead and provide some flexibility to deal with varying service pressures, which may arise. The council holds a number of other provisions and reserves to meet known future liabilities and as a contingency against specific areas of risk.
- 5.5.6 Detailed monthly budget monitoring arrangements are in place across the council, which are designed to provide an early warning of possible budget variations to enable early remedial action, where appropriate, to be taken.

- 5.5.7 During the year management will focus resources on key risk areas as part of the overall monitoring and management of services so the risk of overspending is minimised.
- 5.5.8 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.
- 5.5.9 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 Equality and diversity issues are a mandatory consideration in the decision-making of the council.
- 5.6.2 Decision makers should have due regard to the public-sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. A lot of proposals are in formative stages, so the equality impacts will need to be updated as the projects are rolled out. Many of these proposals will need to be subject to separate decisions and at this stage the decision maker will need to be equipped with an updated equality impact assessment before they can make their decision. Consideration of the duties should precede the decision. It is important that Policy and Resources Committee has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:
- 5.6.3 A public authority must, in the exercise of its functions, have due regard to the need to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 5.6.4 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

5.6.5 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

5.6.6 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, the need to:

- (a) Tackle prejudice, and
- (b) Promote understanding.

5.6.7 Compliance with the duties in this section may involve treating some persons more favourably than others but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

5.6.8 If deemed appropriate, a project may be subject to future individual committee decision once the budget envelope has been set by Council. The equality impacts will be updated for these decisions.

5.6.9 The Equality Act 2010 and The Public Sector Equality Duty impose legal requirements on elected Members to satisfy themselves that equality impact considerations have been fully taken into account in developing the proposals which emerge from the finance and business planning process, together with any mitigating factors. To allow the Council to demonstrate that it has met the Public Sector Equalities Duty as outlined above, each year the Council undertake a planned and consistent approach to business planning. This assesses the equality impact of relevant budget proposals for the current year (affecting staff and/or service delivery) across services and identifies any mitigation to ease any negative impact on particular groups of residents. This process is refined as proposals develop and for the February 2018 Policy and

Resources Committee it will include the assessment of any cumulative impact on any particular group.

5.6.10 The council's Annual equalities report 2017 reports on how this process was carried out in 2016/17. At this stage of the budget planning process for 2019/20 savings and savings to 2024, the council has conducted a preliminary high level review of the equalities impact of the initial proposals and these are outlined in the savings templates, which have been approved by the relevant Theme Committees. These are attached at appendix D to this paper and give detail of analysis to date indicating where further equality analysis may be required. Between December 2018 and February 2019 Delivery Units will review their equality analyses as proposals develop and in response to consultation feedback. Savings that are continuing from previous years will require on-going analysis and new savings will require initial analysis. The EIAs for 2019/20 proposals will be kept under review and updated prior to publication with the final budget report to Policy and Resources Committee and Full Council.

5.6.11 Similarly, all human resources implications of the budget savings proposals 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 Corporate Parenting**

5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. The outcomes and priorities in the refreshed Corporate Plan, Barnet 2024, reflect the council's commitment to the Corporate Parenting duty to ensure the most vulnerable are protected and the needs of children are considered in everything that the council does. To this end, great attention has been paid to the needs of children in care and care leavers when approaching business planning within Family Services, to ensure decisions are made through the lens of what a reasonable parent would do for their own child

5.7.2 Each of the seven corporate parenting principles have, and will continue to be, considered as part of the development and delivery of MTFS proposals for 2019/20 and beyond; especially within service areas where there are greater savings pressures, such as Demand Management on Placements. In the case of placements savings, an initial strategic outline case has been developed which takes into account the corporate parenting principles, such as 'acting in the best the interests, and promoting the health and well-being of children and young people' and 'taking into account the views, wishes and feelings of children and young people'. Data from a range of sources was reviewed and analysed to inform the proposals, which included:

- Feedback from care about their experience of placements and unmet needs
- Data pertaining to care leavers rent and council tax arrears
- Consultation responses from care leavers regarding the newly introduced council tax relief policy

- Benchmarking with 'good' and 'outstanding' Ofsted rated local authorities

5.7.3 This insight enabled savings proposals to be developed through the lens of what a reasonable parent would do to support their own children, and ensured due regard of the corporate parenting principles. As work progresses to further develop business cases and deliver plans in order to achieve savings, further steps and opportunities will be taken to seek out the views of children in care and care leavers, and ensure services that meet their needs and reflect the corporate parenting principles continue to be delivered.

## 5.8 Consultation and Engagement

5.8.1 As a matter of public law, the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in four 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
- Where consultation is required to complete an equalities impact assessment.

5.8.2 Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, a consultation can only be considered as proper consultation if:

- Comments are genuinely invited at the formative stage
- The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response
- There is adequate time given to the consultees to consider the proposals
- There is a mechanism for feeding back the comments and those comments are considered by the decision-maker / decision-making body when making a final decision
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting
- Where relevant and appropriate, the consultation is clear on the reasons why and extent to which alternatives and discarded options have been

discarded. The more intrusive the decision, the more likely it is to attract a higher level of procedural fairness.

5.8.3 Public consultation and engagement on the Corporate Plan took place between 16 July 2018 and 23 September 2018. The findings from this have been considered and incorporated into the draft document.

5.8.4 A total of 287 questionnaires were completed and 141 residents attended the three Question Time Leader led events.

5.8.5 Key headlines from the consultation are as follows:

- A clear majority of those responding to the questionnaire agree with all the outcomes the council is proposing to focus on for the next five years, with around nine out of ten respondents (90%) agreeing with each of the councils proposed outcomes.
- There was a similar level of agreement for the priorities set out under each outcome, with 80-90% of respondents agreeing with each of the priorities. The one exception to this was 'Delivering on our major regeneration schemes' where six out of ten agreed.
- Around 80% also agreed with the approach the council has outlined to deliver its outcomes over the next five years.
- When residents were asked to comment further, the main feedback was that they wanted more detail on how the priorities would be delivered and funded. This has resulted in more detail around the strategic approach to delivery being included in the draft corporate plan.
- Further comments on the outcomes, priorities and approach were very varied, the most common themes were around; street cleansing, tackling enviro-crime and anti-social behaviour, improving air quality and investing in sustainable transport methods.
- Comments on our approach related to outsourcing of services, robust management of contract and service delivery arrangements and a commitment to remaining transparent in our work. There was also a clear theme around how we balance our council tax rates with being able to deliver services.
- This feedback has now been incorporated and reflected in the draft plan.

5.8.6 Public consultation on the budget for 2019/20 and closing the budget gap to 2023/2024 will commence on 12 December 2018 subject to agreement from the P&R Committee on 11 December 2018. The final budget will then be recommended to P&R Committee on 20 February 2018 ahead of final approval at Full Council on the 5 March 2019.

5.8.7 Residents and National Non-Domestic Rate Payers will be invited to give their views through an online questionnaire published on Engage Barnet. Paper copies will also be available on request.

5.8.8 As part of the Council's statutory duty to consult with National Non-Domestic Rate Payers (NNDR payers), letters will be sent out to all the council's NNDR payers inviting them to take part in the consultation.

5.8.9 The consultation will be widely promoted via the Council's Residents' magazine, Barnet First; Barnet Online; local press; Twitter; and Face book.

5.8.10 Super-users, i.e. users of non-universal services, will also be invited to take part in the consultation through the Communities Together Network, Youth Board, and Delivery Unit newsletters/circulars and super user mailing lists.

5.8.11 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties, where there is a legitimate expectation or legislative requirement to consult. Service specific consultations will take place where necessary in line with timescales for any changes to be implemented.

5.8.12 Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2019/20 savings. The outcomes of these consultations have or will feed into committee decision making process.

## 5.9 Insight

5.9.1 Not applicable.

## 6. BACKGROUND PAPERS

Committee	Item & Agenda	Link
Policy & Resources 19 July 2018	Item 7 Business Planning	<a href="http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=9725&amp;Ver=4">http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=9725&amp;Ver=4</a>
Policy & Resources 11 June 2018	Item 4 Business Planning	<a href="http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=9458&amp;Ver=4">http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=9458&amp;Ver=4</a>
Full Council 6 March 2018	Item 12 Business Planning 2018-20	<a href="http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&amp;MId=9162&amp;Ver=4">http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&amp;MId=9162&amp;Ver=4</a>

Policy & Resources 13 February 2018	Item 13 Business Planning 2018-20	<a href="http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=8742&amp;Ver=4">http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=8742&amp;Ver=4</a>
Policy & Resources 21 July 2014	Item 6 Finance and Business Planning – Capital programme and review of reserves	<a href="http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=7860&amp;Ver=4">http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=7860&amp;Ver=4</a>