	Council **5 March 2019**
Title	**Corporate Plan, Medium Term Financial Strategy 2019/24 and Budget for 2019/20**
Report of	Councillor Richard Cornelius
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix A – Corporate Plan 2019-2024 Appendix B – Medium Term Financial Strategy Appendix C – Council Tax Resolutions Appendix D1 – Detailed Revenue Budgets, Savings, Pressures and Council Tax Schedules Appendix D2 – Theme Committee Revenue Budgets, Savings, Pressures and Council Tax Schedules Appendix E – Capital Funding Changes Appendix F1 – Theme Committee Capital Programme Appendix F2 – Capital Programme by Delivery Unit Appendix G – Housing Revenue Account Appendix H – Fees and Charges Appendix I– Consultation report Appendix J – Cumulative Equalities Impact Analysis (CEIA) Appendix K – Capital Strategy Appendix L – Treasury Management Strategy Appendix M – Reserves and Balances Policy Appendix N – Debt Management Policy Appendix O – Corporate Risk Register Appendix P – Summary of savings proposals

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Summary

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.

Following endorsement by the Policy and Resources Committee on the 20th February, this paper sets out the council's refreshed Corporate Plan, 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.

The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and submit budget returns to the Ministry of Housing, Communities and Local Government (MHCLG). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

It should be noted that a set of budget proposals were presented to Policy and Resources in December 2018, this offered an early opportunity to note and approve budget changes in principle for 2019/20. These proposals were assessed at the time as to whether they required consultations and equality impact assessments (EIA). Consultation on the budget and the contents of the December Policy and Resources committee paper took place between 11th December 2018 and 16th January 2019. Results from the consultation have been fed back to lead officers within the council and the recommendations contained within this report are cognisant of the views expressed and have been recommended to Council for approval by the Policy and Resources Committee.

Officers Recommendations

That Council:

1. **Approve the Corporate Plan 2019-2024, as attached at Appendix A;**

2. **Consider the issues that have emerged from the consultation when making their decisions. Council make the decisions below also being mindful of the equalities impact assessments including the cumulative equalities impact assessments;**

3. **Approve the MTFS attached as Appendix B and the detailed revenue budgets in Appendices D1 and D2. The MTFS sets out all of the budget changes over the period 2019-24, including assumptions around inflation, changes to levies, pressures, savings and grant funding. It is the model around which the council's financial strategy is based;**

4. **Approve that the budget for 2019/20 is prepared on the basis of an increase of 2.99% general Council Tax in 2019/20;**

5. **Approve the resolutions relating to Council Tax contained within Appendix C – Council Tax Resolutions;**

6. **Determine that the council's basic amount of Council Tax for 2019/20 as set out in Council Tax resolution (Appendix C) 2(iv) is not excessive in accordance with the principles approved under section 52ZB and 52ZC of the Local Government Finance Act 1992, set out in the Referendums relating to Council Tax increases (Principles)(England) Report 2019/20.**

7. **Approve that in accordance with Section 38(2) of the Local Government Finance Act 1992 the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 5 above within a period of 21 days following the Council's decision;**

8. **Approve the capital programme as set out in Appendix F1 and F2, and that the Chief Officers be authorised to take all necessary actions for implementation;**

9. **Approve the changes to the existing Capital Programme in relation to slippage and deletions as set out in paragraph 1.5.98 and Appendix E;**

10. **Approve the changes to the existing Capital Programme in relation to additions as set out in paragraphs 1.5.99 to 1.5.113;**

11. **Approve that the Chief Finance Officer be authorised to adjust capital project budgets and financing in 2019/20 throughout the capital programme after the 2018/19 accounts are closed and the amount of slippage and budget carry forward required are known;**

12. **Approve the Capital Strategy as set out in Appendix K;**

13. **Approve Treasury Management Strategy for 2019/20 as set out in Appendix L;**

14. **Approve the following in relation to the Housing Revenue Account:**
    a) **The proposed rent decrease by 1% for council dwellings as set out in paragraph 1.7.3 to take effect from 1 April 2019;**
    b) **The proposed increase to service charges for council dwellings as set out in paragraph 1.7.7 to take effect from 1 April 2019; and,**
    c) **The proposed rent increase of 3.1% for council garages as set out in paragraph 1.7.7 to take effect from 1 April 2019.**

15. **Approve the draft Schools Budget of £335.395m for 2019-20 as per paragraph 1.5.56;**

16. **Approve draft Post 16 Funding of £5.417m;**

17. **Approve that any changes to the Schools Budget reasonably required as a result of the final 2019/20 DSG and Post-16 settlement are delegated for decisions to the Strategic Director – Children & Young People in consultation with the Director of Finance;**

18. **Note the fees and charges that were approved at their relevant Theme Committee as detailed in Appendix H;**

19. **Note the summary equality impact assessment (EIA) and cumulative assessment set out in section 5.6. Appendix J provides the cumulative impact and individual Delivery Unit assessments;**

20. **Approve the reserves and balances policy as set out in Appendix M and indicative amounts as set out in paragraph1.5.73 and the Director of Finance's assessment of adequacy of General Fund Balances in section 1.5.81. Approve that the Director of Finance is authorised to adjust balances in 2019/20 after 2018/19 accounts are closed and the amount of balances required to be carried forward are known;**

21. **Note the underlying Financial strategy of the Council as set out in the paragraph 1.5.1, and;**

22. **Note the corporate risk register set out in Appendix O.**

1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

1.1.1 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 Council to approve this plan.

1.1.2 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.

1.1.3 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.

1.1.4 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 is to ensure the council has a medium-term plan for how we will allocate our limited resources in line with what we want to achieve for the borough.

1.1.5 Within the provisional Local Government Finance Settlement the Government confirmed that the level that it considers excessive for general council tax increases in 2019/20 is 3%. Should the Council wish to raise the level by that amount above, a referendum of the local electorate must be held. For 2019/20 a 2.99% increase in general Council Tax has been included in the MTFS and proposed to Council.

1.1.6 In line with the priorities for each Committee and to close the anticipated budget gap, Theme Committees recommended savings proposals to Policy & Resources totalling £64.776m over the period 2019-2024. Officers have reviewed these savings following the period of budget consultation. The proposed budget for 2019/20 reflects a budget gap of £25.323m, with savings proposals identified of £19.965m and use of reserves £5.357m to reach a balanced position.

1.1.7 A budget gap of £5.9m is currently forecast for 2020/21, which is assumed to be 50% (£2.97m) 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.

1.1.8 The council's reserves are forecast to total £51.4m at the end of 2018/19. Over the course of the MTFS this is expected to reduce to £29.1m, with the crucial measure of Non Ringfenced Revenue Reserves expected to be £20.4m at the end of 2023/24. This represents a rapid stabilisation of the reserves position.

1.1.9 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 £682m. This reduction has been the result of, and a direct benefit to, the council's need to achieve a sustainable revenue position.

1.1.10 In setting the budget for 2019/20 the council's Section 151 Officer is of the view that the estimates are robust, that the process in which the budget was set was effective and that there is an effective budget management system in place.

1.1.11 The General Fund revenue forecast for 2018/19 is a net overspend of £2.396m. This forecast is stated after the net contribution to specific and general earmarked reserves totalling £1.226m. Excluding these reserve movements, the forecasted overspend is £1.168m. The reserve movements in the table below include two one-off transfer to reserves relating to the windfall gains of £3.685m and £1.000m respectively following the contract settlement with Capita and a recognition of balances held within the North London Waste Authority (NLWA).

1.1.12 Debts totalling £0.176m are proposed for write off in line with the council's Debt Management Policy.

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% of residents are satisfied with Barnet as a place to live and 65% 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**, we **maximise opportunities**, **share responsibilities** with the community and partners, and work **effectively and efficiently**. These four strands underpin our approach for delivering on our outcomes and priorities and can be seen in further detail within the Corporate Plan (Appendix A).

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.

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 identified for the borough focus on place, people and communities. A set of key priorities that support these outcomes and that we will be focusing on over the next five years can be seen in the below table. Further detail of how we intend to deliver against these priorities and outcomes is detailed in the full Corporate Plan (Appendix A). This doesn't aim to capture all that the council does, rather is provides a framework to guide us.

Outcome: A pleasant, well maintained borough that we protect and invest in
Priorities: • getting Barnet clean through efficient street cleaning services, minimising and recycling waste, and weekly bin collections • keeping the borough moving, including improvements to roads and pavements • getting the best out of our parks and improving air quality by looking after and investing in our greenspaces • ensuring decent quality housing that buyers and renters can afford, prioritising Barnet residents • investing in community facilities to support a growing population, such as schools and leisure centres • responsible delivery of our major regeneration schemes to create better places to live and work, whilst protecting and enhancing the borough.
Outcome: Our residents live happy, healthy, independent lives with the most

vulnerable protected
Priorities: • improving services for children and young people and ensuring the needs of children are considered in everything we do • integrating health and social care and providing support for those with mental health problems and complex needs • supporting our residents who are older, vulnerable, or who have disabilities, to remain independent and have a good quality of life • helping people into work and better paid employment • encouraging residents to lead active and healthy lifestyles and maintain their mental wellbeing • ensuring we have good schools and enough school places so all children have access to a great education.
Outcome: Safe and strong communities where people get along well
Priorities: • keeping Barnet safe • tackling anti-social behaviour and environmental crime • celebrating our diverse and strong communities and taking a zero-tolerance approach to hate crime • ensuring we are a family friendly borough • focusing on the strengths of the community and what they can do to help themselves and each other • supporting local businesses to thrive.

1.2.9 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.

1.2.10 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.

1.3 Strategic Context

National Strategic Context

National Landscape

1.3.1 Over the past decade, the Council has faced significant financial challenges stemming from the economic downturn in late 2007 and subsequent austerity measures. For instance, the Council has had to contend with:

- grant funding reductions from Central Government (London Councils estimate London Boroughs have lost on average 57.4% in core funding from Central Government);

- demand led pressures impacting services e.g. due to demographic or legislative changes;
- other external factors e.g. Government policy changes as part of managing austerity.

1.3.2 During the period of austerity since 2010/11 there has been a significant transfer of risk from a centralised system to Local Authorities. The impact of this transfer increases uncertainty when reviewing the council's medium-term financial plan. This transfer of risk has been gradual but contains high profile examples such as:

- The introduction of the Business Rates Retention Model at 50% in 2013/14 and subsequently amended to the upcoming 75% - leaving authorities open to the impact of appeals and changes in the economy
- The abolition of the Council Tax Benefit Subsidy and its replacement with a localised Council Tax Support Scheme (with less funding to begin with and a protection of pensioners)
- The implementation of the Adult Social Care Precept, pushing the decision on a national pressure to a local level
- The New Homes Bonus grant as an incentive for housing growth, but which is uncertain beyond 2019/20
- Public Health responsibilities transferred to Local Government in 2013/14 but funding is estimated to be have reduced since then by 5%. However, over the same period, NHS funding has risen by c.20% and continues to increase.
- Authorities incur under-funded costs from supporting people with No Recourse to Public Funds (NRPF) and also from Unaccompanied Asylum Seeking Children (UASC) up to the age of 25.
- The cost of the Homelessness Reduction Act of 2017 is estimated to cost c.£80m a year in London but only £14m of new burdens funding was allocated to London boroughs.

Autumn Budget 2018 and Local Government Finance Settlement

1.3.3 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.

1.3.4 On 13 December 2018, the Secretary of State for the Ministry of Housing, Communities and Local Government made a statement to Parliament on the provisional local government finance settlement 2019/20. The settlement outlines provisional funding allocations for local authorities in 2019/20, the final year of the current Spending Review period.

1.3.5 The main headlines announced as part of the settlement are summarised below.

- Settlement Funding Assessment will fall by 6.5% in 2019/20 for London boroughs (also 6.5% nationally)- confirming real term cumulative cuts to core funding of 63% across London between 2010 and 2022;
- Core Spending Power will increase by 2.3% for London boroughs (2.8% nationally);
- The Council Tax referendum threshold remains 3% in 2019/20, the same limit as in 2018/19;
- There will be no change to the ASC precept principle;
- Confirmation of the London 75% business rate retention pilot for 2019/20;
- London boroughs will receive £33m of business rate levy surplus in 2018/19 – this equates to £0.900m for Barnet and paragraph 1.5.7 explains how the council plans to use this non-recurrent funding;

- The threshold at which New Homes Bonus is triggered will remain at 0.4%;
- The Government is proposing to distribute £650m of adult social care funding (announced in the 2018 Autumn Budget) using the ASC RNF in 2019-20. London boroughs' share will be £100million;
- Consultations published on the Fair Funding Review and 75% business rates retention with a deadline of 21 February; and
- Public Health Grant allocations were subsequently confirmed as per the assumptions previously made in the MTFS.

1.3.6 Any financial implications arising as a result of the Autumn Budget and settlement have been reflected, where possible, in the MTFS presented in Appendix B.

Future of Local Government Funding

1.3.7 There are a number of significant variables in the council's funding which could impact on the MTFS presented within this report. The council's 2020/21 core funding will be dependent on the outcome of:

- 2019 Spending Review
- Fair Funding Review
- Simplified 75% Business Rates Retention

1.3.8 The Spending Review will be determined by HM Treasury and will set out how much budget is actually available to each Central Government department i.e. the size of the "national pot" of funding that MHCLG has to fund local authorities. This is currently being timetabled to be announced in Spring 2019 as part of the Spring Statement but in light of Brexit, Autumn 2019 is anticipated to be more likely as part of HM Treasury's annual November Budget Statement.

1.3.9 The outcome of the Fair Funding Review will take MHCLG's share of funding and assess each individual authority's "need" for this funding. The review will reset this assessment of needs for 2020/21 which has remained unchanged since 2013/14. Since the last needs assessment was undertaken London has seen:

- A 14% increase in the child population;
- An 18% increase in the over 65's population;
- A 15% increase in the number of households, and;
- A 52% increase in the number of people in temporary accommodation

These changes are effectively unfunded until the Authority's needs are assessed again and rebased. The outcome of the fair funding review is expected to be implemented for 2020/21 but is it likely that the outcomes of the review will not be known until December 2019.

1.3.10 Business Rates Retention is the mechanism for distributing the available, needs-assessed funding out to each individual authority i.e. Locally-retained Business Rates and for now Revenue Support Grant (RSG). The next phase of Business Rates Retention will also be implemented in 2020/21 where authorities will keep

75% of their local rates under a “simplified” system. RSG will be phased out by 2020/21.

1.3.11 The scale of changes proposed for 2020/21 are significant but the uncertainty around timing of announcements is of particular concern. The Council will continue to monitor these events and incorporate the necessary, estimated impacts where possible into its medium-term planning process.

Brexit

1.3.12 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.

1.3.13 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 £500m 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 £200m of investment in UK venture capital and growth finance in 2019/20.

1.3.14 The Government also announced in December that it has decided to ‘ramp up’ preparations for a no-deal Brexit, by approving £2bn for government departments to help preparations for UK departure and putting civil contingency measures into effect. It has also announced that £40m will be allocated to local authorities to help them prepare for Brexit. The allocation for Barnet is an additional £0.105m in each of 2018/19 and 2019/20 financial years.

1.3.15 More information about the council’s preparation for Brexit can be found within the Brexit update presented to Policy and Resources on the 20th February 2019.

UK economy to 2020

1.3.16 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.

1.3.17 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%.

1.3.18 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

1.3.19 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.

1.3.20 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.

1.3.21 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

1.3.22 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).

1.3.23 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.

1.3.24 The arrangements for the pool are changing for the 2019/20 financial year. The pool is moving to 75% retention, in line with the other pilot pools agreed for 2019/20. This is also 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.

1.3.25 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 £170m even without any additional year-on-year growth.

1.3.26 Despite this growth, business rates income for Barnet is now calculated to be lower than previously estimated and following consolidation of business rates estimates across London, it is necessary to implement the Collection Fund Smoothing reserve. There is not an estimated ongoing business rates shortfall and, therefore, this situation is exactly why the Smoothing Reserve was established last year. It is common for in-year surpluses or deficits to arise on the collection fund and without this facility to smooth those changes, the council would not be able to plan as effectively and thus avoid the need for reactive measures.

Children’s and Education Services

Children’s Services Improvement

1.3.27 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 partnership to drive the improvements needed to transform services for children, young people and their families from inadequate to good.

1.3.28 In June 2017, the Policy and Resources Committee agreed to invest an additional £5.7m in Family Services. The original savings target for the Children, Education and Safeguarding Committee for 2018/19-2019/20 of £8.303m, was also reviewed and revised to £4.435m in the 2018/19 Policy and Resource

Committee Business Planning Report. This investment in additional resources has seen a significant decrease in caseloads and increase in management oversight in order to deliver safe, high quality practice. There have been five Ofsted monitoring visits to date which have indicated that there is steady progress. The most recent letter following a monitoring visit at the end of November stated that 'the pace of change is purposeful and steady in order to further develop services and consolidate previous improvements to practice.'

Schools Funding

1.3.29 There has been 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). Across 27 London Boroughs there is an overall overspend on High Needs budgets of £55.7m. These pressures have impacted on the council's High Needs budget this year, which is now forecasting an overspend of over £0.525m in 2018-19, despite savings of £1.2m having already been made.

1.3.30 The Secretary of State recently announced the allocation of an additional £250m of High Needs funding for local authorities. The allocation for Barnet is £0.964m in each year for 2018-19 and 2019-20. The council has therefore withdrawn its application to the Secretary of State to approve the transfer of 0.5% of the Schools Block (£1.26m) to the High Needs Block in 2019-20. The council was also notified by the DfE that the Secretary of State has approved the council's request that it be allowed to charge £1 million to the budget shares of maintained primary and secondary schools, as a contribution towards the cost of central services, previously funded from the Education Services Grant. The £1m charge for ESG services to maintained schools and an additional £200k of de-delegation for school improvement, which was previously agreed at Schools Forum, mean that individual maintained schools will lose between £6,000 and £36,000 (varying with the size of school).

Strategic Contract Review

1.3.31 At its meeting on 19 July 2018, Policy and Resources Committee considered a report setting out proposals for reviewing the council's strategic partnership with Capita. The report set out three broad options for the future of the partnership, covering both the CSG and the RE contracts in their entirety. These were: Option 1: Maintain the status quo in relation to the contracts; Option 2: Re-shape the contracts to better align service delivery to the council and Capita's strengths and priorities, and; Option 3: Bring the partnership to an end and either bring services back in house or re-procure them.

1.3.32 It was resolved at that meeting that the Committee agreed to review the council's partnership with Capita, and authorises the Chief Executive to develop a Full Business Case around the following strategic aims:

- Deliver high quality services;
- Secure best value for money for Barnet's residents; and

- Strengthen the council's strategic control of services.

1.3.33 In December 2018, Policy and Resources Committee received a report updating on the progress of developing a full business case for the transfer of services back from Capita to the council. The Committee resolved that a phased approach be adopted, whereby services are examined in detail on a phased basis, with recommendations regarding the future delivery arrangements for each group of services being taken to Policy & Resources Committee upon the conclusion of each phase of work. This approach does not preclude all services being returned to the council at any time, should it be so decided.

1.3.34 By the December 2018 Policy & Resources Committee, there had been a more detailed assessment of the Finance and Strategic HR services and the decision was made to delegate authority to the Chief Executive to insource Finance and Strategic HR by the 1st April 2019 subject to the outcome of consultation. Any transfer will be executed through a Contract Change Notice. The adjustment to the management fee has been agreed between the council and Capita.

1.3.35 The budget transfer associated will reduce the CSG budget by £3.300m and increase Finance by £2.958m and Strategic HR by £0.743m. This creates an additional cost pressure relating to increased pension costs of approximately £400k in 2019/20, which has been addressed in the MTFS presented at Appendix B.

Adult Social Care

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

1.3.37 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.

1.3.38 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.

1.3.39 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 12th and 15th 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

1.3.40 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)

1.3.41 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).

1.3.42 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 and will be operated by its contractor, LondonEnergy Limited. The increases in levy are not expected to be linear therefore in order to avoid the shock of sudden large increases in future years, the council set a financial strategy of setting aside a £1m increase per year for the next 6 years. As a result of increasing cost pressures elsewhere within the council, this strategy has been delayed by 12 months in the current MTFS.

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.

Savings Proposals

1.4.4 The proposed budget for 2019/20 reflects a budget gap of £25.323m, with savings proposals identified of £19.965m and use of reserves £5.357m to reach a balanced position.

	2019/20 £m
Budget Gap	25.323
Proposed Savings	(19.965)
Use of Reserves	(5.357)
Budget Gap after savings	**0**

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 Following a readiness assessment of savings to be delivered for 2019/20 it has been necessary to remove or adjust a number of items in order to set a robust and achievable budget. The net adjustment to those presented to Policy & Resources Committee in December is shown below:

	Savings Adjustment					
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Total Savings Adjustment	**(635)**	**45**	**0**	**0**	**0**	**(590)**

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

1.4.8 The savings identified by Theme Committees from 2019/20 through to 2023/24 are as below:

Theme Committees	19/20	20/21	21/22	22/23	23/24	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Adults & Safeguarding	(6,081)	(3,402)	(1,724)	(1,332)	(1,092)	(13,631)
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	(4,630)	(3,800)	(1,800)	(2,400)	(2,500)	(15,130)
Housing**	(1,248)	(869)	(1,640)	(1,660)	(1,237)	(6,654)
Policy & Resources	(2,312)	(1,827)	(661)	(434)	(361)	(5,595)
Public Health	(1,132)	(424)	(310)	(350)	(352)	(2,568)
Identified Savings	**(20,622)**	**(14,554)**	**(8,901)**	**(8,280)**	**(7,551)**	**(59,908)**
Adults Pipeline Savings	-	-	(1,200)	(2,375)	(1,950)	(5,525)
Total Savings	**(20,622)**	**(14,554)**	**(10,101)**	**(10,655)**	**(9,501)**	**(65,433)**
CT growth and CT support savings (shown as CT income)	(657)	-	-	-	-	(657)
Savings as per MTFS	**(19,965)**	**(14,554)**	**(10,101)**	**(10,655)**	**(9,501)**	**(64,776)**

** 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.*

*** Several of the Housing savings are currently subject to review in relation to the application of Minimum Revenue Provision. Should this review require significant alterations to the business case for the proposals they will be re-presented to Policy & Resources Committee.*

1.4.9 The detailed savings plans are included at Appendix D1 and D2.

Fees and Charges

1.4.10 A schedule of fees and charges for 2019/20 is set out in Appendix H for noting.

1.5 Financial Strategies

Overarching financial strategy

1.5.1 Council are requested to reaffirm their commitment to the financial strategy below.

- 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.
- 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

1.5.2 The MTFS presented to Council displays a balanced position for 2019/20 when accounting for a planned use of reserves of £5.357m. The overall deficit increases for 2020/21 (towards which a further £2.965m of reserves is proposed) however this dissolves into a balanced position as savings in the later part of the MTFS are delivered. Indeed the MTFS seeks to transfer funding back into reserves in 2022/23 and 2023/24.

1.5.3 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.

1.5.4 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.

1.5.5 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.

1.5.6 The December 2018 Local Government Finance Settlement allocated an additional £0.900m in 2018/19 as a result of business rate levy surplus distribution. The council proposes to allocate as follows:

- £0.500m in 2019/20 in order to create a non-recurrent fund for discretionary allowances relating to the implementation of the revised Council Tax Support scheme.

- £0.300m to be allocated to Streetscene in 2018/19 in order to bridge the delay in delivery of the savings resulting from the rounds reorganisation
- £0.100m is proposed to be allocated to the finance service in order to maintain the level of performance during transition and during the production of the authority's Statement of Accounts.

1.5.7 The benefit estimated by the council of being part of the London wide Business Rates Pool is £2.7m. Should the benefit be greater than this value then the call on reserves to balance the MTFS will be reduced by the corresponding increase.

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. This funding of pressures is included within the MTFS presented at Appendix B.

1.5.11 The budget allocations proposed will fully fund previous structural budget problems together with the brought forward overspends across the council.

Service Area	Proposed Pressures Funding £'000	Growth or Existing Pressure carried forward £'000
Adults & Safeguarding		
Brought forward cost pressures above budgeted level	856	Existing
Anticipated change in complexity of cases	780	Growth
Increased requirement for DoLS assessments	100	Growth
Increase due to Ordinary Residents cases	600	Growth
Investment into telecare equipment	450	Growth
Total Adults & Safeguarding	**2,786**	
Assets, Regeneration & Growth		
Estates remaining structural overspend	919	Existing
Resolution of historical over budgeting for income	810	Existing
Legal costs associated with planning decisions being overturned	165	Existing
Total Assets, Regeneration & Growth	**1,894**	
Children, Education, Libraries		
Brought forward cost pressures above budgeted level	1,120	Existing
Growth to fund additional staffing required to meet caseloads	360	Growth
Demographics and complexity (placements)	1,400	Growth
Costs associated with increased Special Guardianship Orders	200	Growth
Growth in mental health services for children and young adults	400	Growth
Total Children, Education, Libraries	**3,480**	
Community Leadership Committee		
Registrars removal of permanent in income	180	Existing
Total Community Leadership Committee	**180**	
Environment Committee		
Removal of permanent shortfall in LIP income	500	Existing
Streetscene Pressures	300	Existing
Funding set aside for environmental improvements	1,000	Growth
Total Environment Committee	**1,800**	

Housing Committee		
Temporary Accommodation activity increase	500	Existing
Total Housing Committee	**500**	
Policy & Resources		
Internal Audit Service Growth	116	Growth
Emergency Planning Resilience to London wide standard	160	Growth
HB Public Law legal costs budget 'rightsize'	600	Existing
Reduction of Interest Receivable income budget	440	Growth
Removal of permanent income shortfall within CSG managed budgets	812	Existing
Increased pension costs of insourcing Finance and Strategic HR	400	Growth
Total Policy & Resources	**2,528**	
Total Council Pressures	**13,168**	

1.5.12 In addition to the budget changes proposed in the table above, it is necessary to adjust the budgets for service areas in relation to the removal or an internal recharge mechanism relating to agency staff.

1.5.13 Previously when service areas paid the cost of their agency workers, a premium was applied in the form of an administrative charge which was then credited to a central budget within the council. Under the new payment arrangements, no such premium is applied or credited. This means that service areas will benefit as the costs being charged to service areas are lower, however, this leaves a funding gap where the premium used to be credited to. In order to correct this, service areas will see a budget reduction as set out in the table below. This reduction will be used to eradicate the expectation of recharge income within central budgets. The impact of this change will effectively be nil on service areas as both the costs and budgets will be reduced by the same amount.

1.5.14 The budget changes to be implemented will be agreed with service directors but will be based on prevailing levels of agency expenditure. For context, the adjustment that would be applied based on 2018/19 forecast expenditure is shown in the table below:

Service	Budget & Cost Reduction £m
Adults & Communities	0.300
Assurance	0.002
Commissioning	0.162
Family Services	1.189

Street Scene	0.290
Total	**1.943**

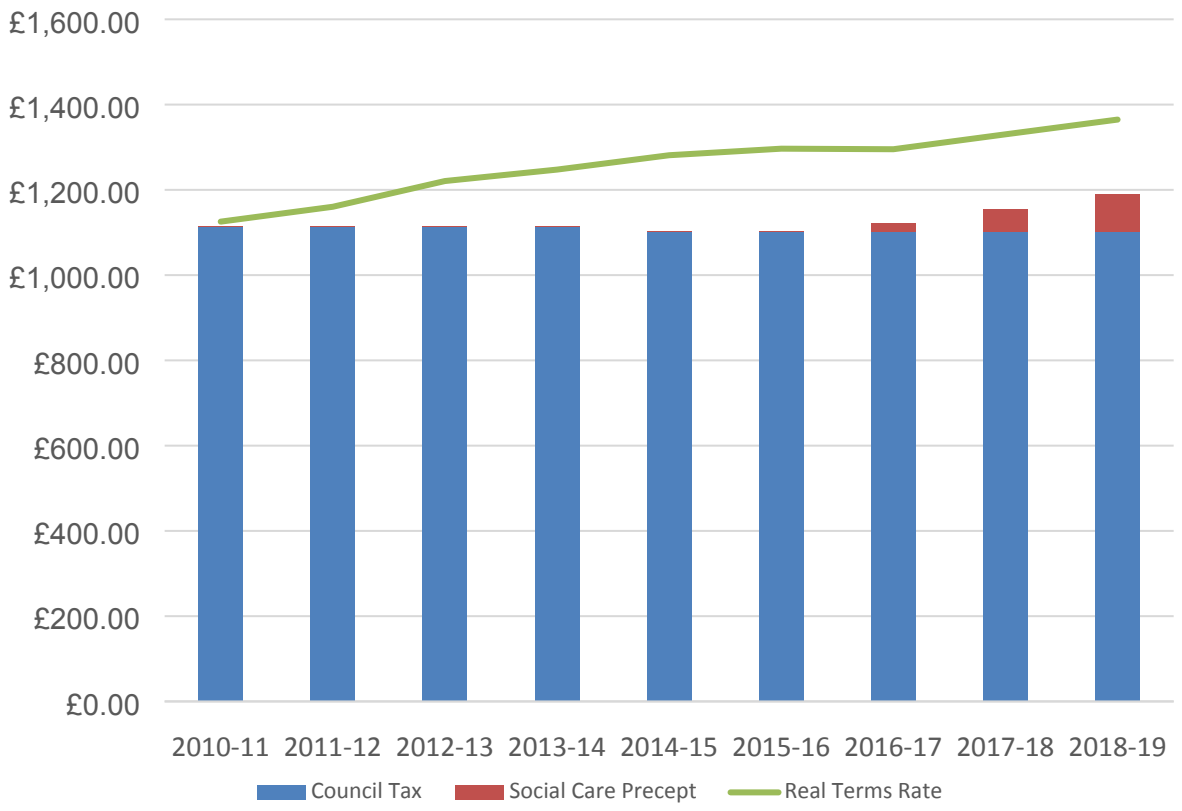
Council Tax

1.5.15 The council needs to ensure that it has adequate resources to meet its statutory and mandatory obligations and its priorities. Its approach is to deliver a budget that is affordable and with a prudent and realistic level of Council Tax over the period of the MTFS.

1.5.16 The council has already taken the maximum allowed flexibility to apply a social care precept over the past three financial years. No further flexibilities are allowed and therefore there is no additional precept included within the MTFS.

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

1.5.18 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.



1.5.19 The Budget Consultation undertaken by the council sought the views of citizens on the proposal to increase Council Tax for 2019/20. Over half of respondents (56%) support the council's proposal to increase general Council Tax by 2.99% in 2019/20. Just over a quarter of respondents (28%) oppose the increase.

Council Tax Base

1.5.20 Calculating the council tax base is an important step towards setting the basic amount of Council Tax. The detailed council tax base schedule is included at Appendix C. The Chief Finance Officer, under delegated powers, has determined the 2019/20 council tax base to be 145,560 (Band D equivalents), the calculations are show in the following table.

Council Tax Base	2018/19	2019/20
	Band D Equivalents	Band D Equivalents
Total properties (per Valuation List)	172,575	174,811
Exemptions	(2,641)	(2,866)
Disabled reductions	(112)	(115)
Discounts (10%, 25% & 50%)	(28,272)	(27,869)
Adjustments	2,517	3,806
Aggregate Relevant Amounts	144,067	147,767
Non-Collection (1.5% both years)	(2,163)	(2,215)
Contributions in lieu from MoD	14	8
	141,918	145,560

Council Tax Rate

1.5.21 Within the provisional Local Government Finance Settlement the Government confirmed that the level that it considers excessive for general council tax increases in 2019/20 is 3%. Should the Council wish to raise the level by that amount above, a referendum of the local electorate must be held. For 2019/20 a 2.99% increase has been included in the MTFS.

1.5.22 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.

Budget	2018/2019 Original	2018/2019 Current	2019/20 Original
	£	£	**£**
Total service expenditure	**285,650,880**	**293,341,880**	**299,652,880**
Contribution to / (from) specific reserves	(2,750,126)	(2,750,126)	(5,357,436)
Net expenditure	**282,900,754**	**290,591,754**	**294,295,444**
Other grants	(32,020,000)	(38,311,000)	(47,399,000)
Budget requirement	**250,880,754**	**252,280,754**	**246,896,444**
Business rates retention	(74,360,000)	(75,760,000)	(68,600,000)
Business rates top-up	0	0	0
Business rates income	**(74,360,000)**	**(75,760,000)**	**(68,600,000)**
Revenue Support Grant	0	0	0
Collection fund adjustments	(7,732,000)	(7,732,000)	0
Barnet's element of council tax requirement	**168,788,754**	**168,788,754**	**178,296,444**
Basic amount of tax	**1,189.34**	**1,189.34**	**1,224.90**
GLA tax	**294.23**	**294.23**	**320.51**
Total council tax (band d equivalent)	**1,483.57**	**1,483.57**	**1,545.41**

1.5.23 The provisional Greater London Authority (GLA) precept is £46,653,436 making the total estimated demand on the collection fund and Council Tax requirement £224,949,880.

Barnet's Council Tax Requirement	£178,296,444
Greater London Authority	£46,653,436
Total Requirement for Council Tax	**£224,949,880**

1.5.24 Should the proposed 2.99% increase in council tax rate be applied, the Council Tax for Barnet each category of dwelling will be:

Council Tax Band	Barnet	GLA	Total
A	816.60	213.67	1,030.27
B	952.70	249.29	1,201.99
C	1,088.80	284.90	1,373.70
D	1,224.90	320.51	1,545.41
E	1,497.10	391.73	1,888.83
F	1,769.30	462.96	2,232.26
G	2,041.50	534.18	2,575.68
H	2,449.80	641.02	3,090.82

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

Council Tax Support Scheme

1.5.26 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).

1.5.27 A new simplified version of the scheme was agreed by Council on the 18th December 2018 to bring the scheme in line with Universal Credit and help reduce the overall cost of the scheme.

1.5.28 The impact of the change in scheme has been factored in to the Council Tax Base and MTFS.

Empty Homes Premium

1.5.29 Currently where a property liable for council tax has been unoccupied and unfurnished for 2 or more years a 50% premium is applied to the liability. This results in the liable party being responsible for 150% of the normal charge.

1.5.30 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 has recently received Royal Assent and for 2019/20 the premium will rise from 50% to a maximum of 100%.

1.5.31 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 also amends the maximum premium levels for 2020/21 and for 2021/22 as below:

Financial Year	Period	Applicable Premium
2020/21	Properties empty between 2 years	100% increase
2020/21	Properties empty over 5 years	200% increase
2021/22	Properties empty between 2 years to 5 years	100% increase
2021/22	Properties empty between 5 years to 10 years	200% increase
2021/22	Properties empty over 10 years	300% increase

1.5.32 Policy and Resources Committee have approved that the council increase the premium charged within Barnet from 50% to the maximum permitted in each financial year detailed above. Increasing the premium from April 2019 will generate an estimated additional council tax of £238,000 per annum. Increasing the premium may encourage those in control of long-term empty properties to bring them back into use providing additional housing within Barnet. This additional income has been factored into the MTFS presented at Appendix B.

Contingency

1.5.33 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.

1.5.34 The proposed MTFS allows a general, uncommitted contingency of around £1.8m in 2019/20. This is around £0.7m less than anticipated in December 2018 as a result of funding additional pressures across the council. This amount rises across the rest of the MTFS 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

1.5.35 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
- IBCF

Other key areas of council funding

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

Better Care Fund (BCF)

1.5.37 The BCF is the national programme, through which local areas agree how to spend a local pooled budget in accordance with the programme's national requirements. The pooled budget is made up of CCG funding as well as local government grants, of which one is the iBCF. The iBCF was first announced in the 2015 Spending Review, and was increased in the 2017 Spring Budget.

1.5.38 IBCF grant can be spent on commissioning care, subject to the conditions set out in the grant determination, as soon as plans for spending the grant have been locally agreed with clinical commissioning groups involved in agreeing the Better Care Fund plan.

1.5.39 The 2018/19 Barnet BCF allocation is £25.5m and is used to fund health services, social care services, and major adaptations through the Disabled Facilities Grant and to make investments into the development of integrated services.

1.5.40 In 2018/19 the Council was allocated £7.08m of BCF funding for the protection of social care.

1.5.41 The monies within Barnet's BCF form a pooled budget under section 75 of the NHS Act 2006 overseen by the Barnet Health and Wellbeing Board. The section 75 agreement allows for resources to be easily transferred between health and social in order to meet the objectives of the pooled fund.

1.5.42 The success of the BCF and therefore the pooled budget 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 of reablement.

1.5.43 The core elements of the BCF plan are services for frail and older people and those with long term conditions (LTCs), such as: Rapid Response Team, delivery of seven day services which support the system in managing delayed transfers of care (DTOCs) provision of community equipment, support to care homes delivered by the Care Quality Team and prevention services including Later Lifer Planners. The overarching aim of the plan is to provide integrated care and support that intervenes early, prevents crises, responds quickly and helps people stay independent for longer.

1.5.44 The BCF Plan includes a commitment to meet NHS England's minimum allocations for the BCF and the required inflationary increases from the 2016/17 baseline of 1.79% in 2017/18 and 1.9% in 2018/19.

The Schools Budget

1.5.45 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 calculations 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 2020/21 rather than having to move to the 'hard' National Funding Formula in that year, as previously expected.

1.5.46 Because of the financial pressures it is facing, the council felt it necessary to consult schools and the Schools Forum on the following three proposals during November 2018:

- A proposal to fund some services, previously funded from the Education Services Grant, from the budget shares of maintained primary and secondary schools.
- A proposal to increase de-delegation from maintained school budgets in order to continue the school improvement (Learning Network Inspector) service in its current form.
- A proposal to transfer 0.5% of the Schools Block to the High Needs Block.

1.5.47 The Schools Forum agreed at is meeting on 27 November to the proposal to increase de-delegation from maintained school budgets, in order to continue the school improvement (LNI) service in its current form; but the Forum voted against the other two proposals. In respect of the other two proposals, the Children, Education and Safeguarding Committee agreed to give delegated authority to the Strategic Director, Children and Young People to submit an application to the Secretary of State for a decision, following discussion with the Chairman of the Children, Education and Safeguarding Committee. That referral, requesting that the Secretary of State approve the two proposals, was submitted on 30 November.

1.5.48 In addition, the Leader of the Council wrote to the Secretary of State requesting support for the proposals whilst also urging him to increase national funding for schools, in particular for pupils with special educational needs. At the same time, a letter was sent to local MPs explaining the council's proposals and asking them to support the council in urging the Government to increase funding for schools from the next financial year.

1.5.49 The Schools Budget is mainly funded through the Dedicated Schools Grant (DSG). For 2019/20 this is made up of four main funding streams, also known as blocks, under the National Funding Formula (NFF) arrangements:

- Schools Block
- Early Years Block

- High Needs Block
- Central School Services Block

1.5.50 The Schools Block (SB) allocates funding for pupils in Reception to Year 11 in state-funded mainstream schools and academies. The Early Years block (EYB) funds early education entitlements for 2, 3 and 4-year-olds in private, voluntary and independent settings, maintained nursery schools and school nursery classes. The funding for 2-year olds is specifically for pupils from households with low incomes. The High Needs Block (HNB) supports provision for vulnerable children and young people, mainly those with special educational needs and disabilities (SEND) from their early years to age 25, enabling both local authorities and institutions to meet their statutory duties under the Children and Families Act 2014. The Department for Education (DfE) created a Central Schools Services Block (CSSB) in 2018/19, using the baseline of the schools block in 2017/18. The CSSB covers funding for historic commitments and funding for ongoing and statutory responsibilities.

1.5.51 The DfE announced allocations of the gross DSG to local authorities on 17 December 2018. The figures confirm the Schools Block and the Central School Services Block. However, the High Needs Block and the Early Years Block are indicative at this stage and will change during 2019.

1.5.52 On the same day, the Secretary of State announced the allocation of an additional £250m of High Needs funding for local authorities 'on top of existing High Needs allocations', with half to be paid in 2018/19 and the rest in 2019/20. The allocation for Barnet is £0.964m in each year for 2018/19 and 2019/20.

1.5.53 Taking account of this injection of additional funding, the council has withdrawn its application to the Secretary of State to approve the transfer of 0.5% of the Schools Block (about £1.26m) to the High Needs Block in 2019/20. This means in effect that there is now £1.26m more for distribution through the local school funding formula than would have been the case had the transfer to the High Needs block taken place.

1.5.54 The council was notified by the DfE on 15th January that the Secretary of State has approved the council's request that it be allowed to charge £1.000m to the budget shares of maintained primary and secondary schools, as a contribution towards the cost of central services, previously funded from the Education Services Grant. This will now be reflected in the budget allocations to maintained schools.

1.5.55 Post 16 Funding for 6th Forms is not received as part of the Dedicated Schools Grant(DSG) as per table 1. Final figures for 2019/20 will not be known until July 2019, but is estimated to be £5.417m.

1.5.56 The indicative DSG budget for 2019/20 by block is set out in Table 1 below.

Table 1 – DSG Allocations and the Indicative Schools Budget	Schools Block £m	High Needs Block £m	Early Years Block £m	Central Block £m	Total DSG £m
Budget Monitoring as at September 2018	142.040	43.717	29.037	2.120	216.914
Add: Additional Funding		0.964			0.964
Month 9 Monitor (Net)	**142.040**	**44.681**	**29.037**	**2.120**	**217.878**
Add: Academy Funding	106.633				106.633
Add: Funding for places at Academies		4.492			4.492
2018-19 Gross DSG as at December 2018	**248.673**	**49.173**	**29.037**	**2.120**	**329.003**
Movement from 2018-19					
*Growth Fund, premises and NNDR allocation	4.572				4.572
Pupil growth	0.945	0.803	0.014	0.057	1.820
Add: Additional Funding		0.964			0.964
2019-20 Gross DSG Block as announced	**254.190**	**49.977**	**29.051**	**2.177**	**335.395**
Less: Academy Funding (Recoupment - confirmed in March 2019)	(110.614)				(110.614)
Less: Funding for HN places at Academies		(4.771)			(4.771)
2019-20 Net DSG Income	**143.576**	**45.206**	**29.051**	**2.177**	**220.210**

**Note: For the first time in 2019/20, the DfE has used a formula approach to calculating the Growth Fund rather than historic budgets. As a result of this change, the Growth Fund allocation for 2019/20 is £1.722m; this is to cover one-off costs of setting up new schools and diseconomy funding, expanding existing schools and in-year and ongoing temporary 'bulge' classes. The cost of additional pupils in new and growing schools in 2019/20 exceeds £1m (mainly Saracens High and Ark Pioneer Academies). The formula funding allocations to all schools, through the Authority Proforma Tool (APT), is £252.642m after deduction of the Growth Fund.*

1.5.57 The allocation for the Schools Block is based on October 2018 school census data. A minimum Funding Guarantee of 0% means that no Primary or Secondary school will receive less money per pupil through the formula in 2019/20 than it did in 2018/19. For maintained schools this is the case before any additional charges to their budgets, as a result of increased de-delegation or for services previously funded from the Education Services Grant. To ensure this level of MFG protection is affordable, a cap on gains of 0.5% per pupil has been set for any schools gaining from the National Funding Formula.

1.5.58 **Schools Block** - The 2019/20 SB Income is based on the following rates:

- £4,403.00 Primary unit of funding based on 30,051 primary pupils (October 2018 census)
- £5,713.32 Secondary unit of funding based on 20,532 secondary pupils (October 2018 census)

- £4.572m of funding for Pupil Growth, Premises and Mobility - historic spend/ not Area Cost Adjustment (ACA) adjusted.
- TOTAL = £254.190m

1.5.59 **High Needs Block** - The provisional HNB income for Barnet has been calculated as follows:

- £45.473m - Actual High Needs NFF allocation
- £3.050m - based on a £4,446.45 per pupil Area Cost Adjustment (ACA) weighted base rate * 686 (pupils in special schools/ academies based on the October 2018 census)
- £0.489m - Import/export adjustment £6,000 * 81.5 (net imported) pupils
- £0.964m – Additional High Needs Funding
- TOTAL = £49.977m

This represents a minimum 1.0 % increase per head of 2-18 population on baseline funding in 2017/18. The final import/ export adjustment (81.5 net imported pupils in Barnet) data will be amended based on January 2019 school and FE providers' HN pupil census data.

1.5.60 **Early Years Block** – The EYB is estimated using early years numbers taken from the Early Years and Schools census in January 2018. An update to the 2018/19 EYB allocation will be made once the January 2019 Early Years and Schools census numbers are finalised. The requirement Proposed funding rates for 2019-20 remain at £5.17 base rate per hour, £1.53 IDACI rate, giving a notional overall rate of £5.44 per hour per provider.

1.5.61 **Central School Services Block** – The provisional 2019-20 CSSB for Barnet includes the following:

- £1.713m – allocation for ongoing responsibilities (includes retained duties, admissions, licensing and schools forum administration)
- £0.464m – Historic commitments allocation
- TOTAL = £2.177m

1.5.62 **APT submission to the DfE** - The council is required to submit a completed Authority Proforma Tool (APT) to the DfE annually, which shows all the detailed calculations and assumptions underpinning the proposals for allocating budgets to schools. For Academies and Free Schools it captures the data required by the Education and Schools Funding Agency (EFSA) to calculate academy budgets and recoupment deductions to the gross DSG. Table 2 below shows the Schools' Funding Factor rates that derive from the decision taken last year to phase in the National Funding Formula rather than moving directly to it in 2018/19 and 2019/20.

Table 2 - Schools' Pupil led Factor rates (for the APT submission to the DfE)

		2018-19 Barnet Formula		2019-20 NFF rates (Area Cost adjusted)	
Pupil Led Factors					
Description		**Amount per pupil**		**Amount per pupil**	
1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary (Years R-6)	£3,016.29		£3,016.29	
	Key Stage 3 (Years 7-9)	£4,241.69		£4,241.69	
	Key Stage 4 (Years 10-11)	£4,815.96		£4,815.96	
	Description	**Primary amount per pupil**	**Secondary amount per pupil**	**Primary amount per pupil**	**Secondary amount per pupil**
2)Deprivation	FSM	£483.13	£483.13	£483.13	£483.13
	FSM6	£592.94	£861.95	£592.94	£861.95
	IDACI Band F	£219.61	£318.43	£219.61	£318.43
	IDACI Band E	£263.53	£428.23	£263.53	£428.23
	IDACI Band D	£395.29	£565.49	£395.29	£565.49
	IDACI Band C	£428.23	£614.90	£428.23	£614.90
	IDACI Band B	£461.17	£658.82	£461.17	£658.82
	IDACI Band A	£631.37	£889.40	£631.37	£889.40
3) Looked After Children (LAC)	LAC March 17	Not a Factor under NFF		Not a factor under NFF	
4) English as an Additional Language (EAL)	EAL 2 Primary	£565.49		£565.49	
	EAL 2 Secondary		£1,520.77		£1,520.77
5) Mobility	Pupils starting school outside of normal entry dates	£422.90	£618.53	£444.74	£648.90
6) Prior attainment	Low Attainment % old FSP 73	£1,152.93		£1,122.19	
	Secondary low attainment (year 7)		£1,701.95		£1,701.95
	Secondary low attainment (years 9 to 11)				

1.5.63 The schools block income for 2019/20 is £254.190m. The draft 2019/20 schools block expenditure as submitted on the APT is broken down as follows:

Split site, lump sum and NNDR allocations	£17.093m
Formula funding and MFG allocations	£235.550m
Growth funding	£1.547m
Total Schools Block expenditure	**£254.190m**

Housing Revenue Account

1.5.64 Housing Committee has savings that deliver benefits to the Housing Revenue Account (HRA). These total £0.860m in 2019/20, and comprise the proposals below:

- Reduction in management and repairs 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 some 'non-essential' works and re-prioritisation of certain types of non-urgent repairs

Public Health Grant

1.5.65 Public Health Grant will continue to be ring-fenced until April 2020. It is anticipated that further announcement about ring-fence status and PH Grant allocation beyond 2020 will be announced at Spring Spending Review in 2019. There is anticipated national PH Grant reduction in 2019/20 of 2.8%.

1.5.66 PH Grant currently funds statutory and non-statutory services such as sexual health, Healthy Child Programme, drug and alcohol, smoking cessation, healthcare public health, resilience school programme – offers targeted to local needs and aimed at improving public health outcomes.

1.5.67 In recent years decreases in spend in core Public Health Grant due to the national grant reduction have been achieved via efficiencies and contract re-procurement. Furthermore, as part of MTFS Public Health 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 1.464 in 2019/20).

1.5.68 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 Public Health Grant and influencing system wide prevention across the whole Council and local NHS agenda.

Risks contained within the MTFS

1.5.69 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. There is a risk that the forecast costs of insourcing are exceeded. If the council makes future decisions to in-source other services, the MTFS will be updated accordingly.

1.5.70 Risks to the MTFS are considered in more detail within section 1.8 of this report which discusses the robustness of the budget and associated estimates.

Council Reserves

1.5.71 The council's earmarked reserves are forecast to be £51.434m at the end of 2018/19, £24.323m lower than the beginning of the year. Whilst this is a significant reduction, approximately 79% of this relates to the one-off spending of Community Infrastructure Levy (CIL) - £19.1m. Of the remaining £5.2m movement, £4.040m was the planned use of reserves to set the 2018/19 budget.

1.5.72 The proposed MTFS includes reserves funding of £5.4m in 2019/20 and £2.9m 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, indeed the forecast budget surplus in 2022/23 is earmarked to top up reserve balances to ensure the non-ringfenced revenue reserves remain above the £20m mark. The council's Collection Fund Smoothing Reserve facility is forecast to be implemented in 2019/20 however no ongoing requirement is expected and the balance will be replenished by any surpluses which may unexpectedly occur in future years.

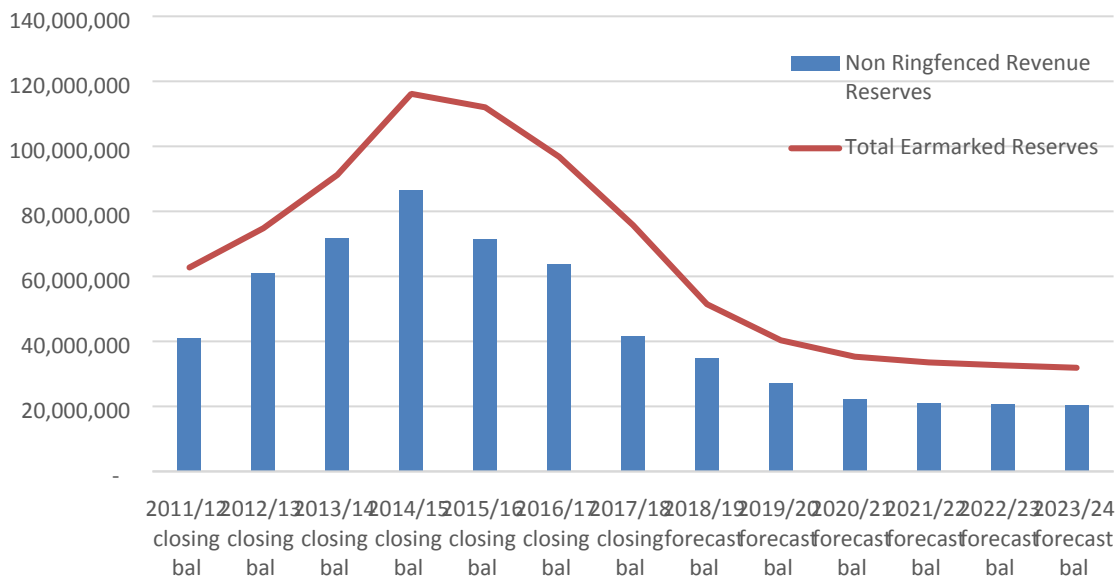
1.5.73 The table below incorporates the current forecast outturn position, MTFS planned usage of reserves and other known plans in order to create a forecast of the council's reserves position over the MTFS period. In terms of financial sustainability, the Non-Ringfenced Revenue Reserves is the key measure. This is due to reduce over the next two years but then level out to around £20.5m.

	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							
Capital - CIL	22,560	3,453	3,453	3,453	3,453	3,453	3,453
Revenue implications of capital	-	2,428	1,942	1,457	971	486	-
Total Capital Reserves	**22,560**	**5,881**	**5,395**	**4,910**	**4,424**	**3,939**	**3,453**
Revenue							
New Homes Bonus	19,330	-	-	-	-	-	-
MTFS	11,045	28,623	22,230	19,264	19,263	20,130	20,369
Revenue - Uncommitted	2,612	1,223	-	-	-	-	-
Transformation	3,432	1,432	2,600	1,500	1,000	500	-
Revenue - Service Specific	5,144	3,458	2,338	1,559	779	-	-
Non Ringfenced Revenue Reserves	**41,563**	**34,736**	**27,168**	**22,323**	**21,042**	**20,630**	**20,369**
Ringfenced							
DSG	501	(297)	(297)	-	-	-	-
Collection Fund Smoothing Reserve	2,482	5,000	1,684	1,684	1,684	1,684	1,684
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	1,792	-	-	-	-	-
Special Parking Account	2,149	643	-	-	-	-	-
Total Ringfenced	**11,633**	**10,817**	**5,066**	**5,363**	**5,363**	**5,363**	**5,363**
Total Earmarked Reserves	**75,756**	**51,434**	**37,629**	**32,596**	**30,829**	**29,932**	**29,185**

1.5.74 Although several of the reserves appear to maintain a steady balance (e.g. 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.

1.5.75 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.



<u>Reserves strategy</u>

MTFS Reserve

1.5.76 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.

Collection Fund Smoothing Reserve

1.5.77 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, or for differences in business rates income.

1.5.78 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 2018/19 balance of this reserve will be £7.428m meaning that £2.428m can be released for other purposes. Following receipt of revised estimates of business rates income this facility will be implemented by up to £3.3m (£2.7m business rates and £0.6m council tax) in 2019/20 however any increased surplus identified at year end in 2018/19 will replenish the balance. The forecast balance and movement of this reserve can be seen in the table at 1.5.73.

Costs of delivering the MTFS (Transformation Reserve)

1.5.79 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 1.5.70 includes the creation and subsequent 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 created by transferring the balance from other reserves such as the surplus within the Collection Fund smoothing reserve and will be kept under review by the section 151 officer as savings and projects are implemented. In addition to the £2m fund for MTFS delivery, £0.600m relating to the ongoing review of outsourced services and the transitional costs of insourcing Strategic HR and Finance are to be included within this reserve following approval at Policy and Resources Committee in December 2018.

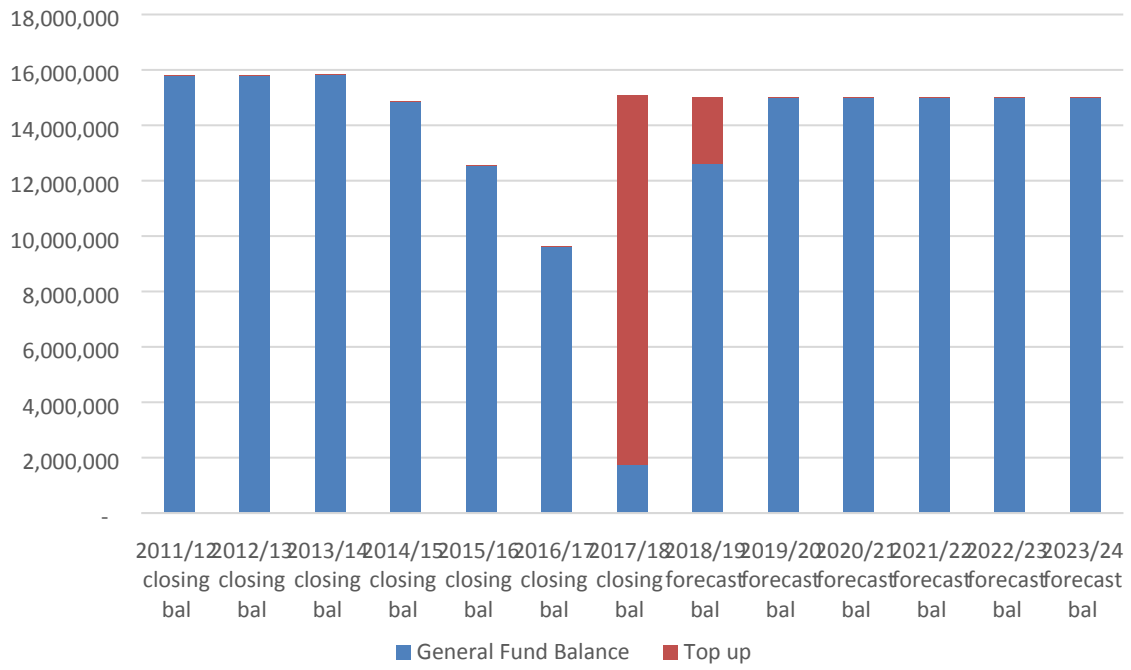
Revenue implications of capital

1.5.80 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

1.5.81 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 31 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 MTFS reserve. The General Fund balance, including a look backwards and forecast forward is shown in the graphic below.



Capital Programme

Current Capital Programme

1.5.82 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.

1.5.83 The capital programme, including changes approved at Policy and Resources Committee's December 2018 meeting and those changes proposed at Appendix E, currently totals £682.639m. This does not take account of any of the additions to the scheme proposed within this report. The Capital Programme 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	25,677	15,317	-	-	-	-	**40,994**
Assets, Regeneration & Growth	132,443	59,077	4,677	21,617	750	250	**218,814**

Children's Education & safeguarding	26,587	47,605	165	-	-	-	**74,357**
Community Leadership & Libraries	-	-	-	-	-	-	**-**
Environment	19,115	25,222	300	250	50	-	**44,937**
Housing	47,031	84,103	6,974	-	-	-	**138,108**
Policy & Resources	10,372	5,712	-	-	-	-	**16,084**
Total - General Fund	**261,225**	**237,036**	**12,116**	**21,867**	**800**	**250**	**533,294**
Housing Revenue Account	33,564	78,143	19,589	18,049	-	-	**149,345**
Total - all services	**294,789**	**315,179**	**31,705**	**39,916**	**800**	**250**	**682,639**

Financing of the current programme

1.5.84 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

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

1.5.86 The current capital programme is estimating to spend in excess of £682m over the next six years, £53.9m of which is planned to be funded by capital receipts. Of the £53.9m, £27.1m are Right to Buy receipts (RTB). Current RTB balances plus future estimates suggest that there will be enough receipts to fund the relevant projects.

1.5.87 The remaining £26.8m is expected to come from General fund receipts, with £11.4m needed in 2018/19. Current general fund receipts are standing at £7.4m. This is forecast to increase by £2.6m for receipts from the Inglis consortium which

have yet to come in. This leaves a gap of approximately £1.4m for the current financial year.

1.5.88 Beyond 2018/19 a further £15.4m of general fund receipts are needed. £2.7m of receipts are forecast to be received leaving a target of around £12.7m. In order to achieve this target, the council is performing a strategic review of its assets and creating a disposals plan for those deemed surplus to operational or investment needs. This ongoing piece of work will feed into the council's Capital Strategy Board for recommendation to the Assets, Regeneration and Growth Committee and to the Policy and Resources Committee.

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

1.5.90 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.

1.5.91 Given the scale of the additional receipts requirement it is proposed to revisit progress in their achievement in the autumn. If there is still a significant shortfall then the council will substitute the expectation with borrowing and include the associated costs in its future financial planning and subsequent refresh of its MTFS. This will support long term planning and reduce the risk of unplanned borrowing.

Flexible Use of Capital Receipts (FCR)

1.5.92 In March 2018 the council took the decision to realign New Homes Bonus (NHB) income to underpin its revenue budget rather than to supplement the Capital Programme. This has created an unforeseen problem in funding revenue elements of transformation schemes given that NHB has greater flexibility in usage than borrowing. In December 2018, the Policy and Resources Committee agreed to the creation of a reserve specifically focussed on funding these non-capital elements.

1.5.93 For schemes which are transformational by nature the council is also able to make use of the government's "Flexible use of Capital Receipts" (FCR) initiative. To qualify, the schemes must be designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

1.5.94 The Capital Programme currently contains two schemes which both contain revenue elements and are purposed to transform service delivery and/or reduce costs. These schemes are the Office Build (containing the transformation project 'The Way We Work (TW3)) and the Mosaic system implementation within Adults. The total value of FCR anticipated to be used is £0.600m for the Office Build project and £0.750m for the Mosaic system implementation.

1.5.95 The 2019/20 to 2023/24 Capital Programme sets out the detail of the projects for which the council is proposing to fund using FCR. Using the FCR flexibilities is

subject to the council having sufficient capital receipts as described in the previous section of this report. Subject to sufficient capital receipts balances, Council are asked to approve the use of Flexible Capital Receipts for the purposes outlined above.

Changes to the Capital Programme

Amendments to current schemes

1.5.96 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.

1.5.97 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.

1.5.98 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 F1.

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	-	66	2,868	(66)	-	-	2,868	-
Assets, Regeneration & Growth	22,173	28,332	232	(28,332)	-	-	22,405	-
Children's Education & Safeguarding	(50)	(12,529)	-	12,864	-	(335)	(50)	-
Community Leadership & Libraries	-	-	-	-	-	-	-	-
Environment	221	(2,137)	9,467	2,137	600	-	10,288	-
Housing	637	(24,042)	6,036	24,042	-	-	6,673	-
Policy & Resources	(320)	(2,592)	-	2,592	-	-	(320)	-
Total - General Fund	**22,661**	**(12,902)**	**18,603**	**13,237**	**600**	**(335)**	**41,864**	**-**
Housing Revenue Account	-	(6,325)	-	6,325	-	-	-	-
Total - all services	**22,661**	**(19,227)**	**18,603**	**19,562**	**600**	**(335)**	**41,864**	**-**

Addition of new schemes

Extension to Open Door Homes

1.5.99 The council has invested £40m in a programme of acquiring properties on the open market in and outside of London for use as affordable temporary accommodation. It is proposed that this programme is expanded and a further £163m invested in acquiring a further 500 properties via TBG Opendoor Homes Ltd (ODH), a Registered Provider, or Housing Association within The Barnet Group.

1.5.100 The Barnet Group is wholly owned by the Council. ODH, which is a subsidiary of Barnet Homes, is registered with and regulated by the Social Housing Regulator. As part of its regulatory requirements ODH operates as an independent company with a board of directors responsible for the running of the organisation, governance and regulatory compliance. ODH is currently delivering a new build programme of circa 350 homes across the borough supported by a PWLB loan, Right to Buy receipts and infill land across the Council's housing estates.

1.5.101 Carrying out the acquisitions through ODH will deliver revenue benefits to the council that would not be available through a programme of direct acquisitions by the authority, through the provision of a premium on the amount that the council will loan ODH funds to purchase properties, equating to 1.24% above the Public Loans Works Board rate. In addition, MRP costs associated with the loan would be met by ODH rather than the council. The expansion in acquisitions would also result in cost avoidance versus other forms of temporary accommodation, although this would also be realisable by the council if it undertook the acquisitions directly.

1.5.102 The proposal was approved by Housing Committee as part of its Business Planning Report 2019-2024 on 27 November 2018, and is expected to provide savings totalling £3.065m by 2024 as follows:

£'000	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
500 additional acquisitions of properties for use as affordable temporary accommodation by Opendoor Homes supported by Loan of £163m from Council	-161	-568	-821	-834	-681	-3065

Fire safety works

1.5.103 On the 14th January 2019, the Housing Committee agreed to a revised programme of fire safety works for council dwellings, including:

- Installation of sprinkler systems in high rise blocks with 10 of more floors and more than one stairwell
- Installation of sprinklers to sheltered housing blocks and hostels
- Replacement of composite fire doors
- Works to low and medium rise blocks

The Housing Committee also recommended to Policy and Resources for approval that additional funding is allocated within the council's Housing Revenue Account to meet the full cost of the revised fire safety programme. The currently approved budget is £13.4m and requires £34.5m to be added to the programme, bringing the total amount to £51.9m, noting that £5m of the total will be in the form of government grant for the recladding of Granville Road High Rise Blocks.

Network Recovery Plan Extension

1.5.104 The Network Recovery Plan is scheduled to end in 2019/20. It is proposed to extend the scheme by £12m over a further 2 years. This will be part funded by Community Infrastructure Levy income, reflecting the impact on infrastructure of development across the borough, and part by increasing the council's borrowing requirement.

1.5.105 The revenue implications of the scheme are set out in the table below. The revenue impact is incorporated into the MTFS presented at Appendix B.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Network Recovery Plan Cost	0.000	6.000	6.000	0.000
Funded by:				
Community Infrastructure Levy	0.000	3.000	3.000	0.000
Borrowing	0.000	3.000	3.000	0.000
Revenue Costs:				
Interest cost	0.000	0.047	0.140	0.186
Repayment cost	0.000	0.000	0.075	0.150
Total Revenue cost	**0.000**	**0.047**	**0.215**	**0.336**

Increase to Office Build Budget

1.5.106 Request for an additional £0.621m funded by CIL relating to the following enhancements to the scheme:

- The Southern Square was acquired after TW3 and the office construction had commenced, in order to better place-shape the locality. The £330k is for the creation of a 'destination' square.
- Watling Car Park has been designated as the most convenient commuter car park for when the office is open. The £104.5k funding was for CCTV, lighting and layout improvements.
- The council is renting 100 spaces from the RAF Museum for business parking and in order to create access from the main road, the services and utilities running under the pavement must be lowered, at an estimated cost of £66k.
- CCTV and lighting in Colindale and Burnt Oak requires improving to improve pedestrian safety en-route from Watling Car Park – estimated cost £38.5k.

- Infrastructure for pool car parking will need to be constructed at an estimated cost of £85.5k.

Disabled Facilities Grant

1.5.107 The council as the local housing authority has a statutory responsibility to ensure that grants are available to eligible applicants and demand is currently outstripping the amount of the grant. The council is required to fund applications that meet the grant conditions.

1.5.108 A further allocation of DFG £0.344m has recently been made by the Ministry of Housing and Local Government. In order to increase the DFG budget for this allocation within the Capital Programme, it must be approved as an addition.

Loan to Saracens Rugby Club

1.5.109 This report seeks approval to recommend to Council the addition to the Capital Programme a loan of £22.9 million plus fees (estimated at less than 1% of the loan value) to Saracens at a commercial rate for a period of 30 years to enable the construction of a new West Stand as part of their Allianz Park stadium at Copthall. It follows Policy & Resources Committee's decision at its meeting on the 11th December 2018 to authorise the Deputy Chief Executive to take all reasonable steps to prepare to enter into a loan agreement with Saracens Copthall LLP.

Hendon Cemetery

1.5.110 £1.183m was approved at the Policy and Resources Committee on the 16th February 2016 for the Gatehouse, North and South Chapel and Grounds Maintenance Building / Mess Facility at Hendon Cemetery. This proposed addition relates to an additional £0.440m towards the scheme to be funded by Regional Enterprise Ltd (Re Ltd). This will result in a total project budget of £1.623m.

1.5.111 Re Ltd will provide 50% of the funds upon appointment of the main contractor and the remaining 50% upon completion of the Gatehouse.

Local Implementation Plan (LIP)

1.5.112 On 21 January 2019 the Environment Committee approved the final draft of the LIP for submission to the London Mayor for approval. This included an allocation confirmed by Transport for London for 2019/20 for the following programmes:

LIP Programme	Borough Allocation
	£'000
Corridors and Neighbourhoods	2,967.3
Local Transport Fund	100.0
Total	**3,067.3**

1.5.113 The addition to the Capital Programme in relation to this funding is proposed for recommendation to Council for approval.

Council Capital Strategy

1.5.114 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.

1.5.115 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.

1.5.116 The council has written a capital strategy, which is attached at Appendix K. For recommendation for Full Council for approval.

1.5.117 The strategy covers the strategic context to capital investment within Barnet and sets the objectives of the capital strategy as follows:

- Maintain an affordable rolling capital programme of up to ten years
- Ensure capital resources are aligned with the Council's strategic vision and corporate priorities
- Undertake prudential borrowing only when there are sufficient monies to meet, in full, the implications of capital expenditure, both borrowing and running costs
- Maximise available resources by actively seeking appropriate external funding and disposal of surplus assets

1.5.118 The capital strategy sets the priorities for capital investment as follows:

- Driving and supporting responsible growth and development as a critical component of financial sustainability and independence
- Improving outcomes and supporting a reduction in demand on services
- Enabling delivery of high value changes in the MTFS
- Enabling delivery of new statutory requirements
- Maintaining a balanced and affordable approach to funding

1.6 Treasury Management Strategy

1.6.1 The Treasury Management Strategy is included in Appendix L.

1.6.2 The Capital Programme has seen cash balances reduced to minimal levels and short-term borrowing of £35 million as at 31 December 2018. With interest rates of all durations forecast to increase, switching to long term funding offers scope to lock in favourable interest rates. Only the uncertainty of the timing and extent of the capital programme has deterred action to date.

1.7 Housing Revenue Account

1.7.1 The Local Government and Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account. Any surpluses generated from the HRA can be used to support the account when it fails to break even. Whilst it is acceptable to draw on balances, it is not permissible for an overall HRA budget deficit to be set. It is for the council to determine what level of balances should be maintained. The quarter 3 monitoring position indicated that at 31 March 2019 the HRA balances are forecast to be £13.8m.

1.7.2 The principal items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met by rent and service charge income from dwellings, garages, and commercial premises.

<u>Council Dwelling Rents</u>

1.7.3 The Welfare Reform and Work Act 2016 requires that council dwelling rents are reduced by 1% a year for the four years from April 2016. In October 2017, the Ministry of Housing, Communities and Local Government (MHCLG) announced that increases to social housing rents will be limited to the Consumer Prices Index (CPI) plus 1% for five years from April 2020.

1.7.4 When a dwelling is re-let to a new tenant the rent will be reset at the formula rent level, minus 1% for four years from April 2016 as required by the government policy for social rents.

1.7.5 Where a dwelling rent is already above formula rent levels at the point it becomes empty, there will be no adjustment to the property rent when it is re-let.

1.7.6 The current average weekly rent will be £109.06. This has decreased from an existing weekly average rent of £110.17. The average formula rent (for new tenants on re-let) will be £115.94; this has decreased from an existing average of £117.10.

Service Charges and Garages

1.7.7 The table below outlines the changes that are recommended to take effect from 1 April 2019:

	2018/19	2019/20	Increase	% Increase
Grounds Maintenance	£2.80	£2.88	£0.08	3.0%
Lighting	£1.23	£1.29	£0.06	5.0%
Heating - Grahame Park	**1 Bed** £12.20 **2 Bed** £16.92 **3 Bed** £18.27	**1 Bed** £12.20 **2 Bed** £16.92 **3 Bed** £18.27	**1 Bed** £0.00 **2 Bed** £0.00 **3 Bed** £0.00	0.0%
Heating - Excluding Grahame Park	(no increase applied to existing charges)			0.0%
Digital Television	£1.54	£1.62	£0.08	5.0%
Weekly Caretaking	£6.71	£5.92	-£0.79	-12.0%
Quarterly Caretaking	£1.36	£1.36	£0.00	0.0%
Enhanced Housing Management (Sheltered Housing)	£21.67	£21.67	£0.00	0.0%
Alarm Services (Sheltered Housing)	£2.81	£2.95	£0.14	5.0%
Garages	(increases applied to existing rent)			3.1%
Door Entry Systems	£2.33	£2.45	£0.12	5.0%
Fire Safety Equipment		**1 Bed** £4.00 **2 Bed** £4.69 **3 Bed** £5.20		0.0%

1.7.8 The proposed changes reflect increases in the cost of providing the services described. In the case of heating charges, no increases are recommended as the cost of fuel has not increased during 2018/19.

1.7.9 Electricity charges have increased in 2018/19 and a 5% increase is proposed.

1.7.10 The cost of providing access to digital television is recommended to increase in line with the expected increase of the maintenance contract of 5%., which represents an increase of £0.08 a week.

1.7.11 Following a comprehensive service review of the caretaking service delivered by Barnet Homes, significant efficiency savings have been delivered from the service, therefore a decrease in charges of 12% is being proposed for weekly caretaking services.

1.7.12 No change is proposed for quarterly caretaking services.

1.7.13 The cost of providing alarm services was subject to detailed review in 2018/19 and a 5% increase is therefore proposed.

1.7.14 The charge for door entry phone systems is proposed to increase by 5% in line with the estimated cost increase. The programme will run over many years. As systems are replaced/installed a service charge will be introduced to cover these new systems. It is important to note replacement door entry phone systems will not be installed without first consulting with tenants and leaseholders.

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1.7.15 Following a decision by the Housing Committee in June 2018 for the installation of sprinkler systems in tower blocks, a new charge for fire safety sprinkler systems is proposed for 2019/20. The cost of maintaining and servicing is a service chargeable cost. Given that a defects liability period will apply in the first year following installation, the cost is limited to servicing only. For most tenants, housing benefit will continue to cover the costs and they will therefore not be affected by these changes.

HRA Summary and working balance

1.7.16 Total expenditure for 2019/20 is estimated at £68.3m including charges for financing HRA debt.

1.7.17 The HRA budget for 2019/20 shows a contribution from balances of £10.7m. The estimated HRA balance as at 31 March 2020 is £3.1m. A summary of the reserves position is shown below:

HRA Balances

	£'000
HRA Balances b/f 2018/19	**15,004**
In Year forecast deficit	(1,191)
Estimated balance to March 2019	**13,813**
2019/20 estimated deficit	(10,713)
HRA Balances b/f	**3,100**

1.7.18 The significant reason for the reduction in balances relates to the level of capital schemes within the HRA.

Housing – Right to Buy (RTB) Receipts

1.7.19 The council has entered into an agreement with the former Department for Communities and Local Government (DCLG) to retain an element of the RTB receipts for investment in building or acquisition of new social housing. Up to 30% of the retained receipts must be spent on the cost of replacement affordable rented homes.

1.7.20 Retained RTB receipts must be spent within three years of being received. If retained RTB receipts are not spent within the three years' time limit they must be returned to DCLG, with interest charged at 4 per cent above base rate (Bank of England), calculated from the date of the relevant RTB receipts.

1.7.21 The council has undertaken purchase of property to add to the stock of social housing to ensure that the receipts do not have to be repaid to DCLG.

1.7.22 If the council are unable to use retained receipts within the three-year period, the council intends entering into an agreement with the Greater London Authority on Right to Buy Receipts which will ensure that the council still has access to receipts in the form of affordable housing grant that it might have to otherwise repay to the Treasury. This is available to all London Boroughs and will provide access to any receipts that would otherwise be returned to the Treasury for a further three years.

1.7.23 In addition, the HRA settlement in 2012 included a debt cap of £240m which provided the council with the opportunity to borrow an additional £38m as a result of headroom generated by differences between the actual HRA debt and the amount assumed in the settlement. However, in October 2018, the government removed the debt cap and the HRA is now subject to the same prudential borrowing rules as the General Fund.

1.7.24 The removal of the debt cap provides an opportunity to increase the supply of affordable homes in the borough as it means that the council can borrow more to support the acquisition or building of new homes. The HRA business plan sets out how this is proposed to be taken forward (Appendix G).

1.8 Robustness of the budget and assurance from Chief Finance Officer

1.8.1 In order to comply with Section 25 of the Local Government Act 2003; the Authority's Chief Financial Officer (the Director of Finance) is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.

1.8.2 This information enables a longer-term view of the overall position to be taken. It also reports on the Director of Finance's consideration of the affordability and prudence of capital investment proposals. The level of general balances to support the budget and appropriate earmarked reserves maintained by the

Council in accordance with the agreed Council Policy on Earmarked Reserves are an integral part of its continued financial resilience. The council's reserves and balance policy is attached at Appendix M. Details of the council's in-year financial performance are reported to the Financial Performance and Contracts Committee on a regular basis.

1.8.3 The council is a large, complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. These require considerable on-going monitoring and review particularly in light of the challenging financial climate. With this in mind, the council has recognised the on-going need to identify risks and have measures in place to mitigate should they occur (risks by their nature can never be completely removed).

1.8.4 The council's revenue related risks include:

- general risks;
- risk of non-delivery of savings;
- funding related risks e.g. Fair Funding;
- interest rate risk;
- inflation risk;
- change in law risk;
- commercial values risk, e.g. income rental values;
- contract failure risk and step-in obligations for the council

1.8.5 The Council has had a necessarily long process to produce its MTFS in order to address the first two categories of risk. The council's management team have considered regular budget updates. Additionally, the Policy and Resources Committee have received regularly refreshed Business Planning reports.

1.8.6 While the Council Management Team and the Policy and Resources Committee meets to ensure the over-arching issues are robustly considered, a full schedule of meetings are arranged at various levels within the council to ensure all stakeholders fully understand the MTFS process and their savings proposals. Theme Committee meetings then consider the reports and recommendations produced. These Theme Committee recommendations are then reflected back through Policy and Resources Committee to ensure all aspects are captured.

1.8.7 These processes are to ensure all budget proposals are:

- aligned to the Corporate Plan
- fully evaluated for any legal, HR and procurement issues;
- assessed thoroughly to ensure if stakeholder consultations are needed and if so to make these are completed in time;
- appropriately challenged to ensure they are feasible.

1.8.8 Risks related to pensions and treasury are specifically addressed and discussed separately e.g. Pension Funding Strategy and the Treasury Management Strategy Statement.

1.8.9 The 2019/20 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the finance department leads on:

- monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances, risks and opportunities are being suitably identified and mitigated; and
- continuing to protect reserves and balances in order to provide an adequate buffer for any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way.

1.8.10 A summary of selected key, strategic risks / weaknesses and mitigating actions are noted:

MTFS Risk Analysis

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
1. Review of Needs and Resources (Fair Funding Review and Spending Review)				
A review of the funding allocation formulas used by Central Government could mean that London Borough of Barnet's share of funding is significantly reduced from 2020/21.	Decisions may be taken which have potentially adverse consequences for the council in later years.		1) Finance staff are involved in identifying the likely changes to be made and assessing the potential impact on the council. Likely key indicators such as deprivation, area cost adjustment and population growth are also currently being assessed 2) The council is actively working with other outer London councils to ensure that outer London is fairly considered	All
2. European Union Referendum result - impact on national economy				
Impact of Brexit on the wider economy	Potential slowdown of the economy which could lead to an increase in unemployment. Central government funding to departments could be hit with a consequential impact on local government funding.		1) Organisational financial planning. 2) Council policies to promote local business. 3) Council policies to increase employment.	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
3. Localising Business Rates				
On-going volatility from appeals and also the impact on collection rates as following the implementation of localising business rates, 75% of outcome will fall on Local Government.	Adverse financial outcome for the council in future years In addition, the council faces the prospect of future transfer of responsibilities or “new burdens” with the potential full localisation of Business Rates.		1) Continuing efforts to collaborate and interact with MHCLG, Valuation Office, London Councils, etc. 2) Robust responses to consultations.	All
4. Business Rates Appeals				
Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 75% for Local Authorities. The related opportunity is from consultations on dealing with Business Rates appeals process - checking and challenging might reduce the number of live appeals.	Adverse financial outcome(s) for the council in future years		1) Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
5. Pension Fund Assets / Pension Fund Deficit				
Pension Fund assets failing to deliver returns in line with the anticipated returns underpinning valuation of Pension Fund Liabilities over the long-term.	The council's Pension Fund being under-funded resulting in an increase in the employer contribution rate and deficit funding that the Council pays into the fund.		1) The council has a deficit recovery plan in place to reduce the long-term costs of financing the pension deficit 2) Decisions have been made by the Pension Fund to move away from under performing funds	All
6. Reliance on Commercial Income				
Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents	A recession or other unexpected/uncontrollable event could leave the council exposed to under-funding or large losses in income.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
7. Inflation				
The council's expenditure (pay and non-pay) is subject to annual inflation based on indexation that is determined by national inflation rates. Inflation can affect agreed suppliers' contracts for other service expenditure	Sharp increases in inflation would result in higher for day to day expenditure and costs related to employment. Each 1% change in inflation adds around £1.5m to the Council's cost pressures		1) Monitoring actual inflation and forecast projection (e.g. at key milestones such as HM Treasury's Budget announcement) and modelling the impact of incremental increases on the Council's applicable expenditure. 2) Exploring all opportunities during the tendering process for all service contracts to minimise indexation clauses, negotiate for favourable fees etc. 3) Regular refresh of the council's MTFS	All
8. Delivery of Budgeted Savings				
Agreed MTFS Savings are not fully achieved or slip into future years.	Potential for in-year overspends and funding gaps		1) Robust challenge of all proposed MTFS Savings during the business planning process (e.g. through Council Management Team) 2) In-year monitoring of agreed Savings	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
9. Planned Use of Capital Receipts				
Capital receipts are generated when an asset is disposed of and are source of financing capital expenditure. The council's Capital Programme currently relies on more capital receipts than it holds or that are in the pipeline from asset sales	Shortfalls in financing of capital expenditure, possibly resulting in higher borrowing costs.		1) In-depth analysis and challenge of capital project cash flow projections. 2) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets. 3) Scrutiny of the council's capital arrangements at the officer group Capital Strategy Board 4) Funding schemes by borrowing 5) Deletion of schemes from the Capital Programme	Specific Services
10. Interest Rate changes				
Changes to the Bank Base Rate and the cost of borrowing	The council's Capital Programme relies heavily on borrowing over the next 5 years. Increases in interest rates have a direct impact on the revenue position of the authority.		The council has a number of options available to it to mitigate these risks. These include: maximising the use of interest free sources of capital funding such as CIL and s106, ensuring its cash management and forecasting is accurate reducing the need to borrow, reducing debtors and therefore maximising the council's cash balances	Specific Service
11. Public Health Grant Funding				
The Government is proposing reductions to Public Health grant funding, along with possible removal of the ring-fence for the grant/potential changes to the Public Health grant conditions.	The proposed changes to the grant would cause a funding pressure for the service and have the potential to cause short-medium term disruptions to the service and on-going projects.		Budget savings proposals are in line with the expected funding level of the grant in the first year of the MTFS. Regular refresh of the MTFS will ensure that the consequences of any further grant reduction are considered as part of the council's overall financial position.	Specific Service
12. Demographic Changes				
Changing demographics across the borough lead to changes in demand for services.	Demographic changes have led to continuing pressures on budgets in demand areas of the council such as Adult Social Care, Children Social Care and Housing		The council is engaged in long term planning and transformational programmes to mitigate the action of demographic changes on budgets and services.	Specific Services

13. Debtors				
The amount of money the council assesses as income is overstated due to an increase in bad debt	Should debts owed to the council turn out to be uncollectable, they will be written off against the council's revenue budget. This can create overspends and also mean the council has to re-evaluate the amount of income it will collect in the future.		1. The establishment of a corporate debt board 2. The increased focus on debt by the Financial Performance and Contracts Committee 3. Raising awareness of debt across the council	Specific Services
14. Ofsted Improvement Plan				
Improvements required to improve Childrens Services are not delivered at a sufficient pace to satisfy the inspection team	Should improvements not be deemed sufficient there is the risk that further investment into Family Services will be required. This will need to be planned into the MTFS and reserves forecast.		4. The continued prioritisation of improvement work within Childrens Services by the whole council 5. Ensuring that Childrens Services are sufficiently resourced and staffed in order to deliver the improvement actions	Specific Services

View of Section 151 Officer

Robustness of estimates

1.8.11 The council is a going concern and the budget process is part of a continuous service planning and financial cycle. Therefore, knowledge and understanding of the previous and current national and local financial and economic environments are used to make informed assumptions and judgement about the future. This activity seeks to establish a robust budget which is appropriate and realistic having taken a practical assessment of risks.

1.8.12 The financial planning process has been managed at senior officer level through the Council Management Team meetings. This Executive level group has overseen the process for financial planning, including medium-term resource projections, the strategic context for the borough, and the quantification of new pressures on resources, and the identification of potential budget savings. This has happened alongside budget challenge sessions with members of the various Theme Committees and the Policy and Resources Committee.

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

1.8.14 At Member level, the Theme Committees have considered the financial planning process and made recommendations to the Policy and Resources Committee. The savings are now presented to Council for approval.

1.8.15 The Capital Programme presents the council with a significant challenge in terms of delivery and affordability. The cost of borrowing is accounted for based on the current plans however any under-achievement of its capital receipts expectations will require either an increase in borrowing, with associated revenue implications, or the deletion of schemes.

Robustness of Budget Setting Process

1.8.16 The process that has been undertaken to set the budget has included engagement of officers from service departments throughout the year, regular reporting to Theme Committees and Council, consultation with the public, along with due consideration of statutory duties, particularly in respect of equalities.

1.8.17 Following Policy & Resources Committee's endorsement of the budget proposals in December 2018 officers have undertaken a readiness assessment of the council's ability to deliver the savings required for the MTFS with particular emphasis on 2019/20. Where there is a risk of non-achievement of savings, adequate mitigations have been put in place in order to ensure a legal budget is set and that value for money is achieved from public funds.

1.8.18 For these reasons, it can be confirmed that the budget setting process has been robust.

Effectiveness of Budget Management

1.8.19 The council has robust arrangements for managing budgets and performance. Close attention will continue to be paid to the implementation of agreed savings and monitoring of the Council's current overspend, with regular reporting to the Financial Performance and Contracts Committee.

1.8.20 As a result of a forecast overspend during 2018/19 a panel process was put in place to manage recruitment approvals together with a moratorium of discretionary expenditure and an increased focus on the budget position throughout all levels of the organisation. This activity was successful in reducing the anticipated overspend but not in eradicating it.

1.8.21 The council has a legal responsibility to set a balanced budget which can include the planned use of its reserves. The council is planning to use £6.821m of its reserves during the MTFS period to 2024. The Section 151 Officer does not deem it appropriate to erode reserves beyond the level planned within this document.

1.8.22 This MTFS provides increased funding for services of £12.7m before allowing for funding of inflation or contingency allocations. This will eradicate many of the current years overspends and seeks to fully fund increased demand across council services. It is therefore considered that the council's Budget Management arrangements for 2019/20 are effective.

1.9 Budget Management 2018/19

Period 9 Budget Monitoring

1.9.1 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.

1.9.2 The General Fund revenue forecast for 2018/19 is a net overspend of £2.396m. This forecast is stated after the net contribution to specific and general earmarked reserves totalling £1.226m. Excluding these reserve movements, the forecasted overspend is £1.168m. The reserve movements in the table below include two one-off transfer to reserves relating to the windfall gains of £3.685m and £1.000m respectively following the contract settlement with Capita and a recognition of balances held within the North London Waste Authority (NLWA).

1.9.3 All proposed reserve drawdowns and contributions will be considered and approved, if appropriate, at year end. 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.

1.9.4 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.

Service	Revised Budget £000	Period 9/Quarter 3 forecast £000	Variance from Revised Budget Adv/(fav) £000	Reserve Movts £000	Period 9 Forecast /Quarter 3after Reserve Movts £000	Variance after Reserve Movts Adv/(fav) £000
Adults and Communities	95,498	95,071	(426)	-	95,071	(427)
Assurance	6,344	7,904	1,559	(582)	7,322	978
Central Expenses	44,082	41,913	(2,169)	-	41,913	(2,169)
Children's Services	66,657	68,472	1,814	(918)	67,554	897
Commissioning Group	19,197	17,606	(1,591)	(189)	17,417	(1,780)
CSG and Council Managed Budgets	25,062	23,455	(1,607)	3,685	27,140	2,078
Housing Needs and Resources	6,926	7,056	129	-	7,056	130
Public Health	17,160	17,160	-	-	17,160	-
Regional Enterprise (Re)	689	3,001	2,312	(770)	2,231	1,542
Street Scene	11,711	12,858	1,147	-	12,858	1,147
Total	**293,326**	**294,496**	**1,168**	**1,226**	**295,722**	**2,396**

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, the authority's Council Tax will be set and residents will receive their Council Tax bills over the next few weeks.

4.1.2 All approved actions will be implemented and 2019-20 budgets will be confirmed to budget holders to enable the continuation of service delivery planning.

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 outs 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 As referred to in paragraphs 1.5.30 to 1.5.31, The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 amends section 11B of the Local Government Finance Act 1992 by introducing a new maximum amount by which the council tax could be increased for long term empty properties (empty for 2 years or more).

5.4.4 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.

5.4.5 These proposals have been approved by Policy and Resources Committee and 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 impacts that cannot be mitigated.

5.4.6 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.

5.4.7 The Council Constitution (Article 7 – Committees, Forums, Working Groups and Partnerships) sets out the responsibilities of all council Committees.

5.4.8 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).

5.4.9 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 able 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 Council 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. At this stage of the budget planning process for 2019/20 savings, 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.

5.6.10 These are attached at appendix P 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 reviewed 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 were kept under review and updated prior to publication with this final budget report to 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.

Equalities impact of budget

5.6.11 The Cumulative Equalities Impact Assessment (CEIA) of the budget savings proposals for 2019/20 is shown at Appendix J.

5.6.12 For the 19/20 budget there are 12 savings proposals for which 11 EIAs have been conducted (proposals G8 and P2 have a combined EIA). Of these; six have forecasted the outcome of a positive or neutral impact, three negative impact and two that the impact is negative/unknown.

5.6.13 However, within overall positive and neutral EIAs there are also some negative impacts on certain characteristics.

5.6.14 Overall it has been identified that there may be a cumulative negative impact on residents with disabilities, on those within certain age groups and on individuals based on their marital status.

5.6.15 There are also some cumulative positive impacts, with young people, those of working age and those with disabilities being positive impacted by the proposed changes.

5.6.16 In addition to those with protected characteristics, the following groups may be negatively impacted by the 19/20 budget: carers, people on a low income, those unemployed and young people who are NEET.

5.6.17 The CEIA underlines that as the council takes some difficult decisions about service provision, we identify and take practical steps to mitigate, wherever possible, any negative impacts of specific proposals for our residents including the protected characteristics and other vulnerable groups.

5.6.18 The council is satisfied that this CEIA demonstrates how we have paid due regard to equalities, analysed the individual and cumulative impacts of our proposals, taking account of any negative impact from previous years and making every effort to avoid, minimise and mitigate any negative impacts wherever possible (as outlined in the individual EIAs). However, given the scale of savings the council is obliged to make, change is inevitable.

5.6.19 The EIA process is an iterative process. As Budget proposals are implemented, they will be kept under review and further equalities analysis will be undertaken and individual EIAs updated as proposals develop.

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, to ensure decisions are made through the lens of what a reasonable parent would do for their own child

5.7.2 The Council, in setting its budget, has considered the Corporate Parenting Principles both in terms of savings and investment proposals. The Council proposals have sought to protect front-line social work and services to children in care and care leavers and in some cases, has invested in them.

5.7.3 The Council has invested a further £3.480m into these services for 2019/20. This will enable lower caseloads to be maintained as well as ensure there is sufficient resource to manage both the demand and the complexity of the work.

5.7.4 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. For example, 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

5.7.5 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.

Consultation on the Corporate Plan

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.

General Budget Consultation 2019/20.

Overview

5.8.6 The general budget consultation began the day after Policy and Resources Committee on 11 December 2018 and concluded on 16 January 2019.

5.8.7 In terms of service-specific consultations the council has a duty to consult with service users where there are proposals to vary, reduce or withdraw services. Where appropriate, separate service-specific consultations have already taken place or will take place in the next few months for the 2019/20 savings. The outcomes of these consultations are being reported into the committee decision making processes.

5.8.8 The following paragraphs set out the headline findings from the general budget consultation 2019/20 which were presented to Policy & Resources Committee on 20 February 2019, and now Full Council on 5 March 2019. The detailed findings can be found in Appendix I.

5.8.9 Due to the low response rate to questions relating to protected characteristics, it has not been possible to disaggregate the survey responses by protected characteristic.

Summary of approach

5.8.10 The 2019/20 general budget consultation asked for views on:

- The overall budget, and savings and income generation proposals for 2019/20;
- Proposals for General Council Tax; and
- How to bridge the remaining budget gap from 2020 to 2024.

5.8.11 The consultation was published on Engage Barnet with detailed background information about the council's budget setting process and the financial challenges the council faces.

- Respondent's views were gathered via online questionnaire;

- Paper copies and other alternative formats of the consultation were made available on request;
- As part of the council's statutory duty to consult with National Non-Domestic Rate (NNDR) Payers, letters were sent out to all the council's NNDR payers inviting them to take part in the consultation;
- The consultation was widely promoted via the council's residents' magazine, Barnet First, the council resident's e newsletter, the council's website; local press, Twitter, Facebook, and posters in libraries and other public places;
- Super-users, i.e. users of non-universal services, were also invited to take part in the consultation through the Communities Together Network, Youth Board, Delivery Unit newsletters/circulars and super-user mailing lists.

Response to the consultation

5.8.12 A total of 198 questionnaires have been completed -197 online, and one paper questionnaire. The table below shows the profile of those who responded to the questionnaire:

Stakeholder	**Questionnaire response**	
	%	**Base**
Barnet resident	89%	119
Working within the London Borough of Barnet area	2%	2
Barnet business	2%	2
Representing a voluntary/community organisation	3%	4
Representing a public-sector organisation	0%	0
Representing a school	0%	0
Other	2%	2
Prefer not to say	3%	4
Total	**101%**[1]	**133**
Not Answered		**65**

5.8.13 There were also nine written responses: five from businesses; two from community groups and two from residents. These responses have also been incorporated into the findings. Further details of these responses are provided in Appendix I of this report.

[1] The total adds up to more than 100% due to rounding

Summary of key findings

Views on a General Council Tax increase:

The council's proposal to increase general Council Tax by 2.99% in 2019/20

5.8.14 Over half of respondents (56%) support the council's proposal to increase general Council Tax by 2.99% in 2019/20. Just over a quarter of respondents (28%) oppose the increase, with the remainder indicating they 'neither support or oppose' (11%) or that they 'don't know' (5%).

The council's proposal to increase general Council Tax annually by 2.99% from 2020/21 to 2024.

5.8.15 There are similar levels of support (51%) for a further annual general Council Tax increase of 2.99% in the subsequent MTFS years, 2020/21 to 2023/24. A third of respondents (34%) oppose an annual increase of 2.99% of General Council Tax in subsequent years, with the remainder indicating they 'neither support or oppose' (9%) or that they 'don't know' (6%).

A general Council Tax increase of more than 2.99% if this became available.

5.8.16 The consultation asked respondents if they would be willing to accept an increase in general Council Tax of more than 2.99% if this option became available from central government in the future.

5.8.17 There was slightly less support for an increase in general Council Tax of more than 2.99% if this became available. Two fifths of respondents (40%) support an increase in general Council Tax of more than 2.99% if it became available. However, more respondents oppose this further increase (47%), with the remainder indicating they 'neither support or oppose' (8%) or that they 'don't know' (6%).

Proposals for closing the remaining budget gap from 2020/21-2024

5.8.18 Respondents were presented with the following three proposals for closing the remaining budget gap from 2020/21 to 2024:

- Reduction in the council's investment programme;
- Making further savings within our Theme Committees;
- Making further use of limited reserves.

5.8.19 5.9.14 Respondents were first asked to indicate to what extent they support or oppose each proposal, and then asked to rank each proposal in order of their preference.

Level of support for each proposal

5.8.20 5.9.15 Making further use of limited reserves received the most support (45%), followed by further savings within Theme Committees (33%). There was much less support for reducing the council's investment programme (25%).

Ranking of proposals

5.8.21 5.9.16 Respondents ranked the proposals in the same order as their level of support:

- • 1st preferred proposal: Making further use of limited reserves;
- • 2nd preferred proposal: Making further savings within the Theme Committees;
- • 3rd preferred proposal: Reduction in the council's investment programme.

Overall budget 2019/20

5.8.22 Respondents were asked if they had any comments to make on the overall budget. Of those who responded to the questionnaire, 121 out of 198 gave a response to this question.

5.8.23 The type of comments received were varied, however there were some common themes that were evident. The most common themes that received a response of 6% or more have been summarised below. Percentages are based on those who answered this question[2]. Further details of all the comments are provided in section two of the Appendix I. It should also be noted that some respondents chose to comment on the saving lines at this question too:

- Concerns about Barnet's Leadership / Ability to implement change / Ability to deliver services, 12% (14 respondents);
- Agree with an increase in Council Tax, 11% (13 respondents);
- Children, Education and Safeguarding Committee: Concerned about Education budget, concern for cuts / Too little budget for Education, 10% (12 respondents). One resident who submitted a written response was also concerned about education;
- Policy and Resources is excessive / Takes a large amount of the available funds / P & R could deliver more efficiencies, 9% (11 respondents);
- Concerns about Barnet Council's financial management abilities / Allocation of financial resources / Concerns for causes of deficit (including Capita), 8 % (10 respondents);
- R5 Garden Waste Savings recovery plan: Disagree with charging for Green Waste, 8% (10 respondents). One resident who submitted a written response was also against this saving line;

[2] - Many respondents gave more than one type of comment so percentages will add up to more than 100%. A total of 216 different types of comments were received from the 121 respondents who answered this question.

- Comments on the consultation document: more information required /more transparency needed/less positive spin required/lacked policy impact details, 8% (10 respondents);
- Adults and Safeguarding Committee, E6, meeting eligible needs in more cost-effective settings proposal: Not supportive of this saving line/ Disagree with / Turning the clock back on disability rights / Savings line is against Human Rights, 6% (7 respondents). Two written responses received from representatives of a community group also cited similar concerns about this saving line;
- Shouldn't have frozen Council Tax in recent years, 6% (7 respondents).

5.8.24 Respondents also made comments on the Environment, R2 line: Revised Waste Offer. This proposal was marked as information only. The proposal is not going ahead and is not part of the savings proposals.

- Respondents cited that they were against any reductions in weekly recycling and/ or refuse collection, 15% (18 respondents). Two residents who submitted written responses also cited similar concerns about R2.

Savings and income proposals for 2019/20

5.8.25 Respondents were also asked if they had any comments to make about the saving and income proposals identified for 2019/20. Of those who responded to the questionnaire, 60 out of 198 gave a response to this question. The most common themes which received a response of 6% or more have been summarised below. Percentages are based on those who answered this question[3]. Further details of all the comments are provided in section two of the Appendix I.

5.8.26 Again, the response to this question were varied and the most common themes, have been summarised below:

- Adults and Safeguarding Committee, E6 Meeting eligible needs in more cost- effective settings: Not supportive on this saving line / Disagree with / high concerns / Not legal / Going in the wrong direction / Turning the clock back on disability / it's against human rights, 15% (9 respondents). Two written responses from representatives of a community group also cited similar concerns about this saving line;
- Environment, R5 Garden Waste Savings recovery plan: Disagree with charging for Green waste, 10% (6 respondents). One resident who submitted a written response was also against this saving line;
- Environment, Bring back food waste recycling/brown bins, 8% (5 respondents).
- ARG income suggestions: *Consider selling off assets/ Barnet should partner with Housing Associations and convert commercial assets into residential developments / bring empty private properties into use to increase revenue*s, 8% (5 respondents)

[3] As on the previous question many respondents gave more than one type of comment so percentages will add up to more than 100%. A total of 117 different types of comments were received from the 60 respondents who answered this question.

- Comments about the consultation document: *Make an easier to read document that includes everything / lack of executive summaries - the planned cuts are easily hidden in the complexity / is not easy to access all the elements*, 6% (4 respondents).

5.8.27 Again, respondents also made comments on the Environment, R2 line: Revised Waste Offer. This proposal was marked as information only. The proposal is not going ahead and is not part of the savings proposals.

- Respondents cited that they were against any reductions in weekly recycling and/ or refuse collection, 20% (12 respondents). Two residents who submitted their comments in writing were also against R2.

Alternative suggestions the council has not considered to help generate income or make savings

5.8.28 Respondents were also asked if they had any alternative suggestions that the council has not considered to help generate income or make savings. Of those who responded to the questionnaire, 73 out of 198 gave a response to this question. The most common themes have again been summarised below. Percentages are based on those who answered this question[4]:

- Stop outsourcing / Cease Capita arrangement, 18% (13 respondents);
- Increase Council Tax to pay for services, 14% (10 respondents);
- Increase charges and penalties, 14% (10 respondents);
- Charge, fine and find other ways of raising income through waste and recycling 10% (7 respondents);
- Reduce staffing / Reduce Staffing Costs / Agency staff costs, 10% (7 respondents);
- Reduce senior / executive salaries, 8% (6 respondents);
- Challenge central government for more funding, 8% (6 respondents);
- Reduce waste, 7% (5 respondents).

5.8.29 Detailed analysis of all the open-ended questions is provided in Appendix I.

5.9 Insight

Not applicable.

6. BACKGROUND PAPERS

[4] Many respondents gave more than one type of comment so percentages will add up to more than 100%. A total of 118 different types of comments were received from the 73 respondents who answered this question.

Committee	Item & Agenda	Link
Policy & Resources 20 February 2019	Item 7 Brexit Preparedness	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9461&Ver=4
Policy & Resources 20 February 2019	Item 8 Corporate Plan, Medium Term Financial Strategy 2019/24 and Budget for 2019/20	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9461&Ver=4
Policy & Resources 11 December 2018	Item 8 Corporate Plan 2019-24, Business Planning - Medium Term Financial Strategy 2019/24 and Draft Budget for 2019/20	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9460&Ver=4
Policy & Resources 23 October 2018	Item 10 Budget Management 2018/19	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9459&Ver=4
Policy & Resources 19 July 2018	Item 7 Business Planning	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9725&Ver=4
Policy & Resources 11 June 2018	Item 4 Business Planning	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9458&Ver=4
Full Council 6 March 2018	Item 12 Business Planning 2018-20	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=9162&Ver=4
Policy & Resources 13 February 2018	Item 13 Business Planning 2018-20	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8742&Ver=4
Policy & Resources 21 July 2014	Item 6 Finance and Business Planning – Capital programme and review of reserves	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=7860&Ver=4