

Policy and Resources Committee

3 October 2019

Title	Business Planning 2020-25 and Budget Management 2019/20
Report of	Chairman of the Policy and Resources Committee
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix A – Medium Term Financial Strategy (MTFS) Appendix B – Capital additions, deletions, slippage & accelerated spend Appendix C – Capital Programme prior to additions
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Summary

The council has refreshed its MTFS ahead of the budget setting process taking into account the Government's one-year spending round announcement. As part of this process the council has also reviewed its in-year and ongoing financial pressures to calculate the likely gap that will need to be addressed across the financial years 2020 to 2025. The report sets out the process which will take place for 2020/21 and future years in order to achieve a balanced budget.

This report also seeks Committee approval for a series of budget management decisions for 2019/20 required as part of normal business in line with the organisations Financial Regulations.

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Recommendations
<p>That Committee:</p> <ol style="list-style-type: none">1. Approve the referral of the financial strategy of the organisation to Full Council, as set out in section 1.3;2. Notes the current MTFS attached as Appendix A. The MTFS sets out all of the likely budget changes over the period 2020-25, 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;3. Delegate to Theme Committees the review of additional funding pressures to services requested in paragraph 1.3.9;4. Approves the proposed additional allocation of savings targets to Theme Committees for 2020/21 as set out in paragraph 1.3.16 and ask Officers to work up proposals to meet these targets;5. Notes the current forecast balances of reserves as set out in section 1.4.16;6. Approve the changes to the existing Capital Programme in relation to slippage and deletions as set out in paragraph 1.5.12 and Appendix B for referral to Full Council;7. Approve the amended capital programme (prior to additions) as set out in Appendix C;8. Approve the changes to the existing Capital Programme in relation to additions as set out in paragraphs 1.5.6 to 1.5.11 in accordance with the virement rules.

1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

- 1.1.1 The Government released a one-year spending round on the 4 September 2019. For Local Government, the main headlines announced were that central funding for Local Government will increase by £1.1 billion. With this increase in grant, Local Government Core Spending Power is estimated to increase by £2.9 billion in total in 2020/21. For Barnet, the council expects the benefit to be in the region of £15.8m over and above the assumptions previously made in the MTFS. Set against this are pressures of £22.1m arising principally from increasing care needs. The MTFS agreed by Council on 5th March 2019 included an assumption of a £2.965m drawdown from reserves in 2020/21.
- 1.1.2 The Government is consulting on reducing the council's ability to raise general Council Tax from a maximum of 2.99% to 1.99%. This reduced rate would reduce funding in the MTFS by around £1.8m per year of the MTFS from 2020 onwards.
- 1.1.3 Also announced within the spending round was a consultation on the reintroduction of a Social Care Precept - allowing local authorities to raise up to 2% (£3.6m) specifically to fund pressures within Adult Social Care. It is unclear if this proposal is for than one year and therefore has been assumed for 2020/21 only within the MTFS.
- 1.1.4 Since the budget was set in March 2019, a number of savings across the MTFS period have been identified as at risk of non-delivery. Officers are continuing to work on delivery of those, however, as part of prudent financial management it is necessary to make an allowance in case of non-delivery. Any savings which are not expected to be delivered following work by officers, will be presented to Theme Committees in November 2019 as part of the council's usual budget setting process. At present, £2.8m has been assumed in 2020/21 as a gap resulting from non-delivery of savings during 2019/20 and 2020/21. All savings for 2021/22 onwards deemed to have a high probability of non-delivery have also been assumed in the gap when preparing the MTFS.
- 1.1.5 As part of the review of the MTFS, services across the council have identified pressures that they expect to either carry forward from the current financial year, or those that they expect to occur in future years. Through a thorough review of budget pressures, officers have identified the requirement to invest £16m in 2020/21 as detailed in para 1.3.9. £5.255m had already been factored in the previous iteration of the MTFS resulting in an increased requirement of £10.375m. Officers are continuing to review these and any subsequent reduction, would reduce the gap for 2020/21 and future years.
- 1.1.6 The MTFS presented to this Committee has removed the expectation of funding from reserves and now projects forward an additional year to 2024/25. After a review of cost pressures, funding and the deliverability of savings, over the five years to 2024/25, additional savings of £40.307m are required for expected

expenditure to be sustainable within expected income (as shown in Appendix A).

- 1.1.7 At the start of the financial year 2019/20, the council budgeted for £9.5m of contingency funding towards inflation, cost pressures and other occurrences. Of this, £2.7m has been assigned to services with a further £5.3m being allocated. After all the allocated balances have been approved, a balance of £1.4m will remain which will be held at this stage to fund any uncertainty that may arise over the next six months of the year. Approval is sought for allocations from contingency totalling £4.3m within this report.
- 1.1.8 Capita deletions of £8.414m and net slippage of £153.447m are proposed. Throughout the summer, officers have been looking at the reasons that slippage occurs and challenging assumptions on the anticipated delivery profile of the Capital Programme. Over-estimating capital expenditure can cause a number of unintended consequences, such as incurring unnecessary financing costs, reducing service budgets to fund borrowing, or the lapsing of funding opportunities. As a result of this work it has been identified that a total of £153.447m needs to be slipped out of the 2019/20 financial year into future periods. Whilst this value is significant, it improves the accuracy of the programme and supports stronger financial management.
- 1.1.9 The proposed amended General Fund Capital Programme is funded by an assumption of £41m in Capital Receipts. Current receipts are standing at £21.19m with £19.36m being HRA receipts and the remaining £1.83m are General Fund receipts.
- 1.1.10 For 2019/20 the General Fund Capital Receipts requirement stands at £27.67m. There are currently no General Fund disposals agreed however it is estimated that capital receipts by the end of the year will be £10m. Assuming no further General Fund disposals during 2019/20 there would be a gap of £19.48m. This gap would be replaced by borrowing which would result in additional £336k interest costs in 2019/20 and £320k of MRP increase in 2020/21 and future years.

1.2 Strategic Context

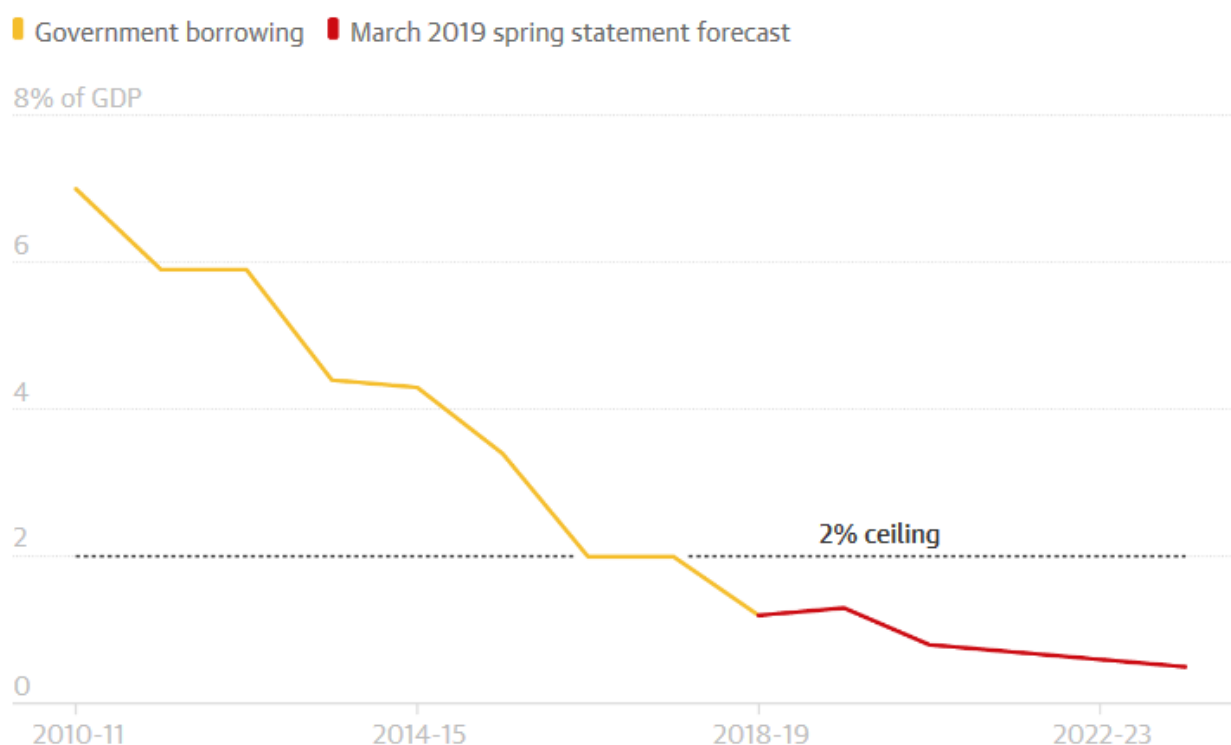
Spending Round September 2019

Overall public-sector funding

- 1.2.1 The Government released a one-year spending round on the 4 September 2019. This spending round included a total departmental spending increase of £13.8bn in real terms next year.
- 1.2.2 The Government based the announcement on £15bn of available headroom in borrowing to remain within their own fiscal rules governing how much Britain should borrow. Under the rules, national debt must fall as a percentage of Gross Domestic Product (GDP), while borrowing as a percentage of national output must remain below 2% of GDP.

1.2.3 Government departmental spending will increase by 4.1% in real terms (this compares to the current inflation rate of 1.8%), whilst keeping within the government's fiscal rules. Most, but not all, of the available "headroom" has now been committed.

1.2.4 The Chancellor's statement was based on the Office for Budget Responsibility (OBR) forecasts from the March 2019 spring statement. Should the assumptions of the health of the economy change then future spending rounds will need to factor that in. The graph below shows Government borrowing as a % of GDP and how this has reduced since 2010.



1.2.5 The key announcements within the Spending Round were as follows.

- Health and social care – the government reaffirmed the existing five-year settlement for the NHS, with an additional £33.9bn more per year by 2023/24, compared to 2018/19 budgets, with a real terms 3.1% increase in Resource Departmental Expenditure Limits (DEL) in 2020/21. Nationally there will be a 3.4% increase in Public Health funding and an additional £1bn for adult and children's social care and the government will be consulting on a 2% adult social care precept to enable councils to access a further £0.5bn.
- Education and skills - the schools' budget will rise by £2.6bn in 2020/21, which will include per pupil funding of £3,750 at primary and £5,000 at secondary schools. The additional funding is inclusive of £700m more funding in 2020/21, to support children and young people with special educational needs. £400m of additional funding for Further Education has also been announced.
- Tackling crime – an extra £750m for policing to pay towards the government's commitment to recruit an additional 20,000 officers by 2023, which forms part of a 6.3% real terms increase in Home Office funding;

- Brexit - the Spending Round confirms £2bn of core funding provided to departments for Brexit in 2019/20 will be continued into 2020/21. This money will be used to help pay for the costs of establishing a new relationship with the EU.
- No real terms decrease for any government department, and a real terms increase for most.

Local Government

1.2.6 For Local Government, the main headlines announced were that central funding for Local Government will increase by £1.1 billion. With this increase in grant, Local Government Core Spending Power is estimated to increase by £2.9 billion in total in 2020-21. Within this:

- the settlement included an additional £1 billion grant for adult and children's social care;
- consultation on a 2% Adult Social Care precept that will enable councils to access a further £0.5 billion, bringing the total increase in funding for social care to £1.5 billion; and
- Local Government's business rate baseline funding levels to increase in line with inflation.

1.2.7 In addition, the Spending Round confirmed that local authorities will receive additional resources through a real terms increase in the Public Health Grant. The NHS contribution to adult social care through the Better Care Fund will also increase by 3.4% in real terms, in line with the overall NHS long-term settlement.

1.2.8 Outside of the main Local Government settlement, high-needs funding for schools is increasing by more than £700 million in 2020-21, an increase of more than 11% on 2019-20 funding levels.

Impact on Barnet

1.2.9 For Barnet, the impact of the Spending Round 2019 announcement includes:

- The continuation of £3.9m Social Care (Adults and Children's) funding;
- An additional c£6.0m of Social Care Funding;
- Consultation on an ability to levy a 2% Social Care Precept, which would result in income of £3.6m;
- Consultation on the reduction in general CT referendum limit from 2.99% to 1.99% – this would result in a reduction of £1.8m against previous assumptions;
- Revenue Support Grant is not expected to reduce; which would result in an additional £2.3m;
- Initial Business Rates baseline estimate has reduced (detriment £0.7m) – together with confirmation that the London Business Rates pool will not

continue in to 2020/21. The benefit of the pool had not been factored in to the MTFS on an on-going basis and therefore doesn't lead to a detriment, however it means there is reduced scope for a windfall from growth and the Strategic Infrastructure Pool. If the London Business Rates Pool had continued, Barnet would have benefited from a share of growth across London. Estimates based on the 19/20 pool indicate a potential benefit of £3.4m had the pool continued.

1.2.10 All of the impacts described within this section are included within the MTFS presented at Appendix A.

Brexit

1.2.11 The Committee is separately considering a paper on the implications of the UK's planned departure from the European Union.

1.2.12 To support Local Authorities with Brexit preparations, the Government announced funding allocations in January 2019 and August 2019. All London boroughs have received approximately £315k over the 18/19 and 19/20 financial years, with port authorities receiving additional funding.

1.2.13 The council deliberately maintains a level of reserves to insulate against volatility and to meet the cost of unanticipated costs. Should there be a need to incur incidental expenditure resulting from the UK's departure from the EU, the council is able to fund this from its available revenue reserves.

Service specific issues

Adult Social Care

1.2.14 Adult social care budgets have faced significant and growing pressures across the country, and in particular in London, due to a fast-growing population. The Government has recognised the need for extra investment over previous years through the provision of the iBCF, Winter Pressures Funding and the Adult Social Care Precept. Many of these solutions are temporary and have not allowed Local Authorities to plan long term, nor have they fully met the increasing costs of the service, requiring councils to reduce investment in other services.

1.2.15 In order to plan, the sector requires a long-term solution to the ongoing adult social care challenge that addresses demographic growth, the increasingly complex needs of service users, and the rising cost burden on local authorities.

1.2.16 London Councils' recent State of Adult Social Care in London report showed that London boroughs achieved £480 million in adult social care savings between 2015/16 and 2017/18. Their analysis also suggested a funding gap of £540 million by 2025 due to the national shortfall in adult social care finances.

1.2.17 Demand for adult social care is increasing rapidly in London, with the capital's population growing particularly among groups likely to require social care. The number of Londoners aged 65 and older is expected to increase by 71% by 2039 – a faster rate than any other region in England. The capital also has a higher proportion of people of working age needing social care, with the number of working-age Londoners with impaired mobility set to increase 14% by 2035.

Children's Social Care and Education

1.2.18 Children's services across the country are facing an unsustainable level of financial risk. In 2017/18 all but one council in London were in deficit on their high-needs expenditure and all but six were in deficit on their children's social care expenditure. Given the significant budgetary pressures facing Children's Services, there is concern that future performance in this vitally important service area will be put at risk. This isn't a London-specific issue, however across all 33 London local authorities the total in-year shortfall in funding across both Special Educational Needs and Disabilities (SEND) and children's social care came to £185 million in 2017/18. This shortfall is driven both by funding squeezes and increased demand.

1.2.19 In SEND there has been a sustained rise in demand for support, brought about by the very rapid increase in children and young people with Education Health and Care Plans (31% over four years). In children's social care, the overspend stands at 9% in 2017/18, or £108 million. Increased complexity of need, workforce dynamics and competition within the market for places are leading to rapidly rising individual costs of care.

North London Waste Authority (NLWA)

1.2.20 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).

1.2.21 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 subject to the authority finalising its funding strategy and 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.

Growth and Corporate Services

- 1.2.22 The Government is committed to the improved delivery of new homes nationally through their economic and housing growth agendas. Accordingly, they have introduced a number of measures and reforms to the planning system intended to deliver more housing, improve housing affordability and remove barriers to development.
- 1.2.23 The Government's Housing Delivery Test (HDT) provides a measure of housing delivery based on the preceding three financial years. There is now a requirement for housing action plans to be produced by local planning authorities where the delivery of new housing is below 95% of the housing requirement. According to the Government Barnet's housing delivery is below 95%. The council has therefore been required to produce this Housing Delivery Action Plan (HDAP). The HDAP provides an analysis of housing delivery, including barriers to delivery, and identifies actions to reduce the risk of further under-delivery. The HDAP also highlights measures that Barnet is already taking to improve levels of housing delivery.
- 1.2.24 Responsibility for producing, monitoring and updating the HDAP rests with the council. However, implementing the HDAP is reliant on a collaborative process between a range of stakeholders including developers, land promoters, private and public landowners, infrastructure providers (such as utility providers, highways) and neighbouring authorities with adjoining or cross-boundary sites. These all have an impact on housing delivery.
- 1.2.25 The HDAP will provide supporting evidence for the current Local Plan review; the Council intends to consult on a full draft Local Plan in early 2020. Having an up to date plan in place will ensure that Barnet has the right land available in the right places to deliver the homes and jobs we need up to 2036. The Plan will also identify the new infrastructure, such as transport, schools, health centres and utility networks, required to support delivery of new homes.
- 1.2.26 The London Plan provides the overall housing target for Barnet. This stands as 2,349 new homes per annum as set out in the 2015 London Plan.
- 1.2.27 Nearing the end of a full review, a draft replacement London Plan has recently undergone an examination in public. The council expects confirmation of the revised housing target for Barnet once the new London Plan has been adopted which is anticipated to be in Spring 2020. The draft London Plan sets out an annual target of 3,134 for the ten-year period 2019/20 – 2028/29, an increase of 33% from the current target. The MHCLG housing target for Barnet, using the Government's standard methodology, is 4,126 new homes per annum.
- 1.2.28 Both the draft London Plan and the MHCLG target are significantly higher than the current target contained in the 2015 London Plan.

1.3 Review of the Medium Term Financial Strategy

Financial Strategy

1.3.1 In March 2019, the budget report to Council approved an overarching financial strategy. These have been reviewed and strengthened in recognition of the fact that the financial challenges (in respect of reducing funding and increasing demand) facing local government are likely to continue and therefore a focus on resilience and sustainability is important. The council's proposed financial strategy is set out below.

- The council will set a legal budget, balancing recurrent expenditure with estimated income within the medium term in order that the council has a sustainable financial position;
- The council will 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;
- A level of sustainable reserves will be maintained, this will be defined by the Section 151 officer during the budget setting process, considering prevailing risks and opportunities. For 2020, this has been identified as £15m for general fund balance and £30m for earmarked non-ringfenced revenue reserves;
- The council will seek to build resilience to economic shocks and insulate from the requirement for sudden cuts to vital services;
- The council is happy to use reserves to invest in one-off investment or transformation requirements but not to the point of the organisation being in distress;
- The council will ensure we have sufficient funding for on-going transformation and long-term changes;
- The council will provide a realistic amount of funding to support increasing demand, quickly addressing ongoing financial pressures with a permanent solution, reducing the instances where one off solutions are used;
- The council will achieve the best possible outcomes within the funding available;
- The council will ensure that budgets are aligned to our Corporate Plan objectives and that we will actively disinvest where this is not the case;
- The council will understand the implications of growth and ensure that both the reward and the increased costs to services are recognised, and;
- The council will act lawfully and protect the integrity of regulations, ring fences and accounting rules.

MTFS Summary

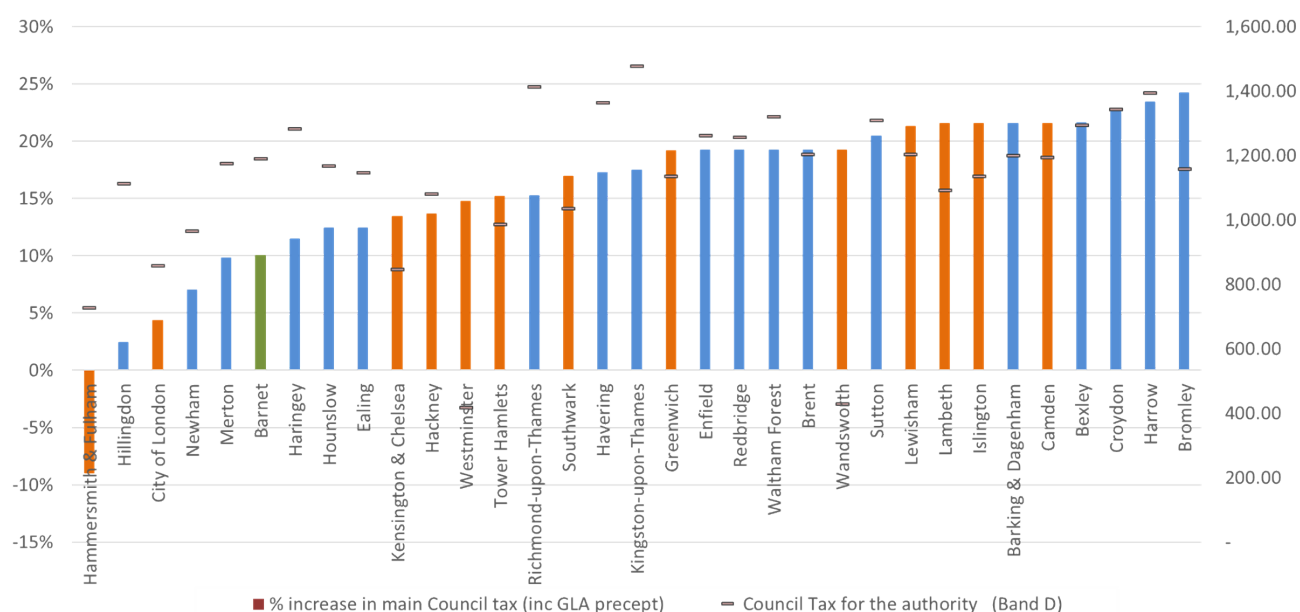
1.3.2 The MTFS presented to Council in March 2019 displayed a budget gap of £5.931m for 2020/21, towards which £2.965m of reserves were proposed to be used. This gap moved to a balanced position in later years of the MTFS as savings were delivered.

1.3.3 The MTFS presented to this Committee has removed the expectation of funding from reserves and now projects forward an additional year to 2024/25. After a review of cost pressures, funding and the deliverability of savings, over the five years to 2024/25, additional savings of £40.307m are required in order to live

within the expected income levels. This represents a total savings requirement of £71.507m, with savings of £31.2m already identified.

Council Tax

- 1.3.4 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. The MTFS approved by Council in March 2019 included the assumption of a 2.99% increase in each year in order to support front line services.
- 1.3.5 As explained in paragraph 1.1.2, the Government is consulting on reducing councils' ability to raise general Council Tax from a maximum of 2.99% to 1.99%. This reduced rate would reduce funding in the MTFS by around £1.8m per year of the MTFS.
- 1.3.6 Also announced within the spending round was a consultation on the reintroduction of a Social Care Precept - allowing local authorities to raise up to 2% (£3.6m) specifically to fund pressures within Adult Social Care. This has been assumed for 2020/21 only within the MTFS.
- 1.3.7 The graph below shows that over the last 10 years Barnet has the 6th lowest cumulative Council Tax increase together with an absolute Council Tax rate which is below that of most other outer London Boroughs.



- 1.3.8 The MTFS, therefore, proposes the use of the maximum council tax increase and social care precept.

Service Pressures & Growth requests

1.3.9 As part of the review of the MTFS, services across the council have identified pressures that they expect to either carry forward from the current financial year, or those that they expect to occur in future years. Through a thorough review of budget pressures, officers have identified the requirement to invest £16m in 2020/21 as detailed below. £5.255m was allowed for in the previous MTFS resulting in increased requirement for pressures of £10.375m:

Service line	2020/21	2021/22	2022/23	2023/24	2024/25
Housing Committee	500	755	500	-	-
Policy & Resources Committee	905	-	-	-	-
Environment Committee	3,300	1,150	458	100	100
Adults & Safeguarding Committee	5,236	5,323	5,412	5,504	5,598
Children, Education Safeguarding Committee	4,040	2,200	2,200	2,200	2,200
Assets, Regeneration & Growth Committee	1,649	-	-	-	-
Total Pressures Funding Required	15,630	9,428	8,570	7,804	7,898
Previously allowed for in the MTFS	5,255	5,500	5,000	5,000	5,000
Net increase in pressures above MTFS level	10,375	3,928	3,570	2,804	2,898

Savings Delivery

1.3.10 Since the budget was set in March 2019, a number of savings across the MTFS period have been identified as at risk of non-delivery. Those affecting the 2019/20 financial year will be reported to the Financial Performance and Contracts Committee however they will also leave a budget gap in 2020/21.

1.3.11 Officers are continuing to work on delivery of those affecting 2020/21 onwards, however, as part of prudent financial management it is necessary to make an allowance in case of non-delivery. Any savings which are not expected to be delivered following work by officers, will be presented to Theme Committees in November 2019 as part of the council's usual budget setting process. Equally, if after further due diligence, the saving is deemed to be deliverable it will be re-presented as such.

1.3.12 So far, the approved savings which have been identified as at risk of non-delivery are shown below. Mitigations and alternative proposals are being identified and the current view of the risk to the 2020/21 budget is £2.8m. The status of these savings together with approval of alternative options will be considered at Theme Committee meetings during November 2019.

Savings currently assumed to be undeliverable

1.3.13 The table below shows savings which are currently at risk of being undeliverable. Officers are continuing to look at ways to assure delivery however they have been assumed as undeliverable within the MTFS.

Line Ref	Theme Committee	Original savings text to Full Council in March 2019	2019/20 £'000	2020/21 £'000	2021/22	2022/23	2023/24	Total savings (All years)
ARG8	Assets, Regeneration & Growth	Commercial property acquisitions for improved place shaping and to meet other strategic in-borough objectives, resulting in incidental income. (estimate based on £50m capital investment)		(850)	(1,050)			(1,900)
R4	Environment Committee	Additional savings from 2018/19: Alternative savings provision for £200k of original £900k target for changes to refuse collection (R2) and those set out in the November Environment Committee papers relating to parks and open spaces and fees and charges. Full-year effect from service changes which have been agreed by members.	(200)	0	0	0	0	(200)
H1	Housing Committee	500 additional acquisitions of properties for use as affordable temporary accommodation by Open Door Homes supported by Loan from Council, as a cheaper alternative to existing temporary arrangements which utilise the private rented sector. Savings also achieved by premium of 1.24% interest on loans made by the council to Open Door Homes.	(161)	(568)	(821)	(834)	(681)	(3,065)
H2	Housing Committee	Transfer of 141 properties acquired by Council for use as affordable temporary accommodation to Open Door Homes. Savings achieved by transfer of debt management and premium of 1.24% interest on loans made by the council to Open Door Homes.	(1,025)	49	50	51	53	(822)
P&R10	Policy & Resources Committee	GIS value for money review (economy, efficiency and effectiveness)	0	(60)				(60)

Savings likely to be delayed from the original profiling

1.3.1 The table below shows savings which are currently at risk of being delayed. Officers are continuing to work on delivery and a revised profile will be presented to Theme Committees in November where appropriate.

Line Ref	Theme Committee	Original savings text to Full Council in March 2019	2019/20 £'000	2020/21 £'000	2021/22	2022/23	2023/24	Total savings (All years)
R5	Environment Committee	Savings recovery plan: Alternative savings provision for £700k of original £900k target for changes to refuse collection (R2). Proposed option to move to a chargeable garden waste service.	(550)	(150)	0	0	0	(700)
P1	Environment Committee	Delivery of Parks and Open Spaces Strategy: To reduce the annual revenue cost of the operation and management of green spaces by maximising the efficiency of the service and developing new and income generating uses for parks and green spaces sites.	0	0	(250)	(1,500)	(2,000)	(3,750)
P&R8	Policy & Resources Committee	Economies of scale from review and redesign of professional support services, including economies of scale and efficiencies from joining up functions, reducing duplication. Assumes take effect May 2019	(297)	(260)				(557)

2020/21 Funding Gap

- 1.3.2 The combination of the additional pressures, savings delivery and the September 2019 Spending Round announcement leaves a revised net gap of £5.4m in 2020/21. The movements are summarised below:

	£m
Existing MTFS gap	6.0
Plus Pension Deficit Recovery costs	0.5
Plus increased pressures	10.4
Plus non deliverable savings	2.8
Change in Business Rates forecast	0.6
Plus reduced CT increase	1.8
Total adverse movements	22.2
<i>Less:</i>	
Continuation of Social Care Funding	3.9
New Social Care Funding	6.0
Release of contingency funding	1.0
Continuation of RSG at current level	2.3
Social Care Precept	3.6
Total favourable movements	16.8
Remaining gap (Savings Target)	5.4

- 1.3.3 As shown above, additional pressures of £10.4m are contributing to the gap identified for 2020/21. Within the recommendations, Theme Committees have been asked to review these pressures, as any reduction in these will help to deliver the remaining savings/gap for 2020/21.
- 1.3.4 It is recommended to apportion the remaining gap of £5.4m across the council's controllable net budgets (excluding ringfenced areas such as Public Health and the DSG).
- 1.3.5 Committee are asked to approve the allocations for each Theme Committee along with savings in the existing MTFS for 2020/21 and across 2020/24 as shown below:

Committee	Net Budget	Proportion on Net Budget	Savings Allocation	20/21 Savings currently in MTFS	Total deliverable 20/21	Current schedule of savings 2020-2024
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Adults & Safeguarding Committee	123,571	38.8%	(2,104)	(3,826)	(5,930)	(8,986)
Assets, Regeneration & Growth	4,848	1.5%	(83)	(1,423)	(1,506)	(5,230)
Children, Education Safeguarding	70,848	23.3%	(1,265)	(1,959)	(3,224)	(5,881)
Community Leadership Libraries	5,733	0.0%	-	-	-	-
Environment Committee	49,539	16.2%	(876)	(3,650)	(4,526)	(10,500)
Housing Committee	29,444	9.2%	(501)	(1,169)	(1,670)	(5,406)
Policy & Resources	34,651	11.0%	(595)	(1,103)	(1,698)	(3,284)
TOTAL	318,633	100%	(5,424)	(13,130)	(18,554)	(39,287)

- 1.3.6 Officers are working on ways of identifying savings to meet these targets. These proposals will be presented to relevant Theme Committees for approval in late November/early December.

Savings for 2021/22 onwards

- 1.3.7 For savings for 2021/22 onwards, the council is taking an innovative and transformational approach to addressing the annual gaps in the MTFS.
- 1.3.8 Colleagues from across the council are reviewing options to deliver savings through working collaboratively across services to deliver the council's Corporate Priorities. As the first phase of this work, officers have identified a number of cross-cutting issues upon which to base 'hot house' type collaborations for the delivery of cross cutting/transformational work.
- 1.3.9 Workshops are underway, exploring the key challenges facing the council. The output of these workshops will be to produce a specification for the "hot houses" for colleagues to work to in order to develop and design cross cutting and multi-faceted approaches to address the key challenges identified.
- 1.3.10 The expectation is that the delivery of the output of these new approaches will deliver at least 50% of the gap for 2021 onwards. Any shortfall will be addressed across departments as part of their normal business planning activity.

1.4 Budget Management 2019/20

2019/20 Forecast Outturn

- 1.4.1 At quarter 1, the General Fund revenue forecast for 2019/20 was £306.219m, which is a net overspend of £6.583m, compared with the revised budget of £299.636m. This forecast is stated after the net contribution to specific and general earmarked reserves totalling £1.697m.
- 1.4.2 A small number of changes are anticipated to the quarter one position which is expected to reduce the overall overspend to £5.8m. This figure is assumed to be

the amount that reserves will reduce by in respect of the in year overspend within the rest of this report.

- 1.4.3 As part of good financial management practice, there are a number of business as usual processes that the council undertakes to maintain its budgets. This paper seeks Policy and Resources Committee approval to make in year allocations from the contingency budget and to agree virements between services of over £250k.

Allocations from Contingency

- 1.4.4 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. Council financial regulations also should prevent expenditure being incurred for which there is no budget provision. Allocations from contingency ensure that the financial regulations can be adhered to when unexpected items occur. This therefore supports the delivery of the organisation's overall financial strategy.
- 1.4.5 When preparing the budgets, all inflationary and service pressure allocations within the MTFS are held within the contingency budget and are allocated during the year to the service areas when the true costs are better understood. The contingency budget is usually forecast to be fully spent within the financial projections despite containing unallocated elements. This means that any virements to areas displaying a financial pressure will generally benefit the bottom line of the Council's projected outturn variance. The allocation to theme committees are targets and savings proposals will be subject to equality impact assessments and consultation as required. The contingency could be used where members do not wish to make proposed savings due to equality impacts that cannot be litigated appropriately.
- 1.4.6 At the start of the 2019/20 financial year, £9.5m contingency funding was available. Of this, £2.7m has been distributed with a further £5.4m allocated as shown below. After all the allocated balances have been posted, a balance of £1.4m will remain as shown below:

Contingency budget 19/20	Total
Contingency Available	9,505,635
Posted in 2019-20	
Pay inflation budget increases to services	(1,457,882)
Resolution of structural income in Regulatory Services - per Budget Book	(806,000)
EU exit project - Lead Officer(s) Funding	(81,000)

Adults transformation: Shared Lives project resource	(45,000)
Adults transformation: Project resource for progression reviews	(90,000)
Adults transformation: Social Work resource for contract expansions	(225,000)
Total Posted	(2,704,882)
Total remaining	6,800,753
Commitments (not posted on Integra)	
Carbon Commitments	(300,000)
Streetscene Pay inflation	(350,000)
Pausing the professional services review saving until 2020/21	(297,000)
Inflation non- pay to be allocated to services	(3,686,000)
Pension Deficit contribution	(641,000)
Resource to support equalities work	(25,000)
Increase to organisation strategy resources	(75,000)
EU exit project - Lead Officer(s) Funding	(23,980)
Total to be allocated	(5,377,980)
Total remaining	1,402,773

1.4.7 It is the Section 151 Officer's intention to allocate the remaining 2019/20 balance towards service pressures once the full implications of issues such as Oakleigh Road Depot access road and the Finchley Lido roof are better understood (subject to future Policy and Resources Committee approval). An expectation is included within the MTFS that £1m will be available from 2020/21 onwards to recurrently reduce the budget gap.

Virements

1.4.8 The constitution requires that any virement from contingency of £250k or above are approved by the Policy & Resources Committee. Further, any virements between services over £250k must also be approved by the Policy & Resources Committee.

1.4.9 The tables below give details of virements by Department rather than committee as the Scheme of Financial Delegation delegates the authority to expend the Council's resources to Executive Directors of Departments.

1.4.10 The following virements from contingency above £250k presently require approval:

Service	Description	TOTAL
StreetScene	Pay Inflation	£350,000
Adults	Non-pay inflation	£1,746,070
Assurance	Non-pay inflation	£12,188
Environment	Non-pay inflation	£491,035
Education & Skills	Non-pay inflation	£235,356
Family Services	Non-pay inflation	£521,416

Growth and Corporate Services	Non-pay inflation	£680,270
Growth and Corporate Services	Pausing saving until 2020/21	£297,000
Central Expenses	Contingency Allocation	(4,333,335)

1.4.11 P&R are asked to note the following virements from contingency less that £250k:

Service	Description	TOTAL
Growth and Corporate Services	Resource to support equalities work	£25,000
Growth and Corporate Services	Increase to organisation strategy resources	£75,000
Growth and Corporate Services	EU Exit Project (Lead Officer's Funding)	£23,980
Central Expenses	Contingency Allocation	(£123,980)

1.4.12 P&R are also asked to approve the following virements between services above £250k:

From	Description	TOTAL
Growth and Corporate Services	Transfer of the Flexible Homelessness Support Grant to fund Homelessness Prevention as it indirectly replaced the Temporary Accommodation Admin Fee.	£900,000
Finance	Transfer of the Flexible Homelessness Support Grant to fund Homelessness Prevention as it indirectly replaced the Temporary Accommodation Admin Fee.	-£900,000
Central Expenses	To split the NLWA budget into base levy and non-household waste to support financial management	£11,862,964
Environment	To split the NLWA budget into base levy and non-household waste to support financial management	-£11,862,964

Reserve Strategy

1.4.13 The council's total reserves are forecast to be £44.605m at the end of 2019/20. This would be £19.021m lower than the beginning of the year. £8m of this reduction was budgeted for within the MTFS to achieve a balanced position for 2019/20.

1.4.14 There are several one-off items which are expected to reduce reserves in the current financial year. These include transformation expenditure (£0.778m), use of the Special Parking Account (£1.104m) and a drawdown to support the

reprofiling of Re contract payments (£1m). For this item, the council previously received the benefit of a management fee payment reduction of £1m and now receives a one-off reduction in the level of guaranteed income. The current forecast drawdowns against council reserves are as follows:

Reserve drawdown	£
Impact of forecast budget variances on the MTFS reserve	(5,764,807)
Transformation reserve expenditure	(778,000)
Drawdown to support Re contract reprofiling between years	(1,000,000)
Strategic Contract Realignment - ongoing review	(265,000)
Strategic Contract Realignment - Strategic HR & Finance	(250,000)
Revenue Implications of capital	(600,000)
Community Budgets and Troubled Families	(364,000)
Public Health expenditure	(261,000)
Payment of recovery of the proceeds of crime act	(746,778)
Drawdown from Parking Reserve towards eligible expenditure	(1,104,000)
Total	(11,133,585)

1.4.15 All the items in the table above are one-off calls on reserve except for the £5.8m drawdown relating to impact of forecast budget variances. However, this has been addressed in the pressures and MTFS gap detailed in section 1.3.13 meaning the recurrent pressure it reflects, cannot recur in future years.

1.4.16 The review of the MTFS detailed in section 1.3 outlines actions officers are taking to ensure that the council balances incoming and outgoing resources and maintains an adequate level of reserves. The table below displays what would happen if no action was taken to balance the council's MTFS. If the MTFS was not brought in to balance, the council's total reserves would effectively run out in 2024/25. Crucially the £30m 'red line' for Non Ringfenced Revenue Reserves would be breached during 2020/21. This represents the gap which officers are working to close and options will be presented to Theme Committees in November to address the funding deficit.

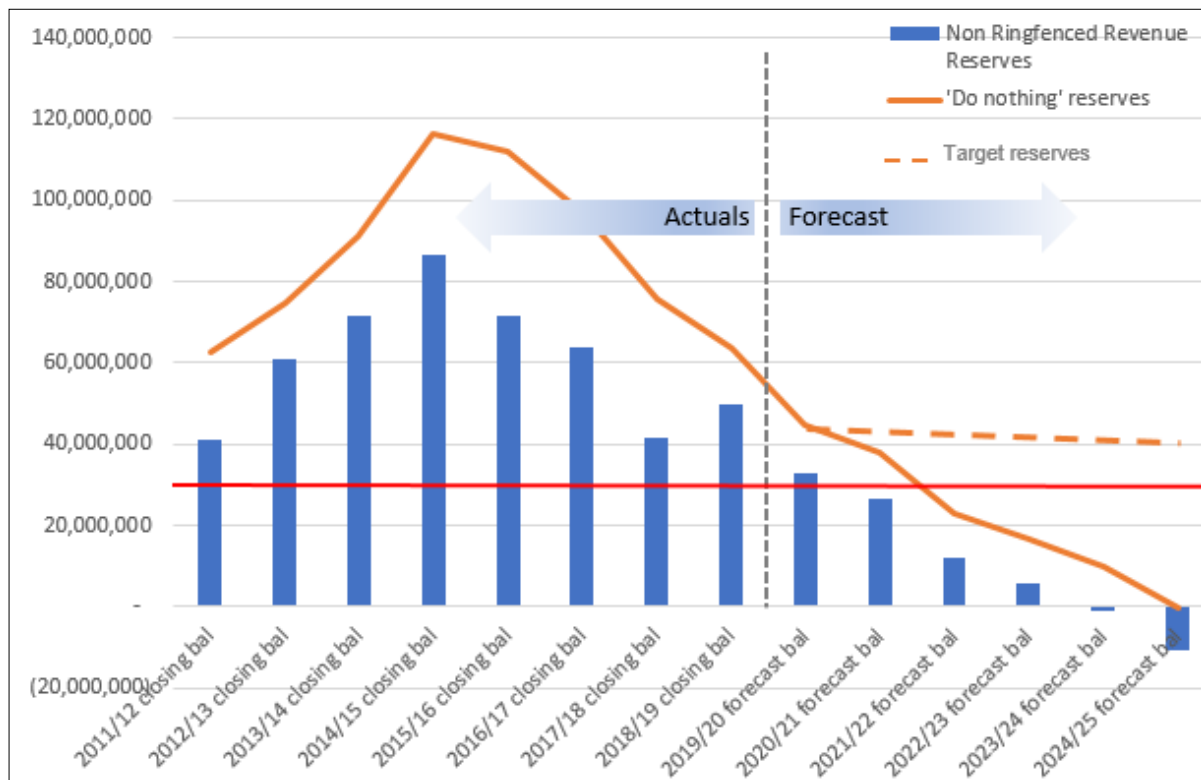
	2018/19 closing bal	2019/20 forecast bal	2020/21 forecast bal	2021/22 forecast bal	2022/23 forecast bal	2023/24 forecast bal	2024/25 forecast bal
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Capital</u>							
Capital - CIL	2,937	2,937	2,937	2,937	2,937	2,937	2,937
Revenue implications of capital	1,441	841	401	-	-	-	-
Total Capital Reserves	4,378	3,778	3,338	2,937	2,937	2,937	2,937
<u>Revenue</u>							
New Homes Bonus	-	-	-	-	-	-	-
MTFS	34,036	22,530	17,106	3,621	(1,367)	(7,646)	(17,777)
Collection Fund Smoothing Reserve	6,380	3,064	3,064	3,064	3,064	3,064	3,064

Revenue - Earmarked	1,629	1,629	1,279	929	579	579	579
Transformation	3,083	2,305	1,619	972	486	-	-
Revenue - Service Specific	4,822	3,366	3,516	3,666	3,216	3,216	3,216
Non Ringfenced Revenue Reserves	49,950	32,894	26,584	12,252	5,978	(787)	(10,918)
<u>Ringfenced</u>							
DSG	1,543	1,543	1,543	1,543	1,543	1,543	1,543
Housing Benefits	3,981	3,981	3,981	3,981	3,981	3,981	3,981
North London Sub Region	79	79	79	79	79	79	79
PFI	-	-	-	-	-	-	-
Public Health	1,462	1,201	1,201	1,201	1,201	1,201	1,201
Special Parking Account	2,233	1,129	1,129	1,129	1,129	1,129	1,129
Total Ringfenced	9,298	7,933	7,933	7,933	7,933	7,933	7,933
Total Earmarked Reserves	63,626	44,605	37,855	23,122	16,848	10,083	(48)

1.4.17 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.

1.4.18 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.

1.4.19 The table above is represented in the following graph showing the council's reserves balance over time. The forward forecast shows the 'do nothing' position (which sets out the challenge which is being addressed through the budget setting process) and the council's target reserves position (dotted line). Once savings proposals have been identified and approved by Theme Committees the reserves forecast will be amended accordingly. The targeted reserves balance remains above £40m for 2024/25.



1.5 Capital Programme

- 1.5.1 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.

Changes to the Capital Programme

Slippage

- 1.5.2 Throughout the summer, officers have been looking at the reasons that slippage occurs and challenging assumptions on the anticipated delivery profile of the Capital Programme. Over estimating capital expenditure can cause a number of unintended consequences, such as incurring unnecessary financing costs, reducing service budgets to fund borrowing, or the lapsing of funding opportunities.
- 1.5.3 As a result of this work it has been identified that a total of £153.447m needs to be slipped out of the 2019/20 financial year into future periods. Whilst this value is significant, it improves the accuracy of the programme and supports stronger financial management.

- 1.5.4 The breakdown of slippage by Committee is shown below:

Theme Committee	Net Slippage & Accelerated spend
Adults and Safeguarding	(795)
Assets, Regeneration & Growth	(53,519)
Children, Education & Safeguarding	(24,427)
Community Leadership and Libraries	-
Environment	(6,401)
Housing	(5,107)
Policy & Resources	-
Housing (HRA)	(63,198)
Total:	(153,447)

Additions

1.5.5 Upper and Lower Fosters

In July 2019, £1.6m of additional budget was approved by Council to progress the Upper and Lower Fosters scheme to RIBA stage 4a. This will be funded from a combination of HRA borrowing and S106 receipts. As this decision was approved by Full Council, Policy and Resources Committee approval is not required.

1.5.6 Disabled Facilities Grant

£0.643m of additional Disabled Facility Grant has been received by the council which will need to be added to the Disabled Facilities capital programme in order to spend the allocation. This is a central government ring fenced grant allocation and will increase the Disabled Facilities programme total budget to £2.99m.

1.5.7 HRA Capital Programme

In January 2019, the Housing Committee agreed the budgets for 2022/23 to 2024/25 for the HRA capital programme. An additional £52.38m is required for the HRA capital programme and these additional budgets will be funded from HRA Major Repair Reserve. The extra budget will be added to the following programmes:

- Major Works (excl Granville Rd) - £24m

This budget is spread relatively smoothly over 2021/22/23/24/25 enabling contract and staff resources to be allocated accordingly and limit peaks and troughs in workload. The budget provides for significant work programmes of energy efficiency, specific work to Athol houses as well as the cyclical external painting programme and work to wall and balconies. Significant spend is allocated to Decent Homes work, including the replacement of kitchens, bathrooms, doors and windows. There is particular spend and ongoing spend in 2021/2/3 on estate improvements, including door entry systems.

➤ Regeneration - £1.14m

This budget is for work that falls outside of a major programme, e.g. due to no access or a particular problem has arisen. The work addresses key building components to ensure the property remains safe and is kept in good repair. It includes new windows, rewiring as well as new kitchens and bathrooms with similar volumes of work being carried out in each year. It also includes for decanting properties and associated work to link in with the regeneration programme.

➤ Miscellaneous Repairs – £6.95m

This budget deals with the replacement of water mains, domestic and communal heating systems, aerials, one off electrical rewiring and re-roofing that falls outside of other programmes or is combined with other relevant work. As with other budgets the spend is evenly spread across the years.

➤ Mechanical, electrical and gas services - £9.52m

This budget includes for significant spend on domestic rewiring and the replacement of electrical rising mains in blocks of flats. It also includes for the replacement of collapsed drains and the installation of new water mains. Work is spread evenly with no particular peaks and troughs.

➤ Voids and Lettings - £10.77m

The voids budget, which also includes work the voids in hostels and adaptations that are needed to make homes suitable for the particular needs of new tenants. The budget anticipated the same spend on voids and adaptations annually over the period.

1.5.8 Mosaic system

Due to a change in funding method for some of the project costs from revenue to capital, an additional £0.3m is required by Adults and Communities for the Mosaic (Investing in IT) Capital programme. This additional amount will be funded from borrowing and will increase the total capital budget to £2.19m but does not change the total cost of the scheme.

1.5.9 Highways major repairs capitalisation

A capital addition of £1.050m is required in relation to major repairs works to highways. This extends the existing capital project for one additional year. This is part of a phased decapitalisation of the project, with the second tranche taking place in 2021/22 meaning it will be fully revenue funded by that year.

1.5.10 Strategic Opportunities Fund

The Strategic Opportunities Fund is available to support capital acquisitions which generate an overall return to the council. In order to allow the council to be agile and exploit opportunities quickly, as they arise it is necessary to increase the value of the capital budget available. All prospective acquisitions

will be justified by a comprehensive business case showing the estimated returns and presented to ARG for approval. Officers recommend a budget increase of £6m. This capital budget increase is linked to the commercial property acquisitions saving described in paragraph 1.3.15.

1.5.11 Total additions

The profiling of the additions described above is set out in the summary table below.

Addition	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000	£000
Investing in IT	300	-	-	-	-	-	300
Disabled Facilities Grants Programme	643	-	-	-	-	-	643
Highways Planned Maintenance	-	1,050	-	-	-	-	1,050
Major Works (excl Granville Rd)	-	-	-	8,505	7,062	8,444	24,011
Regeneration	-	-	-	644	274	217	1,135
Miscellaneous Repairs	-	-	-	2,315	2,315	2,315	6,944
M&E/ GAS	-	-	-	3,940	2,440	3,140	9,520
Voids and Lettings	-	-	-	3,655	3,505	3,605	10,765
Upper & Lower Fosters Community Led Design	-	1,600	-	-	-	-	1,600
Strategic opportunities fund	-	6,000	-	-	-	-	6,000
Total	943	8,650	-	19,059	15,596	17,721	61,968

1.5.12 Including the slippage and additions described previously, the changes to be incorporated into the revised Capital Programme are as follows:

Theme Committee	Net Slippage & Accelerated spend	Deletions	Additions
Adults and Safeguarding	(795)		300
Assets, Regeneration & Growth	(53,519)	(13)	6,000
Children, Education & Safeguarding	(24,427)	(34)	
Community Leadership and Libraries			
Environment	(6,401)		1,050
Housing	(5,107)	(275)	643
Policy & Resources			

Housing (HRA)	(63,198)	(8,080)	53,975
Total:	(153,447)	(8,402)	61,968

1.5.13 Incorporating the changes described in the table above, the Capital Programme would total £1.121bn and is set out below in summary form.

Theme Committee	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	14,884	795					15,679
Assets, Regeneration & Growth	334,303	191,483	91,407	46,600	32,850		696,643
Children, Education & Safeguarding	25,192	16,284	7,769	539			49,784
Community Leadership and Libraries							
Environment	23,751	13,751	6,250	50			43,802
Housing	21,388	6,024					27,412
Policy & Resources	20,402	9,449					29,851
Total - General Fund	439,920	237,786	105,426	47,189	32,850		863,171
Housing (HRA)	40,748	92,335	64,299	25,625	16,911	17,721	257,637
Total - all services	480,668	330,121	169,725	72,814	49,761	17,721	1,120,808

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

Theme Committee	Grants	S106	Capital Receipts	RCCO/MRA	CIL	Debt	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	2,000	700	500		10,291	2,188	15,679
Assets, Regeneration & Growth	362,268	14,764	12,677		15,732	291,202	696,643
Children, Education & Safeguarding	39,235	3,536	910		852	5,251	49,784
Community Leadership and Libraries							
Environment	3,156	965	3,380	440	12,040	23,821	43,802
Housing	6,012	3,817	4,137	650		12,796	27,412
Policy & Resources			6,074	5		23,772	29,851
Total - General Fund	412,671	23,782	27,678	1,095	38,915	359,030	863,171
Housing (HRA)	17,740		13,331	141,162		85,404	257,637
Total - all services	430,411	23,782	41,009	142,257	38,915	444,434	1,120,808

Borrowing

1.5.15 £437m of the total capital programme will be funded from borrowing of which £210m is on-lent to Opendoor Homes for the acquisition or delivery of new housing.

1.5.16 Borrowing is 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).

1.5.17 Based on the current value of the borrowing requirement, there will be an additional MRP charge of £3.29m 2020/21. This is within the budget allowed for in the MTFS.

Capital Receipts

1.5.18 The council has previously highlighted a risk in the level of capital receipts that it currently holds or forecasts to receive. Capital Receipts are proceeds of capital sales (land, buildings, etc.) and are re-invested into purchasing other capital assets.

1.5.19 £41m of the above capital programme is planned to be funded by capital receipts. Current receipts are standing at £21.19m with £19.36m being HRA receipts and the remaining £1.83m are General Fund receipts.

1.5.20 Of the £41m, £13.33m will be funded from HRA capital receipt (RTB Receipts). Current HRA capital receipt balances plus future estimates suggest that there will be enough HRA capital receipts to fund the relevant projects.

1.5.21 The remaining £27.67m is expected to come from General Fund capital receipts. With £19.48m needed in 2019/20. There are currently no General Fund disposals agreed however it is estimated that capital receipts by the end of the year will be £10m.

1.5.22 Assuming no further General Fund disposals during 2019/20 there would be a gap of £19.48m. This gap would be replaced by borrowing which would result in additional £336k interest costs in 2019/20 and £320k of MRP increase in 2020/21 and future years.

Capital Grants & Contributions

1.5.23 The current capital programme funding forecast shows £430.4m will be funded from Capital Grants. S106 and CIL are standing at £23.78m and £38.91m respectively.

1.5.24 Capital grants are mainly received from central government departments (such as the Brent Cross grant from MHCLG) or other partners or funding agencies (such Transport for London, Education Funding Authority).

1.5.25 S106 contributions are a developer contribution towards infrastructure; confined to specific area and to be used within specific timeframe.

- 1.5.26 Community Infrastructure Levy (CIL) funds are developer contribution towards infrastructure; can be used borough wide but still has time restrictions on use.
- 1.5.27 Current capital programme forecasts plus future estimates suggest that there will be enough S106 contributions to fund the relevant projects.
- 1.5.28 Based on the current forecasts for CIL funded projects, there is a gap of £4.62m in 2019/20.

2. REASONS FOR RECOMMENDATIONS

- 2.1.1 The council's MTFS sets out the estimated overall financial position of the council over a period of time. This report recommends the noting of progress towards a balanced budget for 2020/21 onwards in order to ensure Councillors and the public are informed of this work, supporting good governance.
- 2.1.2 Ongoing budget maintenance in the form of virements and the allocation of contingency funds support strong financial management.
- 2.1.3 The revisions to the capital programme ensure that the council's financial planning accurately reflects what is happening with scheme delivery. This ensures that the council can make effective decisions on the deployment of its scarce resources.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1.1 The council could consider alternative options to allocate contingency funding however these could result in service delivery problems or fail to address structural budget deficits.
- 3.1.2 The alternative option to reducing the capital programme would be to make revenue reductions in order to fund the cost of borrowing.

4. POST DECISION IMPLEMENTATION

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

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 This supports the council's corporate priorities as expressed through the Corporate Plan for 2019-24 which sets out our vision and strategy for the next 5 years. This includes the **outcomes** we want to achieve for the borough, the **priorities** we will focus limited resources on, and our **approach** for how we will deliver this.

5.1.2 Our 3 outcomes for the borough focus on place, people and communities:

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

5.1.3 The approach for delivering on this is underpinned by four strands; ensuring residents get a fair deal, maximising on opportunities, sharing responsibilities with the community and partners, and working effectively and efficiently

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

5.2.1 The report considers strategic financial matters and refreshes the presents the current position of the council's MTFS. Action will now take place to identify savings and ensure they go through the appropriate governance process to set a legal budget in March 2020.

5.2.2 The proposed changes to the capital programme reduce the cost of borrowing and therefore support the council's revenue budget.

5.2.3 The council's financial regulations require that virements for allocation from contingency for amounts over £250,000 and capital programme additions must be approved by Policy and Resources Committee.

5.3 Social Value

5.3.1 None applicable to this report, however the council must 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 Article 7 of the Council's Constitution sets out the terms of reference of the Policy and Resources Committee which include:

- Responsibility for strategic policy finance and corporate risk management including recommending: Capital and Revenue Budget; Medium Term Financial Strategy; and Corporate Plan to Full Council

- To be responsible for the overall strategic direction of the Council including strategic partnerships, Treasury Management Strategy and internal transformation programmes.
- To be responsible for those matters not specifically allocated to any other committee affecting the affairs of the Council.

5.4.3 The council's financial regulations state that amendments to the revenue budget can only be made with approval as per the scheme of virement table below:

Revenue Virements

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

Capital Virements

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

Article 4 sets out the role of Full Council “approving the strategic financing of the council upon recommendations of the Policy and resources committee, determination of financial strategy, approval of the budget, approval of the capital programme”.

6. Risk Management

- 6.1** The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. The allocation of an amount to contingency is a step to mitigate the pressures that had yet to be quantified during the budget setting process.
- 6.2** The allocation of budgets from contingency seeks to mitigate financial risks which have materialised.

7. Equalities and Diversity

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. Consideration of the duties should precede the decision. It is important that policy and Resources Committee has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

- 7.1.1** A public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is 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.
- 7.1.2** 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, to the need to:
- 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.
- 7.1.3** 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.

- 7.1.4 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, to the need to:
- Tackle prejudice, and
 - Promote understanding.
- 7.1.5 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
- 7.1.6 This is set out in the council's Equalities Policy together with our strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.
- 7.1.7 Progress against the performance measures we use is published on our website at:
www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity

8. Corporate Parenting

- 8.1.1 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.
- 8.1.2 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.

9. Consultation and Engagement

- 9.1** In terms of service specific consultations, the Council has a duty to consult on proposals to vary, reduce or withdraw services in the following circumstances:
- where there is a statutory requirement in the relevant legislative framework;
 - where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy;
 - exceptionally, where the matter is so important that there is a legitimate expectation of consultation.
- 9.2** Consultation is also recommended in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equalities duties.
- 9.3** Consultation will take place on individual proposals linked to projects as they are developed, and the outcome of the consultation will need to feed into Committees as decision are taken.
- 9.4** The council will perform budget consultation during December 2019 through to January 2020. This consultation will cover any proposals to increase council tax together with seeking views on the council's budget overall.
- 9.5** There are no direct consultation implications from the decisions recommended within this report.

10. Insight

- 10.1** None in the context of this report

11. Background Papers

Committee	Item & Agenda	Link
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Council 5 March 2019	Corporate Plan, Medium Term Financial Strategy 2019/24 and Budget for 2019/20	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=9456&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