

Annex A

Meeting	Cabinet
Date	7 November 2012
Subject	Business Planning 2013/14 – 2015/16
Report of	Leader of the Council Cabinet Member for Resources and Performance
Summary	<p>This report sets out draft proposals for refining the council's strategic objectives, alongside budget headlines for 2013/14 - 2015/16.</p> <p>In March 2012, the council set a three year budget for the period 2012/13 – 2014/15. This report updates the budget position in 2013/14 and 2014/15 and brings forward new proposals for 2015/16 to ensure that the council continues to plan on a three year horizon.</p>

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Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix 1 – Medium Term Financial Strategy Appendix 2 – Savings and Pressures Appendix 3 – Growth Strategy for Barnet Appendix 4 – Children's Service Fees and Charges Appendix 5 – School Places Appendix 6 – Public Health
For decision by	Cabinet
Function of	Executive
Reason for urgency/ exemption from call- in	N/A

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1. RECOMMENDATIONS

- 1.1 **That Cabinet agrees the Council's draft strategic objectives for consultation, as set out in section 9.3;**
- 1.2 **That Cabinet notes the updated Medium Term Financial Strategy as set out in Appendix 1;**
- 1.3 **That Cabinet notes impact on performance, staff and equalities as set out in section 9.7 of this report;**
- 1.4 **That Cabinet notes the process for agreement of the Housing Revenue Account budget as set out in section 9.8;**
- 1.5 **That Cabinet notes the process for the development of the Capital Programme as set out in section 9.9 and agree that school places contained in Appendix 5 is prioritised;**
- 1.6 **That Cabinet agrees the savings and pressures included in Appendix 2 as 'budget headlines' for consultation;**
- 1.7 **That Cabinet agrees the Children's Service childcare fees that are over and above inflation included in Appendix 4 for consultation; and**
- 1.8 **That Cabinet notes the Public Health commissioning intentions included in Appendix 6.**

2 RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet on 17 July 2012 agreed a business planning process covering the period 2013/14 - 2015/16.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The business planning process enables Members to set the strategic direction of the council and for that direction to be reflected in the Corporate Plan, which is refreshed annually. Individual Service Delivery Plans will set out how the council's strategic objectives will be delivered and this will flow through to individual officer objectives, thus creating a 'Golden Thread'. The council's budget will be focussed on delivering its strategic objectives, ensuring that resources follow strategy.

4. RISK MANAGEMENT ISSUES

- 4.1 Severe resource constraint represents the most significant risk to the council achieving its strategic objectives. The One Barnet programme potentially mitigates this risk but needs to be taken forward in a timely fashion and integrated into the business planning process.

- 4.2 The council has taken steps to improve its risk management processes, in particular integrating the management of financial and other risks. Risk management information is reported quarterly to Cabinet Resources Committee and will be reflected as appropriate in business planning.
- 4.3 The threat of future Government-imposed spending cuts over and above the current Spending Review settlement, which runs until 1 April 2015, remains the single most important financial risk facing the council. Our reserves and contingency positions remain prudent on the basis that there is a risk that the Government may reopen the current Spending Review settlement to create the headroom for more cuts, particularly in 2014-15. The Financial Year 2015-16 falls outside of the current SR period and, as such, the Government has not yet set the Local Government settlement envelope for that year. It will need to do so before the end of the 2014 calendar year but, until further announcements are made from the centre, we are planning for a prudent assumption that the Government may make an additional 10% cut to the Local Government spending settlement in that year, based on existing announcements from the Chancellor on spending expectations in 2015-17. These assumptions will be revised if further indications on future spending plans are made at the Treasury's "Autumn" Statement in December.
- 4.4 The challenges set out in this report require fundamental change in the way council services are delivered, which will impact on the human resources of the organisation and related policies and practices. The staffing impact of this report and related considerations are set out in section 9.7.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The projected increase in the borough's population, and changes in the demographic profile, will be key factors that need to be considered when determining the council's strategic objectives and service responses.
- 5.2 Equality and diversity issues are a mandatory consideration in decision making in the council pursuant to the Equality Act 2010. This means the council and all other organisations acting on its behalf must have due regard to the equality duties when exercising a public function. The broad purpose of this duty is to integrate considerations of equality and good relations into day to day business requiring equality considerations to be reflected into the design of policies and the delivery of services and for these to be kept under review. All proposals emerging from the business planning process will need to be properly considered to ensure that due regard has been given to the public sector equality duty (described in 7.9 – 7.12 below) using the council's agreed approach as set out in the current Corporate Plan. The equality considerations of the proposals have been recorded on the council's equality impact analysis
- 5.3 Children's Services, Adult Social Care and the Environment, Planning and Regeneration directorates undertook externally facing EIAs. Mitigation was required in the following budget decisions.

- 5.4 The Government has recently announced its intention to bring forward a review of the public sector equality duty which it says will be completed by April 2013. Until there is any change in the law, the public sector equality duty remains a basis for legal challenge to decisions by any public authority. The council recognises that the time and cost of dealing with litigation and the risk of decisions being quashed is not something that can be treated lightly.
- 5.5 Elected Members have been briefed on the public sector equality duty and how equality considerations must be integrated into day to day business when formulating policies and decision-making. Members are mindful of the need to consider what impact if any a particular proposal will have on one or more protected groups, whether there will be any cumulative impact and what mitigating steps must be put in train. The council believes the duty has been exercised in substance with rigour and with an open mind.

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

- 6.1 This report covers the council's Medium-Term Financial Strategy and business planning process. In March 2012, the council set a three year budget which puts the organisation in a strong position to manage the challenges of funding reductions resulting from the Spending Review. This report updates Cabinet on the details of the budget for both 2013/14 and 2014/15. It also brings forward new proposals for balancing the budget in 2015/16 to ensure that the council continues to plan on a three year horizon. At this stage, it is necessary to make assumptions about the likely Local Government spending settlement for the 2015-16 Financial Year and remain flexible ahead of a formal announcement from Government on the next Spending Review. The government has, however, already set out an expectation of further cuts in the years 2015-17, so these assumptions are underpinned by the most up to date information available.
- 6.2 There has been significant global economic uncertainty. The outlook for UK growth over longer-term remains weak and future cuts to public spending are considered likely by most commentators. Given this context, the council's financial strategy remains cautious. Added to this, the government is consulting on a new system of local government finance and while some detail has emerged to enable projections to be developed, there is still significant uncertainty over 2013/14 funding allocations.
- 6.3 Demographic change poses a particular challenge. Barnet is facing significant budget reductions at the same time as the population is increasing, particularly in the young and very old. Given that 55% of the council's budget is spent on Adult Social Care and Children's Services, this poses a particular challenge as these services are predominantly 'demand led'. There will also be costs related to infrastructure development.

7 LEGAL ISSUES

- 7.1 This report sets out the complex challenges faced by the council as a consequence of the spending review, current and foreseeable economic climate and the particular demographic changes in Barnet. Members will of course be aware of the legal responsibility to set a balanced budget against this difficult backdrop. This necessitates making difficult decisions with regard to council policies and delivery of services. Some residents and or service users may not be agreeable to the council's proposals and a challenge by way of Judicial Review could be mounted by any person, group of persons or body or group of bodies that may be adversely affected by a particular proposal. Such a challenge could be brought at any stage of the decision making process on the grounds of illegality, irrationality and or impropriety, however, such challenges must be brought within three months of the council decision. In order to successfully defend such a challenge, it is critical that proper decision making processes are followed, that, where appropriate, there is proper consultation and at all times the council has due regard to its public law equality duties. These are both set out in further detail below.
- 7.2 All proposals emerging from the business planning process are being carefully considered in terms of legal implications for the council and where appropriate, mechanisms are in place to mitigate the legal risk of challenge as far as possible.
- 7.3 With regard to staff and redundancy consultation, Members will be aware that there is a statutory requirement to give 90 days notice where there are potentially more than 99 redundancies. This report states at paragraph 9.7.7 that as at the date of this report, the total number of staff at risk could rise beyond 99 and therefore the 90 day consultation is required.

CONSULTATION

- 7.4 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in 3 circumstances:
- Where there is a statutory requirement in the relevant legislative framework;
 - Where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy; and
 - Exceptionally, where the matter is so important that the council ought to consult whether or not there is a statutory duty to consult.
- 7.5 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; and
- There is a mechanism for feeding back the comments and those comments are conscientiously taken into account by the decision maker / decision making body when making a final decision.

7.6 Consultation proposals should demonstrate not only that the council is approaching the proposals with an open mind but also that it is mindful of the range of implications any proposal may have for those affected and that any decision is not pre-determined prior to the consultation and the response thereto being considered.

7.7 The council must take account of all relevant considerations; including importantly the duty to give due regard to the public law equalities duties and in particular any potential differential and/or adverse impact. The council must also have regard to and weigh up all countervailing factors, including financial resources, which in the context of the function being exercised, it is proper and reasonable for the council to consider.

7.8 Finally there will be staff consultation about these proposals in compliance with s188 of the Trade Union & Labour Relations (Consolidation) Act 1992. This collective and individual staff consultation will take place during the period 26 October 2012 to 30 January 2013.

PUBLIC SECTOR EQUALITY DUTY

7.9 The core provisions of the Equality Act 2010 came into effect in October 2010. The Act provides a new cross-cutting legislative framework to update, simplify and strengthen the previous discrimination legislation. In short, the council must have due regard to the equality duties whenever it exercises a public function. The broad purpose of this duty is to integrate considerations of equality and good relations into day to day business requiring equality considerations to be reflected into the design of policies and the delivery of services and for these to be kept under review. The general duty on public bodies is set out in section 149 of the Act.

(1) 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 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; and
- (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

(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:

- (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; and
 - (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.
- (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.
- (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, the need to:
- (a) Tackle prejudice, and
 - (b) Promote understanding.
- (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.
- (6) The relevant protected characteristics are:
- Age;
 - Disability;
 - Gender reassignment;
 - Pregnancy and maternity;
 - Race;
 - Religion or belief;
 - Sex;
 - Sexual orientation.

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

7.10 There is also a statutory Code, namely The Duty to Promote Disability Equality: Statutory Code of Practice made by the Disability Rights Commission (now named Equality and Human Rights Commission, EHRC). The Code sets out what public authorities need to do to fulfil the general and specific duties. New Statutory Guidance has been issued in relation to the new duties under s149 of the Equality Act 2010.

7.11 The Equality and Human Rights Commission has issued a statutory code of practice with regard to services, public functions and associations as well as a number of non statutory guides, including an essential guide to the public sector equality duty, equality objectives, equality information, meeting the equality duty in policy and decision-making and engagement. The council must follow statutory guidance and have regard to non-statutory guidance

when formulating policies and decision making and should only depart from it with good reason.

7.12 The guidance states, amongst other matters, that public authorities should:

- Have an adequate evidence base (i.e. up to date and reliable information about the different groups) when undertaking the analysis and making decisions and to consider what engagement needs to be undertaken with people who have an interest in tackling discrimination, advancing equality and fostering good relations; and
- Analyse the potential impact that a policy, procedure or practice might have on different equality groups.

7.13 Finally, the council must be mindful of well established principles that have emerged in case law, namely:

- Due regard means the regard that is appropriate in all the circumstances and therefore the context of the decision is important.
- The duty is equally applicable in the formative stages (when the policy is being formulated) as well as at the time of making a final decision. It involves a conscious approach and state of mind.
- An incomplete or erroneous application of the duties will mean that due regard has not been given.
- The duty must be exercised in substance, with rigour and with an open mind (i.e. it is not a tick box exercise),
- The duty is non-delegable (i.e. the decision maker / decision making body must ultimately discharge the duty)
- The duty is a continuing one and therefore requires consideration when formulating policies and making decisions as well as a review;
- Consideration must be given to what if cumulative impact, if any, there is on any protected group(s).

7.14 The council is satisfied that these requirements have been adhered to in formulating the proposals referred to in this report.

8. CONSTITUTIONAL POWERS

8.1 Constitution, Part 3, Responsibility for Functions – Section 3, Responsibilities of the Executive.

9. BACKGROUND INFORMATION

9.1 Executive Summary

9.1.1 In March 2012, the council set a three year budget for the period 2012/13 – 2014/15, consistent with the Local Government spending settlement set by the Government at the 2010 Spending Review. This report:

- Updates Cabinet on budget proposals for 2013/14 and 2014/15 **which were agreed in March** but are subject to minor amendments as a result of reviews around deliverability and priorities; and
- Brings forward new budget proposals for 2015/16 to ensure that the council continues to plan on a **three year horizon**. The Financial Year 2015/16 falls outside of the current Spending Review period and, as such, prudent assumption have been made that the Government may impose additional spending cuts of 10% in that year. This assumption will be kept under review pending further announcements from the Government.

9.1.2 Next year's draft strategic objectives are set out in **section 9.2**. These will form the basis of the 2013/14 Corporate Plan. These strategic objectives drive the allocation of resources and will continue to be refined in order to reflect the outcome of the public consultation, which will be launched in November 2012.

9.1.3 The total budget gap is £49.8m over the next 3 years (2013-16). The 3 year budget gap moves over a rolling three year period, and has been updated to reflect the assumption that a further round of spending cuts will take place over the period 2014-16.

9.1.4 **Savings of £54.5m and pressures of £4.7m** have been identified to enable a balanced budget to be set. The three year budget position is set out in section 9.4, with pressures and savings included in **Appendix 2**.

9.1.5 The budget proposals within this report are predicated on a council tax freeze for 2013/14 and a **2% increase in Council Tax** for 2014/15 and 2015/16.

9.2 The council's strategic objectives and Corporate Plan

9.2.1 The Corporate Plan is the main overarching strategic document for the council, which sets out its future strategic direction. Next year's Corporate Plan will be revised to reflect the new freedoms and opportunities offered by reforms to local government funding – which place a greater degree of control with local authorities - the Localism Act, and the transition to a commissioning model of operation.

9.2.2 Continuing the trend of this year's document, the 2013/14 Corporate Plan will be more focused, with a reduced number of objectives, refined performance targets, and clear lines of accountability. The Corporate Plan will sit above published Service Delivery Plans for each directorate, thus providing a clear link between the council's strategic objectives and the actions each service

will take to deliver them. The council's strategic objectives will reflect the concerns and priorities of residents, taking account of a consultation exercise to understand the views of residents in relation to service priorities which is currently underway and of this year's Residents Perception Survey. The Corporate Plan consultation will close at the end of November and the final Plan will be brought to Cabinet once responses have been considered.

- 9.2.3 Achieving the council's strategic objectives will require close collaboration between the council and its public sector partners across the borough. For example, an objective to keep Barnet safe will set out how the council will work with the police and others to achieve this.

Emerging priorities

- 9.2.4 Barnet is facing a significant period of change as it deals with the consequences of significant demographic change alongside a 26% reduction to funding from central Government over the current Spending Review period, with the prospect of continued austerity for a further decade.

- 9.2.5 Despite these immense challenges, there are opportunities. Alongside the cuts, authorities have been delegated more powers and financial control through funding reforms – particularly the localisation of business rates and the New Homes Bonus – the Localism Act and changes to planning powers. These reforms create an incentive for councils to focus on growth and development as a means of helping to mitigate the financial and social challenges they face. Barnet will embrace these opportunities.

- 9.2.6 The borough has a number of the 'building blocks' in place to support this approach. Barnet is a successful London suburb where people want to move to - 86% of residents are satisfied with their local area as a place to live. Barnet's population is more skilled than the London average, whilst both household incomes and employment rates are higher.

- 9.2.7 The local economy is vibrant – Barnet has the third highest business stock and start-up rate in London and collects over £100m annually through business rates. The Council Tax base continues to grow, with nearly 7,000 new homes built over the past 8 years and significant areas of regeneration under way and in development.

- 9.2.8 The council has done much over the past few months to help create the right environment for growth in the local economy – by investing £3.5m of additional resources in roads and pavements and £1m to support local businesses and young people into employment. The impact of the council's growth strategy are beginning to bear fruit, with participation rates for the number of 16-17 year olds in education, employment and training amongst the highest in London at 95% - up 3.4% from 2011. Barnet has also seen a record-breaking number of new company formations during the second quarter of this year, with 285 new companies formed between May and August 2012 – higher than any other second quarter on record for the area¹.

¹ Companies House data

The council will build on this approach by focusing on creating the right environment for growth across the borough. Economic growth, managed in a responsible way, is essential for ensuring that Barnet remains a place where people want to live and where opportunities exist for all. It is therefore essential that a focus on growth provides the cornerstone of the council's strategy. The Barnet Growth Strategy is set out in Appendix 3.

9.2.9 Alongside this, there will be a continuing need for the council and its partners to support families and individuals that need it. It is essential that this is reflected in the council's revised Corporate Plan, as is the continuing priority that residents are satisfied with their local environment.

9.2.10 The council's new strategic direction will be based around three top level strategic objectives, supported by half a dozen priority outcomes which cover the full breadth of the council's local responsibilities. This revised, more focused framework will be underpinned by a matrix of performance indicators against which success will be measured.

9.2.11 It is proposed that next year's Corporate Plan is focused on the following strategic objectives and priority outcomes:

Strategic Objectives

Barnet Council will work with local partners to:

1: Create the right environment to promote responsible growth, development and success across the borough.

2: Support families and individuals that need it – promoting independence, learning and well-being.

3: Improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.

Priority outcomes

1: To maintain a well designed, attractive and accessible place, with sustainable infrastructure across the borough.

2: To maintain the right environment for a strong and diverse local economy.

3: To create better life chances for children and young people across the borough.

4: To sustain a strong partnership with the local NHS, so that families and individuals can maintain and improve their physical and mental health.

5: To promote a healthy, active, independent and informed over 55 population in the borough so that Barnet is a place that encourages and supports residents to age well.

6: To promote family and community well being and encourage engaged, cohesive and safe communities.

The council is seeking the views of residents on the future strategic direction of the council, as set out above.

Approach to business planning

9.2.12 The Government's plan to cut public spending by £81 billion by 2015 is having a big impact on councils across the country. Tough choices are required.

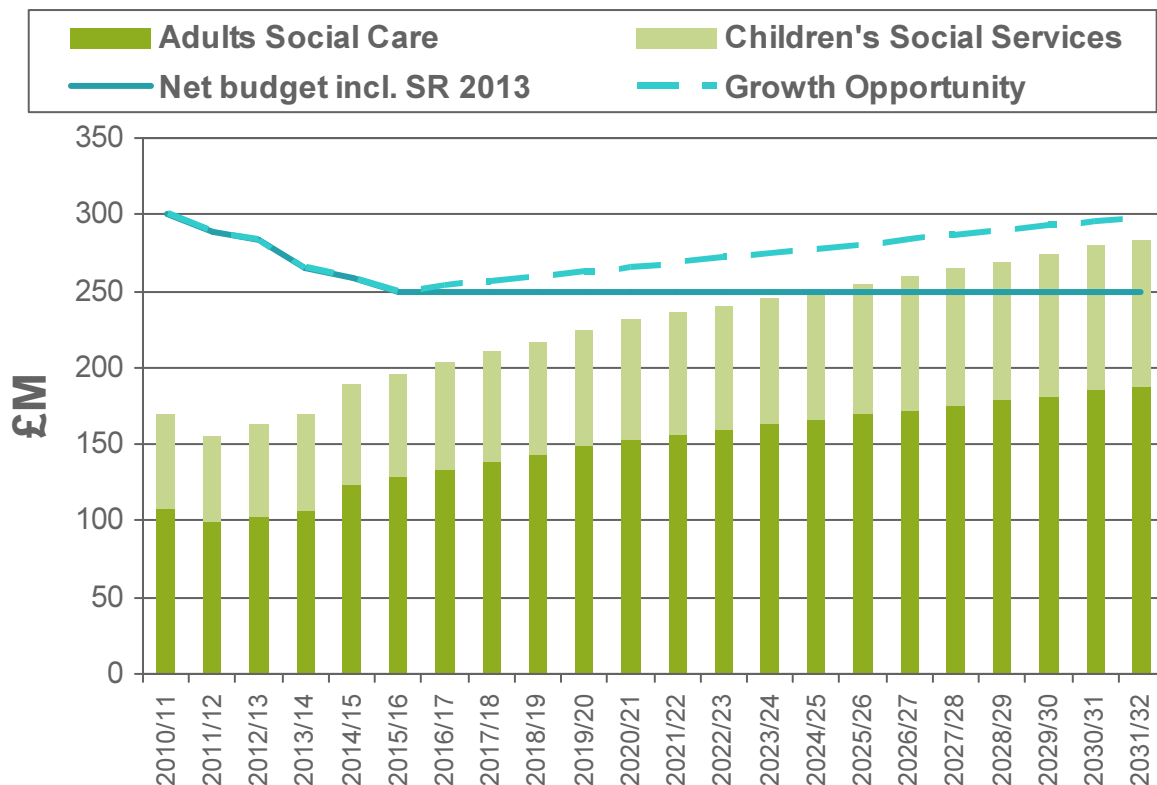
9.2.13 The council's approach to business planning has been to focus on mitigating the impact of funding reductions on front line services as far as possible through back office efficiencies and developing alternative ways to deliver services. Of the total of savings identified, 90% are from efficiencies, 9% comes from service reductions and 1% are related to increases in income.

9.2.14 Publishing budget headlines as early as possible gives the council more time to consult widely and implement savings in full. It also allows more time for the council to determine its strategic priorities, allows services time to develop Service Delivery Plans and allows our local public sector partners to plan ahead with certainty.

Longer term financial planning and demand management

9.2.15 Modelling has been undertaken to understand the impact of growing demand on the council's budget resulting from demographic change, taking into account a range of factors including population increase, inflation and likely legislative changes.

9.2.16 Previous iterations of the graph below have been included in previous budget reports. It has shown that, if funding to local government remains flat, the council's entire budget will potentially be spent on Adults Social Care and Children's Services within 17 years. The graph has now been updated to demonstrate the potential opportunity that exists around growth. Changes to the way that local government is financed come into force from April 2013. Councils in the future will see the benefit of growth in the tax base and will also see a limited benefit from growth in business rates. This "growth opportunity" will have a positive impact on Council funding. The graph below is illustrative, as follows:



9.2.17 This picture is relevant to our planning process in a number of ways. Firstly, it is used to inform the level of additional investment needed in services to fund demographic changes. Some additional funding in respect of Adults and Children’s Services has been added to future budgets as set out in **Appendix 2**. Secondly, it also provides an evidence base to lobby the government about sustainable funding for local government in the future.

9.2.18 The council is finalising its Infrastructure Delivery Plan (IDP) which responds to demographic change in Barnet up to 2026. The IDP sets out the infrastructure required to support this growth and identifies the funding sources to enable its delivery. The final capital programme will link to the IDP.

9.3 Consultation

9.3.1 Development of strategic objectives, business plans and savings options will be informed by consultation and engagement with residents. The council will use three phases of consultation to gain insight into residents’ priorities, views of budget options and responses to service changes or reductions proposed in 2013/14.

9.3.2 Phase One (September 2012 – October 2012): Residents’ Perception Survey.

The Residents’ Perception Survey (RPS) will provide borough-wide understanding of residents’ priorities, perception of public services and how the views of residents have changed over time. This information will inform

priorities for the emerging Corporate Plan, service plans, commissions and future budget options. Interim findings will be available in mid-November.

9.3.3 Phase Two (November 2012 – December 2012): Corporate Plan Consultation.

This element of consultation will test key principles, objectives and priorities for a new Corporate Plan for 2013/14 and use feedback from residents to shape the strategic direction for future years.

9.3.4 Phase Three: Budget Consultations (October 2012 – February 2013):

- **Service Consultation:** The council must as a matter of public law consult with service users in three circumstances: (1) where there is statutory duty to consult, (2) where the practice has been to consult on changes or where a policy to consult is in place, (3) where the service reduction or change is so important, that the council ought to consult whether or not there is a statutory duty to do so. Informal and formal consultation with service users will be conducted by services where these criteria are met. Where formal consultation is required, it will commence following Cabinet (7 November) and will continue until 31 January 2013.

Council budget consultation (November 2012 – February 2013): The council set a three year budget in March 2012 and has bought forward new proposals for 2015/16. The council's proposed budget for 2013/14 will be published in November 2012. Residents will be invited to give their views on the 2013/14 budget via an online survey with hard copies available on request. The council will use a wide range of methods to promote the consultation and invite residents to share their views. As part of the council's statutory duty to consult with National Non Domestic Rate Payers (NNDRPs), letters will be sent out to all NNDRPs inviting them to take part in the consultation.

9.4 **Medium-term financial strategy**

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

2012/13 – 2014/15

9.4.2 When the three-year budget covering the period 2012/13 to 2014/15 was set in March 2012, the MTFS reflected a budget gap of £34m over the three years, together with savings proposals to reach a balanced position.

	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
Budget gap	12.3	10.4	11.3	34.0
Pressures agreed in March	0.8	0.8	-	1.6
Revised budget gap	13.1	11.2	11.3	35.6
Savings proposals	(13.3)	(14.4)	(15.4)	(43.1)
	(0.2)	(3.2)	(4.1)	(7.5)
Pressures	1.7	0.8	1.9	4.4
Changes in contingency	(1.5)	2.4	2.2	3.1
Gap / (surplus)	0	0	0	0

Funding from central Government

9.4.3 The 2012/13 budget has been set and savings proposals have been implemented. This report sets out budget proposals for the period 2013/14 to 2015/16. However, significant changes will be implemented to the system of local government funding in April 2013, and details of how this will affect Barnet in practice will not be announced until December. It is already clear that the changes will create a further budget gap of £2m in 2013/14, over and above the current spending review position. Following that, it is considered that there is a real risk that the Government will make further cuts in support for 2014/15 and 2015/16. The budget gap has therefore been updated to reflect the council's current assumptions of a 10% cut in each of these two years. This position will be kept under review to reflect further announcements from the Government around future spending cuts. The budget position has also been updated to reflect the recent announcement of a further Council Tax freeze grant for 2013/14. The grant has been set at a level equivalent to a 1% increase only, with funding provided for two years. Members will be aware that such time-limited funding will create a budget 'cliff-edge' in future years if taken up. The government has also announced that Council Tax increases of 2% or above for 2013/14 will require a referendum.

9.4.4 The current MTFs position, as a result of the gloomy outlook set out in 9.4.3, is as follows:

	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Budget Gap	12.8	19.1	17.8	49.8

This year's financial position

9.4.5 The latest position on budget monitoring for 2012/13 was reported to Cabinet Resources Committee in October 2012. The report shows a projected £2.9m overspend, with £1.8m of this coming from Environment, Planning and Regeneration (EPR). Action plans have been developed since quarter 1 to reduce this overspend, which is now showing a lower overspend figure of under £500,000. This will be kept under review throughout the year. When set against the council's level of general reserves of £15.8m, this outturn position suggests a risk that general reserves will fall below the MTFs target of general reserves being at least £15m.

9.4.6 While the current year position is suggesting a risk to delivering a balanced budget, historic performance in implementing savings has been good. Savings of nearly £30m were implemented in 2011/12, and the outturn position for that year was on balance. This gives confidence that future plans are realistic and can be delivered.

Risks over the next three years

9.4.7 There are a number of risks to the Council's financial position as a result of changes in demographics, changes to legislation and other factors. The Council holds reserves and contingency balances to address future risks and concerns.

- **Business rate localisation** – the government will introduce a new system of local government finance involving the retention of an element of business rates in 2013/14. This creates both a risk and an opportunity, as income from business rates can go up as well as down. The MTFS has been updated to reflect the current position set out in the consultation document. The baseline position is currently estimated to be £2m worse as a result of the changes for 2013/14. This position is still subject to significant uncertainty. Even when the settlement is announced in December, we will still not know all of the detail of surpluses and adjustments and will have to set the budget in February based on some estimates. This poses a risk to the Council's finances that will need to be reflected in contingency and reserves.
- **Council Tax Support** – the government will localise Council Tax benefit in 2013/14, and reduce funding for this by 10% in the process. This represents a c£4m shortfall in funding, which will need to be managed. The Council has been consulting on the development of a local scheme of Council Tax support, but an element of funding has been held in contingency to deal with the risks of the new scheme.
- **Concessionary fares** – the council funds the cost of concessionary fares in Barnet. Given the increases in costs of travel and volume of users across London, this will have an impact on the council's budget for 2013/14. This has been reflected in the MTFS.
- **North London Waste Authority levy (NLWA)** – the latest financial plan suggests a significant increase in the 2013/14 levy, along with further rises in 2014/15 and 2015/16. These latest projections have been added to the MTFS.
- **Social Care White Paper** – The White Paper and draft Care and Support Bill set out a number of additional requirements for councils and has provided a high level impact assessment as to the resource required to meet them. However, it is currently unclear how the additional requirements will be funded at a national level and it is anticipated that more information will be issued by the Department of Health in the future. The Council currently supports carers with a budget of £1m, implementing the White Paper requirements therefore could necessitate spending levels to be increased to £1.86m per annum. In modelling these estimates it has

been assumed that where a national assessment of the financial impact has been set out in the White Paper, the Barnet proportion of that is equivalent to 0.6%. When further clarity over funding arrangements emerges, the MTFS will be updated accordingly.

- **Changes to schools funding** – significant changes to the way that schools funding operates will come into effect from 2013/14. More funding is likely to be delegated directly to schools, placing a risk on services funded from “centrally retained” budgets within the Children’s Service.
- **Inflation** – the level of inflation is currently running over the Bank of England’s 2% target. Rising inflation will increase the cost of providing services. The current MTFS assumes a 1% increase in staffing budgets to reflect the government’s announcements from the autumn of 2011, and 2.5% for non-staff costs.

9.4.8 The MTFS includes provision for inflation and contingency, and these risks need to be monitored closely against these provisions. **Appendix 1** sets this out in detail.

9.4.9 This report assumes that Members will wish to accept the government’s latest freeze grant offer and further that Members will wish to avoid planning for Council Tax increases for future years which require a referendum. In taking this approach, Members will be aware that Council Tax freeze grant comes from within totals available for local government, and accepting freeze grant has the effect of permanently reducing the Council’s base levels of income. In practice, this will mean that greater levels of budget reduction will be required in future years in the context of an already extremely challenging public expenditure context. The impact of these changes is mitigated in this report via the use of reserves and contingency reflecting the evolving risk position.

9.5 Draft budget proposals for consultation

Savings

9.5.1 Savings proposals for 2013/14 and 2014/15 have been reviewed across the council to ensure they remain deliverable and are in line with the direction of policy. Following internal reorganisation the delivery units set out here have changed from when the budget was set in March, and reflect the changes to the Council’s structure that will come into effect in 2013. Adults, Children’s and Streetscene are similar to the current directorates Adults, Children’s and EPR, with Libraries moving to Children’s and Leisure moving to Adults. The New Support and Customer Service Organisation and Development and Regulatory Services contracts will be live post April 2013, with a consolidated corporate function consisting of Assurance and Commissioning.

9.5.2 Savings proposals have also been developed for 2015/16. Each savings proposal is included in **Appendix 2** to this document, and are summarised as follows:

SERVICE	2013/14	2014/15	2015/16	Total Savings
	£'000	£'000	£'000	£'000
Adult Social Services	3,981	8,877	8,424	21,282
Children's Service	5,338	5,775	5,474	16,587
Street Scene (incl. Parking)	1,526	1,292	1,851	4,669
New Support & Customer Services Organisation	1,908	2,393	2,000	6,301
Development & Regulatory Services	1,530	1,355	300	3,185
Legal	80	150	200	430
Barnet Group	61	55	300	416
Strategic Commissioning Group	68	740	800	1,608
TOTAL	14,492	20,637	19,349	54,478

Pressures

9.5.3 Budget proposals also include pressures. These are included in **Appendix 2** and are summarised as follows:

SERVICE	2013/14	2014/15	2015/16	Total pressures
	£000	£000	£000	£000
Adult Social Services	800	800	800	2,400
Children's Service	850	750	720	2,320
TOTAL	1,650	1,550	1,520	4,720

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

	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Budget gap	12.8	19.1	17.8	49.8
Savings proposals	(14.5)	(20.6)	(19.3)	(54.5)
	(1.7)	(1.5)	(1.5)	(4.7)
Pressures	1.7	1.5	1.5	4.7
Gap / (surplus)	0	0	0	0

9.6 One Barnet programme

9.6.1 Good progress has been made over the last year on projects within the One Barnet programme. Key points include:

- Quick wins identified and delivered in 2010/11 - £1.4m base budget saving;
- Further savings delivered in 2011/12 bringing base budget savings to £5.7m;
- Local Authority Trading Company (Your Choice Barnet) has gone live;
- Housing Needs and Resources service has transferred to Barnet Homes;
- Legal shared service with Harrow Council has gone live;
- Parking contract with NSL has gone live;
- Two major procurements (Development and Regulatory Services, New Support and Customer Services Organisation) at final tender stage; and
- Total base budget savings of £17m and cumulative savings to 2019 of £111m expected to be delivered.

Additional projects

9.6.2 Through the business planning process, a number of future years savings have been identified which are dependent on projects and resource to enable them to be delivered. They are:

- **Streetscene** – the budget proposals for streetscene include savings predicated on new arrangements following the end of the May Gurney contract in 2013;
- **Health Integration and demand management** – savings totalling £4.2m from demand management and social care integration with the NHS are included within these budget proposals;
- **Early intervention** – investment is being made in early intervention and prevention;
- **Community Safety**; and
- **Sports and Physical Activity**.

9.7 Impact of budget proposals

Performance impact

9.7.1 The performance impact of budget proposals has been included in the detailed templates in **Appendix 2**.

Equality impact

- 9.7.2 The equality impact of budget proposals has been included in the detailed templates in **Appendix 2**.

Staffing implications

- 9.7.3 The budget savings options set out in this report at **Appendix 2** have a number of implications in terms of staffing:

Service Area *	Proposed FTE Reduction at 31 March 2013	Employees At Risk at 7 Nov 2012 **	FTE Reduction	FTE Reduction
Adults & Communities	12.67	49	12	0
Children's Service	46.52	199	1	0
Street Scene incl. Parking	0	0	0	0
Commissioning and Assurance	6.6	4	0	0
Total	65.79	252	13	0

- 9.7.5 The above information is provided to enable the Cabinet to understand the full service delivery and financial implications of the budget proposals. All staffing related decisions are the sole responsibility of the General Functions Committee.
- 9.7.6 General Functions Committee will consider the staffing implications and will be asked to agree that subject to the completion of statutory consultation with staff and Trade Unions that the Interim Acting Director for HR be instructed to arrange with the respective Directors for redundancy letters to be issued to those employees who are to be made redundant as result of this process.

Redundancy Consultation Process

- 9.7.7 The total FTE reduction is currently estimated at 65.79 and 252 people at risk and statutory consultation will commence on 30 October 2012 and will close on 1 February 2013. The full consultation document can be found on the council's intranet. The consultation process will consist of collective consultation with the Trade Unions and individual consultation with staff at risk of redundancy.
- 9.7.8 Where there are restructures required to deliver these savings then consultation will also take place on these changes during the 90 day period so that the restructures can be implemented by 31 March to ensure that full savings are achieved.
- 9.7.9 A council-wide staff EIA will be undertaken to analyse the equality impacts at key milestones. The milestones will be identification of those at risk: at the start of consultation; mid consultation; end of consultation and after completion of the process.

9.8 Housing Revenue Account

9.8.1 The Housing Revenue Account budget is under preparation and consultation on the budget with tenants. Rent levels for 2013/14 will be approved by Cabinet in February. The final report will propose that HRA headroom will be used to fund schemes which will assist in reducing costs to Adult Social Services. This is in line with the policy position agreed in setting the current year's budget.

9.9 Capital Programme and Invest to Save

9.9.1 The MTFS allows provision for additional borrowing on an annual basis to fund high priority capital projects. Revenue provision allows for additional project of approximately £10m per annum, however this funding is already earmarked for future schemes. The most significant pressure on the capital programme is the need for additional primary and secondary school places. It is recommended that this funding is prioritised when finalising the programme in February 2013. Further details are set out in Appendix 5 which will be considered further when finalising the budget

9.9.2 It is proposed that all current schemes and new proposals are reviewed along the following themes:

- Statutory and legal obligations;
- 'Fit' with the council's strategic objectives;
- Consideration of value for money in development of proposals; and
- Deliverability.

The Investment Appraisals Board (IAB) will carry out this review and the outcome will be fed back through Cabinet for final agreement in the February budget report.

9.9.3 Within the budget proposals there are invest to save proposals requiring investment of £255,000, these will be reviewed by IAB to ensure the viability of the projects. These proposals will be fed back through Cabinet for final agreement in the February report. The funding for these projects will be via revenue reserves and payback from services agreed in the final report

9.10 Next Steps

9.10.1 The business planning process will continue as planned. The next steps will be to consider the final Corporate Plan and budget, including the Housing Revenue Account and the capital programme, at Cabinet in February 2013 and Council in March 2013.

10. LIST OF BACKGROUND PAPERS

10.1 None