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Meeting	Cabinet
Date	25 February 2013
<b>Subject</b>	<b>Business Planning 2013/14 – 2015/16</b>
Report of	Leader of the Council Cabinet Member for Resources and Performance
Summary	This report sets out the Corporate Plan (draft version), Budget, council tax and Medium Term Financial Strategy for the period from 2013/14 to 2015/16

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Officer Contributors	Chris Naylor, Chief Operating Officer John Hooton, Deputy Chief Operating Officer Stephen Evans, Assistant Director Strategy Michael Millar, Interim Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	All
Key Decision	Yes
Enclosures	Appendix 1 – Corporate Plan Appendix 2 – Consultation Appendix 3 – Medium Term Financial Strategy Appendix 4 – Detailed revenue budgets, savings, pressures and council tax schedules Appendix 5 – Capital Strategy and detailed capital programme Appendix 6 – Treasury Management Strategy Appendix 7 – Housing Revenue Account Appendix 8 – Equality Impact Assessments Appendix 9 – Reserves and balances policy Appendix 10 – Corporate risk register
For decision by	Cabinet
Function of	Executive
Reason for urgency/ exemption from call-in	N/A

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	<b><u>RECOMMENDATIONS (for recommendation to full Council)</u></b>
1.1	Cabinet is asked to recommend to Council on 5th March 2013 the following: -
1.2	<p><b><u>Revised draft Corporate Plan</u></b>  A draft of the council's revised Corporate Plan is included at <b>Appendix 1</b>. This sets out the Council's priorities for the forthcoming year.</p> <p>A final draft of the Plan will be published in early April. Cabinet is asked to agree that the Chief Executive be authorised to make any required amendments prior to final publication, in consultation and agreement with the Leader and the Cabinet Member for Resources and Performance.</p>
1.3	<p><b><u>Consultation and Equalities</u></b>  That Cabinet consider the consultation outcomes and give due regard to the statutory equality duties when making their decisions. The outcome of consultation is set out in <b>Appendix 2</b>.</p>
1.4	<p><b><u>Medium Term Financial Strategy (MTFS)</u></b>  That Council approve the MTFS attached at <b>Appendix 3</b>.</p> <p>The MTFS sets out all of the budget changes over the period from 2013/14 to 2015/16, 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.</p>
1.5	<p><b><u>Detailed Revenue Budgets, Savings and Pressures</u></b>  That Council approve the estimates for income and expenditure, savings, pressures and council tax schedules as set out in <b>Appendix 4</b>.</p> <p>The budget has been prepared on the basis of a <b>2 year council tax freeze</b> for 2013/14 and 2014/15.</p> <p>Overall the 2013/14 budget requirement totals <b><u>£267,643,281</u></b>.</p>
1.6	That it be noted that the Chief Finance Officer under his delegated powers has calculated the amount of <u>125,294</u> (band D equivalents) as the council tax base for the year 2013/14 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended (the "Act")].
1.7	That it be noted that the council tax requirement for the Council's own purposes for 2013/14 (excluding precepts) is <u>£139,477,281</u> .

1.8 That Council approve the following amounts be now calculated for the year 2013/14 in accordance with Sections 31 to 36 of the Act:

(a) £862,151,369 being the aggregate of the amounts which the Council estimates for the items set out in the Section 31A(2) of the Act taking into account all precepts issued to it by precepting authorities.

(b) £722,674,088 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £139,477,281 being the amount by which the aggregate at 1.8(a) above exceeds the aggregate at 1.8(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its council tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act)

(d) £1,113.20 being the amount at 1.8(c) above (Item R), all divided by Item T (Item 1.6 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (including precepts).

(e) The Chief Finance Officer has determined that the Council's basic amount of council tax for 2013/14 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Act 1992.

(f) £1,113.20 being the amount at 1.7 above divided by the amount at 1.6 above, calculated by the Council, as the basic amount of its council tax for the year 2012/13;

London Borough of Barnet Valuation Bands (£)

A	B	C	D	E	F	G	H
742.13	865.82	989.51	<u>1,113.20</u>	1,360.58	1,607.96	1,855.33	2,226.40

Being the amounts given by multiplying the amount at 1.8(e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which is in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

1.9 That it be noted that for the year 2013/14 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:-

Greater London Authority Valuation Bands (£)

A	B	C	D	E	F	G	H
202.00	235.67	269.33	<u>303.00</u>	370.33	437.67	505.00	606.00

1.10 That, having calculated the aggregate in each case of the amounts at 1.8(e) and 1.9 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2012/13 for each of the categories dwellings shown below: -

Council tax for Area (£)

A	B	C	D	E	F	G	H
944.13	1101.49	1258.84	<u>1416.20</u>	1730.91	2045.63	2360.33	2832.40

1.11 That in accordance with Section 38(2) of the Act the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 1.10 above pursuant to Section 30 of the Local Government Finance Act 1992 within a period of 21 days following the Council's decision.

**Capital**

1.12 That Council approves the capital strategy and capital programme as set out in **Appendix 5**, and that the Chief Officers be authorised to take all necessary action for implementation.

1.13 The Chief Finance Officer be authorised to adjust capital project budgets in 2013/14 throughout the capital programme after the 2012/13 accounts are closed and the amounts of slippage and budget carry forward required are known.

1.14 That where slippage results in the loss of external funding and a new pressure being placed on prudential borrowing, the relevant Director report on options for offsetting this impact by adjusting other capital projects.

**Treasury Management, Capital Prudential Code and Borrowing Limits**

1.15 The Council note the Treasury Management Strategy for 2013/14 as set out in **Appendix 6** which will go to Full Council for approval.

1.16 The full set of Prudential Indicators set out in **Appendix 6** is noted and that the Chief Finance Officer be authorised to raise loans, as required, up to such borrowing limits as the Council may from time to time determine and to finance capital expenditure from financing and operating leases.

**Housing Revenue Account**

1.17 That Cabinet approve the Housing Revenue Account estimates for 2013/14 as set out in **Appendix 7**.

**Equality Impact Assessments**

1.18 That Council note the Equality Impact Assessments included in **Appendix 8**. A summary is set out in paragraph 9.6.2 of the report. The appendix provides the full assessments where significant changes to service delivery are proposed.

1.19	<p><b><u>Reserves and Balances Policy</u></b></p> <p>That Council agree the Reserves and Balances Policy as set out in <b>Appendix 9</b> and the Chief Financial Officer's assessment of adequacy of reserves in section 9.13. This states that the minimum level of General Fund balances should be £15m after taking account of all matters set out in the Chief Finance Officer's report on reserves and balances as set out in the appendix.</p>
1.20 1.21	<p><b><u>Corporate Risk Register</u></b></p> <p>That Council note the Corporate Risk Register as set out in <b>Appendix 10</b>.</p> <p>There are significant changes proposed to the way local government will be funded in the future from 2013/14 onwards, including redistribution of business rates. In addition it has been confirmed that government austerity measures will continue into 2015/16 and beyond meaning further cuts to government funding. This, alongside rises in the boroughs population and demand for services, provides new challenges for longer term financial planning.</p>

## **2 RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet on 20 July 2012 agreed a business planning process covering the period 2013/14 – 2015/16.
- 2.2 Cabinet on 7 November 2012 agreed the draft Corporate Plan priorities and the draft budget proposals for 2013/14 to 2015/16 for consultation.

## **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 strategic priorities for the borough, as set out in the Corporate Plan. The Corporate Plan is the primary strategic document against which Council policy is evaluated in Committee and Delegated Powers Reports.
- 3.2 The Council's forward looking strategic objectives and performance targets have been refreshed for 2013/14, to set clear priorities for the year ahead and to reflect the changing local landscape. These objectives have been consulted on publicly. The Council's budget is focused on ensuring that resources are allocated in such a way to deliver these objectives, ensuring that resources follow strategy.
- 3.3 The Corporate Plan – which sets out the council's strategic direction - is updated annually and forms an overarching framework for more detailed Delivery Unit plans, team plans, and for setting performance objectives for individual officers – thus creating a 'golden thread'.

## **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. The NSCSO procurement expected to save £40m for the Council over the next 10 years, and the successful tender guaranteed savings of £70m in the transferring services, with a further £55m of benefits from procurement and increases in Council tax collection. This is a significant boost for the Council in achieving its financial strategy, but the risk of legal challenge to the implementation of the contract provides a challenge to the budget strategy. The Council has currently held off from entering into the NSCSO contract and from making a preferred bidder recommendation for DRS while the legal challenge is heard. In respect of legal challenge to the NSCSO and DRS procurements, the following scenarios are relevant:
  - If a legal challenge is mounted unsuccessfully and the case is concluded within the next couple of months, then the assumption within the medium term financial strategy hold firm in respect of this report;

- If a legal challenge is mounted successfully and the Council subsequently complies with the court judgements, retakes relevant decisions, and this process to enter into the contract takes, for example, a year to conclude, then the Council would have to find £2.2m of savings (one off) early in 2013 to bridge the gap that would have been met from the NSCSO contract, and further savings of £1.5m in respect of DRS. The Council would also have to, in the interim period, develop contingency proposals to reduce the annual budget by approximately £15m to reflect the annual savings expected to be derived from both contracts. This would inevitably impact on frontline service delivery. In addition, the Council Tax freeze for 2014/15 would need to be revisited and proposals to invest £4m in priority projects would not materialise;
- If a legal challenge is successful and as a consequence the Council does not proceed with the NSCSO and DRS contracts, the council would have to develop alternative savings proposals to reduce the annual budget by £15m. In addition, the Council Tax freeze for 2014/15 would need to be revisited and proposals to invest £4m in priority projects would not materialise.

- 4.2 The implications of the judicial review are significant, with the NSCSO procurement expected to save the Council on average £1m per month over the contract term. In the short term it puts at risk the ability of the Council to spend the additional £4m on priority projects, and in the longer term it means the Council will need to develop alternative means of making savings which will affect frontline service delivery.
- 4.3 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 is reflected as appropriate in business planning. A number of services are expected to transfer to NSCSO and DRS providers in early 2013/14. It will be important to ensure that services transfer effectively and that performance is maintained over the period of transition. There are guarantees and commitments in the contracts to ensure that this risk is mitigated.
- 4.4 The continued economic uncertainty within the Eurozone, coupled with the slow growth within the UK economy, represents a significant financial risk to the Council. There is a treasury risk due to the fact that banks around the world are exposed to debt within the Eurozone, and this means that the treasury strategy must continue to be cautious to reflect this risk.
- 4.5 Previous budget setting reports have referred to risks in respect of future spending cuts for local government. In December 2012, the government confirmed spending totals for Councils for 2013/14 and have subsequently published spending totals for 2014/15 which have been cut by 2% on top of the previous spending review cuts. The government will bring forward a further spending review to cover the financial year 2015/16 in 2013. Details of these spending plans are not currently known, but it is clear that continued

cuts to local government funding will continue in 2015/16 and beyond. Current modelling suggests that further annual reductions of between £15m and £20m are likely. For this reason, it is important that the council is prudent with its use of reserves and contingency to mitigate against future cuts.

- 4.6 The challenges set out in this report require fundamental change in the way Council services are delivered, which impacts on the human resources of the organisation and related policies and practices. This process will be managed in conjunction with Trade Unions and staff.

## **5. EQUALITY AND DIVERSITY ISSUES**

- 5.1 Equality and diversity issues are a mandatory consideration in decision-making in the Council. This requires members to satisfy themselves that equality considerations are integrated into day to day business and that all proposals emerging from the finance and business planning process have properly taken into consideration what impact, if any, there is on any groups with protected characteristics and what mitigating steps can be put in train. In reaching their decision with regard to the proposals put forward in the 2013/14 budget setting process, members are referred to the key outcomes of the equalities analysis together with the EIAs (**Appendix 8**) as well the results of relevant consultation exercises (**Appendix 2**). These documents will enable members to make fully informed decisions.
- 5.2 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 both the corporate strategy and service responses. Both of these need to also reflect the aspirations and contributions of current residents.
- 5.3 Similarly, all human resources implications have been managed in accordance with the Council's Managing Organisational Change policy that supports the Council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

## **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. In November 2012, Cabinet agreed updated 3 year budget proposals over the period 2013/14 to 2015/16 for consultation. This report feeds back on this consultation and recommends the adoption of the budget proposals set out within the report.



- 6.2 The total budget gap is £49.8m over the next 3 years. There is a provision of £4.7m included in the budget to meet demographic pressures in relation to Adults and Children's Social Care. The combinations of these two factors require the Council to make savings totalling £54.5m 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 4**.
- 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 nearly two thirds 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. The annual allocation of New Homes Bonus funding will be allocated to the infrastructure reserve as a contribution towards these costs.

## **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 conditions 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 finance and business planning process have been carefully considered and, where appropriate, mechanisms put into 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 9.7.4 that as at October 2012, the total number of staff at risk was estimated at 252. A 90 day consultation has been carried out and this concluded on 3 February 2013. If the NSCSO procurement does not proceed, the numbers at risk of redundancy would go up significantly as the Council would have to find alternative savings.

## **CONSULTATION**

- 7.4 As a matter of public law the duty to consult with regard to proposals to vary, reduce or withdraw services will arise in three 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 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 a proposal may have for those affected and that any decision is not pre-determined prior to the consultation and the responses thereto being considered. Details of the Council's consultation on proposals within this report are set out in section 9.3.
- 7.7 The Council must take account of all relevant considerations; including importantly the duty to give due regard to the public law equality duty 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 has been staff consultation about these proposals in compliance with s188 of the Trade Union & Labour Relations (Consolidation) Act 1992. This collective and individual staff consultation took place during the period 26 October 2012 to 3 February 2013.

## **PUBLIC SECTOR EQUALITY DUTY**

- 7.9 The core provisions of the Equality Act 2010 came into effect in October 2010. This 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.

7.10 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, having due regard, in particular, to 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.

7.11 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 of opportunity 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 cumulative impact, if any, there is on any protected group(s).

## 8. CONSTITUTIONAL POWERS

- 8.1 Constitution, Part 3, Responsibility for Functions – Section 3, Responsibilities of the Executive.
- 8.2 Council Constitution, Part 3, Responsibility for Functions – Section 3.8 provides for the Cabinet to recommend to the Council for adoption the Council's budget.

## 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. In November 2012, Cabinet agreed draft revised strategic objectives for the council, to be reflected in the annual Corporate Plan, alongside budget proposals for 2013/14 to 2015/16 for consultation. This report:

- Recommends the draft **Corporate Plan, which sets out the strategic priorities for the council for the coming year**, for approval;
- Feeds back on the **outcome of consultation** on the budget proposals for 2013/14 to 2015/16; and
- Recommends **budget proposals for 2013/14 to 2015/16** for approval;

9.1.2 Next year's strategic objectives are set out in **section 9.2**. These form the basis of the 2013/14 Corporate Plan, a draft of which is included in detail at **Appendix 1**. These strategic objectives drive the allocation of resources and have been refined following the outcome of the public consultation.

9.1.3 The total budget gap is **£49.8m** over the next 3 years. There is a provision of **£4.7m** included in the budget to meet demographic pressures in relation to Adults and Children's Social Care. The combinations of these two factors require the Council to make savings totalling **£54.5m** to enable a balanced budget to be set.

9.1.4 In October 2012, the Government announced that funding would be found to enable a council tax freeze for 2013/14. This funding, along with confirmation of government funding in 2014/15 and work to reduce other corporate risks now allows the Council to set a **2 year council tax freeze for 2013/14 and 2014/15**.

## **Strategic Context**

- 9.1.5 The Corporate Plan is the main overarching strategic document for the council, which sets out its future strategic direction. The Corporate Plan (2013/14) has been 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.
- 9.1.6. The revised Corporate Plan is 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.
- 9.1.7 The council's strategic objectives reflect the concerns and priorities of residents, taking account of consultation and of this year's Residents' Perception Survey.
- 9.1.8 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 other partners to achieve this.

## **9.2 Emerging priorities**

- 9.2.1 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.
- 9.2.2 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.
- 9.2.3 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 - 88% 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.
- 9.2.4 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.

9.2.5 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 area<sup>1</sup>.

#### **Corporate Plan 2013/14**

- 9.2.6 The revised new Corporate Plan sets a clear direction for the council for coming years. 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. 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 revised Corporate Plan, along with the continuing priority that residents are satisfied with their local environment.
- 9.2.7 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.
- 9.2.8 The Corporate Plan 2013/14 sets three strategic priorities. 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.

This is underpinned by six priorities:

**In 2013, we will deliver this, by focusing our efforts on these 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.

### **Approach to business planning**

9.2.9 The Government's plan to cut public spending by £81 billion by 2015 will have a big impact on councils across the country. Difficult choices are required.

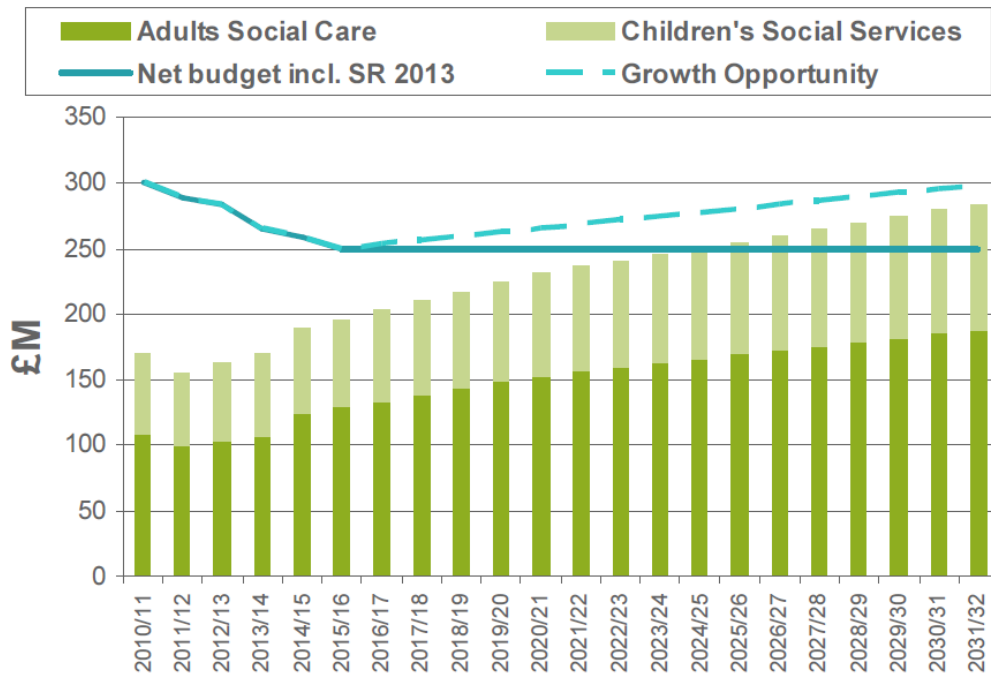
9.2.10 The council's approach to business planning has been to focus on mitigating the impact of funding reductions on front line services as far as possible through back office efficiencies and developing alternative ways to deliver services. Of the £54.5m of savings identified within this report, 89% are from efficiencies, 8% comes from service reductions and 3% are related to increases in income.

### **Longer term financial planning and demand management**

9.2.11 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.

9.2.12 Although many factors will change and this graph is illustrative, it shows 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 also been updated to reflect the potential benefit from growth of the council tax base and growth of business rates following the government's reform of local authority funding.





9.2.13 The Council has finalised 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.

9.2.14 This is relevant to our planning process in a number of ways. Firstly, this picture is used to inform the level of additional investment needed in services to fund demographic changes. Specific detail on investment in demand can be seen in **Appendix 4** in respect of Adults and Children's Services. Secondly, it also provides an evidence base to lobby the government about sustainable funding for local government in the future. It is also important to consider longer term financial planning in the context of the change the government is making to business rates and council tax benefits.

### 9.3 Consultation

9.3.1 During the process of formulating budget and Corporate Plan proposals for 2013/14 onwards, three phases of consultation took place:

- Phase One (October 2012 – November 2012): Residents' Perception telephone survey.
- Phase Two (November 2012 – January 2013): Corporate Plan consultation
- Phase Three: Finance and business planning (including proposed budget) consultation (October 2012 – January 2013).

9.3.2 Phases two and three used various engagement and consultation approaches. Our consultation focussed on: the council's strategic direction and priorities to be reflected in a revised Corporate Plan; the budget headlines for 2013/14; overall perception in the borough; and where reductions to services are proposed.

- Survey on the Council's Finance and business plan (including proposed budget) for 2013/14 - 2015/16
- Survey on proposals for the 2013/14 Corporate Plan and our priorities for coming years
- Face to Face consultative event with members of the Citizens' Panel and Youth Panel
- Service-specific consultations where the council has proposed cuts to services in the budget proposals for 2013/14 (detailed findings in Appendix 2).

9.3.3 The Residents' Perception Survey (sample 1,600 residents) provided an opportunity to identify perception of Barnet as a place, local concerns, performance of the council and public services. Key headlines on residents concerns are as follows;

Overall satisfaction with the local area remains high and significantly above the national average (+ four per cent).

- The vast majority of residents (88 per cent) are satisfied with their local area as a place to live which is two per cent higher compared to 2010/11.

Residents' top three concerns have shifted slightly since 2010/11:

- The top three concerns for Barnet residents are crime (31 per cent), conditions of roads and pavements (26 per cent) and level of council tax (23 per cent).<sup>1</sup>
- Delegates at the Citizens' Panel consultative event explained their perceptions of concern for council tax levels with reference to the wider economic context; as salaries are frozen and the cost of living is going up a council tax freeze seems like an increase in real terms.
- Residents are also now more concerned with traffic congestion, litter and dirty streets, and lack of affordable housing compared to 2010/11.
- However, crime, lack of affordable housing, lack of jobs, litter/dirty streets, number homeless people and poor public transport are much more of a concern across London when compared to Barnet.
- Reasons for residents' concerns were explored in the Citizen Panel face to face event which can be found in Appendix 2.

9.3.4 The finance and business planning (including budget) survey had a total of 50 responses. 61 residents attended the face to face consultative event. The key headlines for the finance and business planning consultation are as follows:

- In terms of the council's overall approach to its business planning, i.e. the efficiency, income and service reductions that have been identified in the 2013/14 finance and business plan, views were mixed and there was no clear majority. However, residents were more inclined to say the proportion of efficiency savings the council had identified were about right;

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<sup>1</sup> In 2010/11 the top three concerns were conditions of roads and pavements, crime, and rising prices and interest rates.

that the increased income that had been identified should be more and that the reduction to services should be less;

- In terms of the level of council tax, views were mixed and there was no clear majority in terms of the relationship between keeping council tax low compared to protecting council services. 39 per cent (11 out of 28 respondents) suggested they would want council tax levels to increase above inflation. Remaining respondents suggested they would want council tax levels to increase at or below inflation, or in some instances be frozen or cut;
- The Citizens' Panel face to face event showed that residents were generally opposed to raising council tax for reasons outlined above and offered other ideas for generating income (see Appendix 2);
- A small number of survey respondents provided more detailed feedback on the budget for 2013/14 and plans the year ahead. These findings are provided in detail in Appendix 2.

9.3.5 The Corporate Plan survey had a total of 39 responses. 61 residents attended the face to face consultative event. The key headlines for the Corporate Plan consultation are as follows:

- The vast majority of respondents agreed with the strategic objectives
- Again, the vast majority of respondents also agreed with the priority outcomes included in the Corporate Plan, and there was little difference between levels of agreement
- At the Citizens' Panel consultative event delegates felt all the priorities were very positive and found it difficult to rank priorities
- Some respondents expressed confusion over the language of the objectives and priorities, and also felt that the Plan needed greater explanation of the type of actions which would be required to deliver the objectives. This was also reiterated in the Citizens' Panel event.

9.3.6 As a result of consideration of consultation and other factors, the following amendments have been made to the budget proposals:

a) A two year council tax freeze is proposed for the years 2013/14 and 2014/15; and

b) Further investment of £4m will be allocated to fund priority projects to tackle key concerns from the Residents' Perception Survey. This will be funded from additional, one off, savings from the NSCSO contract in 2013/14.

c) Additional funding has been added into the capital programme for additional school places across the borough

## 9.4 Medium-term financial strategy

9.4.1 The Medium Term Financial Strategy (MTFS) sets out all of the budget changes over the relevant 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 budget plan

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 £43.1m over the three years, together with savings proposals to reach a balanced position.

	2012/13 £ m	2013/14 £ m	2014/15 £ m	Total £m
<b>Budget Gap March 2012 (incl. pressures)</b>	<b>13.3</b>	<b>14.4</b>	<b>15.4</b>	<b>43.1</b>
Savings proposals	(13.3)	(14.4)	(15.4)	(43.1)
<b>Final Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Funding from central Government

9.4.3 The 2012/13 budget was set and savings proposals have been implemented. This report sets out budget proposals for the period 2013/14 to 2015/16. The Local Government funding settlement for 2013/14 and 2014/15 has now been announced, so the next two year's budget can be set with a degree of certainty. For 2015/16, spending allocations have not been announced, so the MTFS has been updated using the national budget reduction figures from Spending Review 2010. Given the current economic uncertainty, and the likelihood that significant further cuts will be made in 2015/16 the Council's financial strategy in terms of reserves and contingency remains cautious for the coming financial year.

### 2012/13 financial position

9.4.4 The latest position on budget monitoring for 2012/13 was reported to Cabinet Resources Committee in February 2013. The report shows a projected £2.1m overspend across all services. Since then work has been ongoing on the Quarter 3 position. This confirms that whilst there are some pressures the position against the Council's level of general reserves will remain above £15m at the end of the year.

9.4.5 The most significant risks are the overspend reported in Environment, Planning and Regeneration service and the Commercial directorate. Action plans are in place to address this position.

## Risks over the next three years in the MTFS

9.4.6 As reported to Cabinet in November 2012, a number of additional risks have been added to the budget model. These have been refreshed again for this final budget report. A commentary on these is set out below:

- **Pay and non-pay inflation** – assumptions included in the MTFS are for a 1% increase in local government pay and an assumption of 2.5% for non-pay inflation for third party contracts and spend. These assumptions are unchanged from budget headlines.
- **North London Waste Authority levy** – this final budget report reflects the latest position on the levy, which is substantially lower for 2013/14 than previously advised. This levy has been reduced from £2.2m to £300k.
- **Capital financing costs** – provision has been made within the MTFS for costs associated with future borrowing in respect of the capital programme, mainly for additional school places. These assumptions are unchanged from budget headlines.
- **Central expenses** – provision is made within central expenses for specific risks. Since budget headlines, £2m has been included to reflect the risk noted across London that costs associated with temporary accommodation will increase in 2013. The provision for council tax support has been reduced from £3.1m to £2m now that a local scheme has been set, but a risk still exists that the take up increases more than expected. Final figures have been announced in respect of concessionary fares, so the provision here has been reduced from £1m to £326k.
- **Formula grant, core grants and business rates** – allocations for 2013/14 and 2014/15 have now been announced. The effect on the MTFS was a reduction of £690k due to the removal of the assumption of funding for disadvantaged two year olds. In addition, the Councils business rate baseline is actually £600k lower than the government's assumption when setting funding. These two amendments result in an overall reduction in funding of £1.3m which is funded in the MTFS from the surpluses noted in the bullet points above.

9.4.7 The bullet points above refer to specific risks and factors reflected in contingency and central expenses. There are further risks that the Council needs to mitigate against, and reserves and balances are held for this purpose. The updated MTFS is set out in **Appendix 3**.

9.4.8 The Medium Term Financial Strategy will also be updated to reflect the inclusion of health funding for social care, S256 NHS Act. This will be brought into the budget and allocated to an earmarked reserve for the protection and development of social services. A process will be followed to review proposals for the use of this funding, taking into account the previous decisions on the allocation of this funding by the Health and Wellbeing Board.

## 9.5 Revenue budget

### 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. Savings proposals have also been developed for 2015/16. Each savings proposal is included in **Appendix 4** to this document, and are summarised as follows:

SERVICE	2013/14	2014/15	2015/16	Total Savings
	£'000	£'000	£'000	£'000
Adult Social Services	4,011	8,877	8,424	21,312
Assurance Group	109	40	0	149
Children's Service	5,338	5,775	5,474	16,587
Commissioning Group	(71)	700	800	1,429
Development & Regulatory Services	1,755	1,355	300	3,410
Housing Needs & Resources (Barnet Group)	61	55	300	416
Legal	80	150	200	430
New Support & Customer Services Organisation	1,908	2,393	2,000	6,301
Street Scene (incl. Parking)	1,301	1,292	1,851	4,444
<b>TOTAL</b>	<b>14,492</b>	<b>20,637</b>	<b>19,349</b>	<b>54,478</b>

### Pressures

9.5.2 Budget proposals also include pressures. These are included in **Appendix 4** 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
<b>TOTAL</b>	<b>1,650</b>	<b>1,550</b>	<b>1,520</b>	<b>4,720</b>

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
<b>Budget gap</b>	<b>12.8</b>	<b>19.1</b>	<b>17.8</b>	<b>49.8</b>
Savings proposals	(14.5)	(20.6)	(19.3)	(54.5)
	<b>(1.7)</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>(4.7)</b>
Pressures	1.7	1.5	1.5	4.7
<b>Gap / (surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

9.5.4 Cabinet are asked to recommend the budget as set out in **Appendix 4** for approval by Council.

**Balanced position**  
As a result of the budget proposals set out above, the Council has a balanced budget position for the period 2013/14 to 2015/16. This is based on actual funding announcements for the first two years of this period, and assumptions about funding levels in 2015/16.

## 9.6 Equality Impact Assessments

9.6.1 Detailed equality impact assessments have been included in **Appendix 8**. Those budget savings that are subject to detailed equality impact assessments are as follows:

- Drugs & Alcohol
- Youth Services
- EPR

9.6.2 Equalities Impact Assessments carried out on the Children's Service proposed budget savings for 2013/14 in relation to youth services, sports development and substance misuse services identified that they might result in a negative equalities impact on young people in Barnet. This is especially relevant to the protected characteristic of age, as the services are specifically for children and young people. A cumulative negative impact on young people might be anticipated as a result of this and previous year's budget reductions. To help reduce the potential impact, the charging model introduced during 2012/13 would continue to be developed to help ensure that youth and play activities remain available to young people who are not identified as target groups. Formal accreditation in activities and programmes for young people, such as the Duke of Edinburgh scheme, is being increased and links strengthened with local schools. Other groups where it is anticipated there might be a negative equalities impact are males, and those with African and Caribbean backgrounds who are most likely to use and/or be targeted by the current

services. Young offenders and those at risk of homelessness are also groups more likely to be impacted by the proposals. To help mitigate this, homeless young people would be supported by a dedicated targeted youth worker. The Council is also working closely with partners to explore the possibility of securing funding from other sources. Last year's budget proposals for the youth service anticipated a negative impact on disabled young people. This potential impact was successfully mitigated, including by refocusing resources on out of school provision for young people with disabilities.

## 9.7 Staffing implications and associated costs

9.7.1 The budget savings options set out in this report at **Appendix 4** have a number of implications in terms of staffing:

	2013/14	2013/14	2013/14	2014/15	2015/16
Service Area	Proposed FTE Reduction at 31 March 2012	Employees At Risk at 25 October 2012	Employees At Risk at 17 January 2013	FTE Reduction	FTE Reduction
Adults & Communities	12.67	49	51	12	0
Children's Services including Grant Funding changes	46.52	199	200	1	0
Commissioning and Assurance	6.6	4	4	0	0
Street Scene including Parking	0	0	10	0	0
<b>Total</b>	<b>65.79</b>	<b>252</b>	<b>265</b>	<b>13</b>	<b>0</b>

9.7.2 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.

9.7.3 On 7 November 2012, General Functions Committee considered the staffing implications of the budget headlines, and agreed that subject to the completion of statutory consultation with staff and Trade Unions that the Assistant 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 a result of this process.

### Redundancy Consultation Process

9.7.4 As at 17 January 2013, the total number of staff at risk was estimated at 265, this figure has increased as a result of a consultation in Street Scene which has resulted in 9 more employees being identified as at risk. Once the consultation period closes on 1 February then HR will work with managers to identify and remove people from 'at risk' as quickly as possible. For those employees who are confirmed as redundant they will have their formal redundancy letters issued after Cabinet on 25<sup>th</sup> February 2013.

9.7.5 Where there were restructures required to deliver these savings then consultation has taken 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.



9.7.6 A Council-wide staff Equalities Impact Assessment (EIA) has been undertaken and has looked at the Equality impacts at key milestones. The milestones are identification of those at risk: at the start of consultation; mid consultation; end of consultation and after completion of the process.

9.7.7 The outset EIA in the 7 November 2012 GFC report sets out the 'at risk group'. This Group reflects those employees who are employed within those areas where budgets savings are being proposed. At mid consultation there had been no change in the 'at risk group' and no equality impacts had been identified through the collective or local consultation process, however the next key stage will be at the end of consultation as decisions are made about budget savings and the consequent decisions about employees selected for redundancy. To attempt to minimise the number of redundancies the Council has a rigorous redeployment process to ensure that the maximum number of employees are redeployed into suitable alternative roles.

## 9.8 One Barnet programme

9.8.1 Good progress has been made over the last year on projects within the One Barnet programme. The programme is investing £9.8m in projects that will deliver a reduction in the Council's annual budget of £25m and underpins a significant part of the Council's MTFs. Cumulative savings expected over a 10 year period are in excess of £200m. Other key points include:

- **£8m** reduction in Council's annual budget already delivered up to 2012/13 (**£15m** cumulative savings);
- **Local Authority Trading Company** - went live on 1<sup>st</sup> February 2012 for in-house adult social care services, and housing needs service transferred to Barnet Homes in April 2012;
- **New Support and Customer Services Organisation** - procurement at preferred bidder stage with planned savings totalling £125m over 10 years;
- **Development and Regulatory Services** - procurement final tenders now received;
- **Shared legal service** – went live with Harrow Borough Council on 1<sup>st</sup> September 2012;
- **Community coaches** – successful development of a volunteer life coaching scheme, currently being developed into an on-going service for the community;
- **Right to control** – a project to develop co-ordinated support for disabled citizens, including social care, housing and employment support, and
- **Public Health** – a shared public health function has been developed between Barnet and Harrow Councils.

### Additional projects

9.8.2 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. Key points are as follows:

- **Streetscene** – the Streetscene budget proposals include savings in respect of a project to bring the recycling service in-house, and combine this function with other elements of the Streetscene service to improve efficiency;
- **Health Integration and demand management** – savings from demand management, and greater integration with health services have been included in budget proposals;
- **Early intervention** – a project to deliver longer term savings from investment in early intervention and prevention;
- **Community Safety** – a project to deliver benefits from greater integration of community safety between the Council and local partner organisations; and
- **Sport and Physical Activity** – a project to deliver savings and improved health outcomes in respect of sport and physical activity.

9.8.3 Funding for these projects will come from the transformation reserve.

## 9.9 Council Tax

9.9.1 As part of the Localism Act the government has introduced new arrangements for council tax setting. These include provisions for a referendum on excessive council tax increases. The government has indicated that the level that it considers excessive is 2%. In effect this means that council tax increases are capped at 2% for 2013/14. The Council's budget is based on a council tax freeze for 2013/14 and 2014/15.

9.9.2 The detailed council tax base schedules are included in **Appendix 4**. Under delegated powers, the Chief Finance Officer has determined the 2013/14 taxbase to be 125,294 (Band D Equivalents) – the calculation is set out below:

Council tax base	Band D Equivalent	
	2012/13	2013/14
Number of properties	162,698	164,244
Estimated discounts	(16,709)	(17,060)
Estimated other changes	(717)	(19,612)
<b>Total Relevant Amounts</b>	<b>145,272</b>	<b>127,572</b>
Estimated non-collection (1.5%)	(2178)	(2,365)
Contribution in lieu of MoD	84	87
<b>Council tax base</b>	<b>143,178</b>	<b>125,294</b>

## Council Tax

9.9.3 The Localism Act requires Council approval of the council tax requirement (including formula grant) in place of budget requirement (excluding formula grant). This simplifies existing rules and does not affect council tax.

9.9.4 The calculation of the council tax for Barnet is set out below:

BUDGET	2012/13 Original £	2012/13 Current £	2013/14 Original £
<b>Total Service Expenditure</b>	<b>280,857,570</b>	<b>280,857,570</b>	<b>292,984,580</b>
Contribution to / (from) Specific Reserves	11,140,180	11,140,180	6,180,701
<b>NET EXPENDITURE</b>	<b>291,997,750</b>	<b>291,997,750</b>	<b>299,165,281</b>
Other Grants	(41,977,000)	(41,977,000)	(31,522,000)
<b>BUDGET REQUIREMENT</b>	<b>250,020,750</b>	<b>250,020,750</b>	<b>267,643,281</b>
Business rates retention (new 2013/14)	-	-	(33,608,000)
Business rates top-up (new 2013/14)	-	-	(17,436,000)
<b>BUSINESS RATES TOTAL</b>	<b>-</b>	<b>-</b>	<b>(51,044,000)</b>
Formula Grant (RSG only 2013/14)	(90,635,000)	(90,635,000)	(77,122,000)
Collection Fund Adjustments	-	-	-
<b>BARNET'S ELEMENT OF COUNCIL TAX REQ'MENT</b>	<b>159,385,750</b>	<b>159,385,750</b>	<b>139,477,281</b>
Council tax base	143,178	143,178	125,294
<b>Basic Amount of Tax</b>	<b>1,113.20</b>	<b>1,113.20</b>	<b>1,113.20</b>
<b>GLA Tax</b>	<b>306.72</b>	<b>306.72</b>	<b>303.00</b>
<b>Total Council Tax (Band D Equivalent)</b>	<b>1,419.92</b>	<b>1,419.92</b>	<b>1,416.20</b>

9.9.5 The GLA precept is £37,964,082 making the total estimated demand on the collection fund and council tax requirement £177,441,363.

London Borough of Barnet	£139,477,281
Greater London Authority	£37,964,082
<b>Total requirement for council tax</b>	<b>£177,441,363</b>

9.9.6 The Council is required to set levels of council tax for each category of dwelling. As there are no special items within Barnet's or the GLA's budgets affecting parts of the borough, there are only eight amounts of tax to set, as set out below:

Council Tax Band	Barnet	GLA	Aggregate
	£	£	£
A	742.13	202.00	944.13
B	865.82	235.67	1,101.49
C	989.51	269.33	1,258.84
D	1,113.20	303.00	1,416.20
E	1,360.58	370.33	1,730.91
F	1,607.96	437.67	2,045.63
G	1,855.33	505.00	2,360.33
H	2,226.40	606.00	2,832.40

9.9.7 Individual council tax bills will reflect occupancy status with discounts for low occupancy (one or no adults) and exemptions for specific circumstances. In addition, some residents will be eligible for council tax benefit.

## 9.10 Capital Programme

9.10.1 The Council's Capital Strategy and current programme are contained within **Appendix 5**. The strategy has been developed to underpin the Corporate Plan, Housing Strategy and Regeneration Strategy. It brings together the key priorities for capital investment, sets out the strategy for use of various funding streams, and for the first time sets out a capital programme over a 5 year horizon.

9.10.2 The current programme (including 2012/13 spend and new approvals) is **£450.232m** from 2012/13 to 2017/18, with £90.5m government grants, £50.0m capital receipts, £134.2m borrowing, £145.8m Major Repairs Allowance (MRA), £9.2m capital reserve and £20.6m "other" funding.

9.10.3 The priorities for capital investment are based around the following themes:

- **People** – the most important stakeholders for Barnet Council are local residents. The capital strategy focuses on capital investment plans that make a real difference to people. The most significant priorities are:
  - Investment in provision of **additional school places** (primary and secondary) **and education facilities** (such as the Pupil Referral Unit and special schools);
  - Investment in **disabled facilities adaptations** to support older people to live at home and maintain their independence.
- **Place** – the capital strategy must underpin the regeneration strategy and deliver its aspirations for Barnet as a place. The most significant priorities within this are:

- Investment in **roads and pavements**; and
- Investment in **infrastructure** to support the delivery of regeneration projects.

The **Infrastructure Delivery Plan** (IDP) responds to demographic change in Barnet up to 2026 and drives the Council's prioritisation of investment in infrastructure. The population is expected to increase by 14% in the next 15 years. The IDP sets out the infrastructure required to support this growth. The high level of projected growth within a number of specific areas has strongly influenced how and where infrastructure such as open spaces, schools, leisure facilities and health centres is to be delivered.

The IDP sets out the funded capital infrastructure projects across Barnet, and where these are delivered by Barnet Council, these are reflected in the Council's capital programme. The IDP also sets out unfunded infrastructure projects. The Community Infrastructure Levy is one source of funding designed to support these unfunded schemes.

Consideration will be given to using HRA funding (both existing capital funding), on strategic interventions to enable schemes to progress in accordance with the **regeneration strategy**.

- **Organisation** - alongside this, some funding needs to be set aside for essential projects to enable the Council to fulfil its statutory duties and this is reflected in the programme. The most significant priorities within this are:
  - **Health and safety works** on Council owned buildings;
  - **Drainage** works;
  - Investment in **equipment** to support services.

9.10.4 The capital programme is funded from a range of sources: developer contributions, government funding and internal resources (capital receipts and borrowing). The key elements of the funding strategy are as follows:

- The **Community Infrastructure Levy** and the **New Homes Bonus** will be set aside to fund infrastructure requirements in the borough;
- **Borrowing** will be used to support the programme with a limit of £10m per annum which is aligned to the MTFS. Barnet Council's level of borrowing is currently low, and the strategy is to keep this level below the London average;
- A target of £40m of **capital receipts** underpins the programme; and
- Consideration will be given to using HRA funding (both existing capital funding), on strategic interventions to enable schemes to progress in accordance with the **regeneration strategy**.

## 9.11 Treasury Management Strategy

9.11.1 The Treasury Management Strategy is included at **Appendix 6**. The strategy has been updated to reflect the following:

- The counterparty list and duration of investments has been extended in light of greater economic certainty in both inside the Eurozone and elsewhere in the global economy
  - Amended minimum credit ratings of financial institutions (minimum A- or equivalent) and its sovereign ( minimum AA+ or equivalent for non-UK sovereigns)
  - Extension of maximum investment duration from 1 to 2 years subject to a limit of £40 million for investments of more than one year duration (20% of average cash investments).
  - Extend range of counterparties to include investment with registered providers (registered social landlords), subject to investment advice for each new investment decision)
- The prudential indicators have been updated to reflect the Council's capital programme; and
- The Strategy has been updated to reflect the latest forecasts for interest rates. Base rate is expected to remain at 0.5% for 2013/14, and therefore the assumptions in the budget strategy for interest receipts remain the same.

9.11.2 Cabinet are asked to note the Treasury Management Strategy as set out in **Appendix 6** which will go to Council for approval.

## **9.12 Housing Revenue Account**

### **Introduction**

9.12.1 The Local Government & Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account and prescribed the debits and credits for it. Any surpluses generated from the HRA can be used to support the account when it fails to break even and for any one year a budget can be set such that there is a drawing on balances, but it is not permissible for an overall HRA budget deficit to be set. It is for the Council to determine what level of balances should be maintained. The quarter 3 monitoring position indicated that at 31 March 2012 the HRA balances were £7.8m, and forecast to be £16.8m at 31 March 2013.

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

### **HRA Self financing**

9.12.3 A national HRA subsidy system was scrapped in April 2012 and replaced with self financing. Under self financing, the Council moved from a system whereby it paid £11.8m in negative subsidy during 2011/12 to the Treasury, to a position whereby Council rents generated locally are retained by the Council to meet the costs of managing and maintaining Council homes.

9.12.4 The move to self financing in the HRA was achieved by the Council making a payment of £103m to the Treasury; the payment of negative subsidy being replaced with the cost of servicing this additional debt. The HRA settlement also included the calculation of a notional debt figure that was higher than the actual HRA debt held by Barnet, which generated the capacity for additional headroom borrowing of £39m. The following table provides an overview of the settlement as at 1 April 2012:

(i) Existing Debt	£98.7m
(ii) Debt taken on at settlement date	£102.6m
(iii) Total Debt from April 2012 – (i) + (ii)	£201.3m
(iv) Debt Allocation	£240m
(v) Headroom- (iv) less (iii)	£38.7m

9.12.5 It was agreed at Cabinet Resources Committee on 17 July 2012 that up to £5m of the HRA headroom would be made available to support the Grahame Park Regeneration Scheme, and revenue savings £3.5m have been assumed in Adult Social Care Budgets based on additional HRA Headroom expenditure of up to £21m to delivery supported housing, subject to the development of a full business case.

### **HRA Summary & Working Balance**

9.12.6 Total expenditure for 2013/14 is estimated at £64.4m, including charges for financing HRA debt under the self financing proposals and a contribution to the Major Repairs Reserve of £14.5m. The proposed average rent increase of 2.50% is estimated to raise an additional £1.31m.

9.12.7 The HRA for 2013/14 shows a use of balances of £1.2m, after a contribution to Major Repairs Reserve of £14.5m. The estimated HRA balance as at 31 March 2014 is £15.6m.

### **9.13 Robustness of the budget and assurance from Chief Financial Officer**

9.13.1 The Chief Finance Officer is required under section 25 of the Local Government Finance Act 2003 to report to the Council on the robustness of the estimates and adequacy of reserves. The Council's reserves and balances policy has been updated and is presented for approval at **Appendix 9**.

#### **Robustness of estimates**

9.13.2 The financial planning process for 2013/14 is now the third year where planning has been undertaken in light of the spending review of autumn 2010. This has posed a significant challenge for all authorities to balance budgets

with significant reductions in government support. Barnet Council has been committed to developing a 3 year rolling plan to deal with these challenges and this report sets this out.

- 9.13.3 The financial planning process has been managed at officer level through a cross-Council finance and business planning group. This group has overseen the process for financial planning, including medium-term resource projections, the strategic context for the borough, the quantification of new pressures on resources, and the identification of potential budget savings. In recognition of the scale of the challenge facing the Council, the One Barnet transformation programme has been a key element of the process and has been fully integrated into financial planning.
- 9.13.4 Budget monitoring during 2012/13 has highlighted projected overspending in the Environment, Planning and Regeneration directorate for the second year running, and projected overspending in the Commercial directorate specifically in 2012/13. This is due to a number of factors which have been set out in monitoring reports to the Cabinet Resources Committee. It is the view of the Director of Place that the underlying budget position in 2013/14 has now been corrected and will not lead to further concerns within the new Streetscene delivery unit. Services within the commercial directorate (estates, IT, procurement) are expected to transfer to NSCSO in April 2013.
- 9.13.5 The pending Judicial Reviews into the NSCSO and DRS procurement processes represent a significant challenge to the robustness of the Council's budget proposals over the next 3 years. Savings totalling £125m have been guaranteed by the successful contractor, and they underpin a significant element of the MTFs savings for 2013-16, as well as enabling the Council to invest in priority projects around youth unemployment and repairs to roads and pavements. Of the total £54.5m savings included in the three year budget strategy, £6.3m of these will be delivered directly through the transfer of services to Capita, with a further £4.5m of savings expected to be delivered in other services as a result of the NSCSO contract.
- 9.13.6 If legal challenge is brought forward, and is successful, then the Council would have to develop alternative savings proposals to reduce the annual budget by the £12.5m annual equivalent that would have been saved from the NSCSO contract. In addition, the council tax freeze for 2014/15 would need to be revisited and proposals to invest £4m in tackling youth unemployment and repairs to roads and pavements would need to be cancelled. Savings for 2013/14 would need to be funded from reserves while alternative proposals are brought forward.
- 9.13.7 Extensive consultation has taken place in respect of the budget proposals in general, and also in respect of specific planned changes. Consultation feedback has been taken into consideration as final proposals to the Council have been formulated.
- 9.13.8 At Member level, the Budget and Performance Scrutiny Committee has considered the financial planning process and made recommendations to the



Cabinet. The Cabinet has given extensive informal and formal consideration to the financial planning process, including at formal meetings in July and November 2012.

9.13.9 In the view of the Chief Finance Officer, the proposed budget for 2013/14 is robust.

### **Adequacy of reserves**

9.13.10 The Council's reserves and balances policy is set out at **Appendix 9**. The extreme constraint on the Council's financial resources means that the core budget process is only able to reflect unavoidable increases in Council expenditure. The Council must, however, retain its ability to respond to the most urgent corporate priorities which do not come within this category. The policy therefore now contains provision for a service development reserve.

The policy sets out principles for the consideration of the level of general reserves. These principles have been addressed as follows:

- **Strategic Financial Context:** The continued economic uncertainty within the Eurozone, coupled with the slow growth within the UK economy, represents a significant financial risk to the Council. There is a treasury risk due to the fact that banks around the world are exposed to debt within the Eurozone, and this means that the treasury strategy must continue to be cautious to reflect this risk. Previous budget setting reports have referred to risks in respect of future spending cuts for local government. In December, the government confirmed spending totals for Councils for 2013/14 and have subsequently published spending totals for 2014/15 which have been cut by 2% on top of the previous spending review cuts. The government will bring forward a further spending review to cover the financial year 2015/16 in 2013. Details of these spending plans are not currently known, but it is clear that continued cuts to local government funding will continue in 2015/16 and beyond. For this reason, it is important that the Council is prudent with its use of reserves and contingency to mitigate against future cuts.
- **Robustness of the budget process:** the process that has been undertaken to set the budget has included engagement of officers from service departments throughout the year, regular reporting to Cabinet and scrutiny, consultation with the public, along with due consideration of statutory duties, particularly in respect of equalities. For these reasons, it can be confirmed that the budget setting process has been robust;
- **Effectiveness of risk management:** risk management processes have continued to improve during 2012/13. The corporate risk register is attached at appendix 10, and service and corporate risks have been taken into account in budget-setting and in considering the adequacy of reserves;
- **Effectiveness of budget management:** the Council has robust arrangements for managing budgets and performance. Close attention will

continue to be paid to the implementation of agreed savings, with regular reporting to the Cabinet Resources Committee.

9.13.11 Having considered the application of the above principles, the Chief Finance Officer recommends:

- General fund general reserves of a minimum of £15m; and
- Housing revenue account general reserves of a minimum of £3m, increasing to a target minimum level of £5m over the medium term in recognition of planned increased local autonomy.

9.13.12 The latest position in respect of general reserves is as follows:

General reserve	Mar-12 y/end	2012/13 Mvmnt	Mar-13 y/end	2013/14 Mvmnt	Mar-14 y/end
	£m	£m	£m	£m	£m
General fund	15.8	0.0	15.8	0.0	15.8
HRA	7.8	9.0	16.8	(1.2)	15.6

9.13.13 For specific reserves, the key issues are as follows:

- The favourable outcome of the Icelandic banks litigation means that the risk of non-priority status for local authority deposit-holders no longer pertains. Against this, however, the risks associated with the financial environment have significantly increased. The UK economy will not grow at the rate anticipated when the spending review 2010 was conducted, and the prospects are significantly threatened by the potential impact of problems in the eurozone. There is therefore a significant risk that government planned spending on local authorities could be further reduced. The risk reserve, reflecting all financial risks, will therefore be maintained at a level of £15m;
- The key Council mitigation of financial risk in the One Barnet transformation programme. The costs of delivering the programme are funded from the transformation reserve and the reserve has been set at a level to enable a further round of projects;
- The temporary service reserve has been set at a level which balances resource constraint against the need to retain the capacity to respond to corporate priorities.

9.13.14 For specific reserves, the Chief Finance Officer has considered matters relevant to each reserve and advises the following planned levels:

<b>Specific reserves</b>	<b>Mar-12 y/end</b>	<b>2012/13 Mvmnt</b>	<b>Mar-13 y/end</b>	<b>2013/14 Mvmnt</b>	<b>Mar-14 y/end</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Risk	17.1	(2.1)	15.0	0.0	15.0
Transformation	15.0	(7.3)	7.7	(0.9)	6.8
PFI	3.2	(0.4)	2.8	0.0	2.8
Service Development	5.1	0.6	5.7	0.0	5.7
Infrastructure	1.5	3.0	4.5	6.2	10.7
Service Reserves	23.2	(23.2)	0	0.0	0
<b>Council total</b>	<b>65.1</b>	<b>(29.4)</b>	<b>35.7</b>	<b>5.3</b>	<b>41.0</b>
Schools reserves	15.1	0.0	15.1	0.0	15.1
<b>Total</b>	<b>80.2</b>	<b>(29.4)</b>	<b>50.8</b>	<b>5.3</b>	<b>56.1</b>

9.13.15 The Council's arrangements for ensuring financial resilience have been assessed by external auditors during 2012/13 and have been found to be robust.

## 10. LIST OF BACKGROUND PAPERS

10.1 None.

<b>Cleared by Finance (Officer's initials)</b>	<b>MC/JH</b>
<b>Cleared by Legal (Officer's initials)</b>	<b>HP</b>