MEETING
POLICY AND RESOURCES COMMITTEE
DATE AND TIME
MONDAY 11TH JUNE, 2018
AT 7.00 PM
VENUE
HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
1.	PUBLIC QUESTIONS AND COMMENTS (IF ANY)	3 - 8

Kirstin Lambert; 02083592177 kirstin.lambert@barnet.gov.uk

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Question Number	Agenda Item Number	Raised By	Question	Answer
1.	**Item 7 –** Business Planning 2018-2024.	John Dix	The MTFS indicates a budget gap for this year of £9.45 million and a gap next year of £19.27 million yet at this committee in February there was no forecast gap for this year and a gap of £6 million next year. What has happened in 4 months to have made such a huge difference to the budget shortfalls?	The MTFS presented recognises significant additional service pressures of £11m. These have been partially mitigated by additional income. The Council's leadership team are working on resolving these service pressures and the expectation is that the July MTFS will show an improved position as a result. The Council is also proposing to utilise the New Homes Bonus to reduce the amount of reserves used to balance the Council's budget. Whist this does not affect the bottom line pressure, it is an important policy change to improve financial sustainability.
2.	**Item 7 –** Business Planning 2018-2024.	John Dix	At the end of Q 3 2017/18 the forecast outturn was a shortfall of £6.6 million yet by year end the shortfall had risen to £13.5 million. Did something dramatic happen in Q4 or is this a problem of poor/out of date financial reporting and if so who is to blame?	This information will be presented in greater detail to the Financial Performance and Contracts Committee. The movement was caused by a combination of additional high value one off items coupled with ongoing and increasing service pressures.
3.	**Item 7 –** Business Planning 2018-2024.	John Dix	At 1.5.4 it proposes a new corporate plan for April 2019 reflecting the Conservative manifesto including keeping council tax low. Given that in the final year of this administration the budget shortfall is forecast at £42 million do you think keeping council tax low is prudent or denial of the financial reality?	The MTFS presented to this committee includes assumptions on the increase in Council Tax. The Business Planning report sets out the financial position of the Council.
4.	**Item 7 –** Business Planning 2018-2024.	John Dix	If the high level calculations for 2023/24 prove to be correct in forecasting a £62 million budget shortfall, who should I hold accountable for this financial apocalypse?	This arises from a reduction in government grant and an increase in service pressure, particularly in social care. This is a national issue and the council is working on its strategic response to the challenge.

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5.	**Item 7 –** Business Planning 2018-2024.	John Dix	By reallocating the NHB to support the revenue position it will cost an additional £1.3m per annum in capital financing. Is this simply storing up problems for later years?	The Council intends to reduce the Capital Programme in order to remove this additional borrowing pressure. Options will be presented to the Policy and Resources committee for approval in order to achieve this reduction.
6.	**Item 7 –** Business Planning 2018-2024.	John Dix	If the current S151 Officer believes that we should have a reserve of £15.1 million why did the previous S151 Officer allow it to fall to £9.6 million at the start of the last financial year?	This is a judgement call based on the financial environment at the time of the decision. Given the significant pressures and risks that the Council is experiencing it is prudent to increase the level of General Fund Balances to deal with shocks. General Fund Balances is just one of the mechanisms available to the Council in order to maintain a stable service delivery environment.
7.	**Item 7 –** Business Planning 2018-2024.	John Dix	If this committee had been made aware of the seriousness of the financial situation in February do you think they would have still voted to freeze council tax (excluding the social care precept) for this financial year?	The increase in 2017/18 overspend and associated carried forward pressure is new information since February, but the scale of the future challenge for the Council has been well known for a number of years.
8.	**Item 7 –** Business Planning 2018-2024.	John Dix	These budget shortfalls do not include the impact of the additional cost of borrowing to complete the Brent Cross Thameslink station. When that is factored in what is overall forecast budget shortfall for 2019/20 and 2020/21?	The Thameslink station funding strategy was agreed by P&R on 21 July 2014 and reconfirmed on 17 May 2016. It is based upon £97m of central government grant together with council borrowing to be repaid by ringfencing the business rates income from the expansion of the shopping centre in accordance with the Non-Domestic Rating (Designated Areas) Regulations 2018 (SI no.213). The summary business case can be accessed at http://bailey.persona-pi.com/Public-Inquiries/Brent%20Cross/J-OP-During%20Inquiry/Michael%20Mangi/MM9%20Full%20Business%20Case%20Summary%20V2.pdf. Officers are updating the financial model to reflect the most recent spending forecast and business rate profile and will bring a

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				report to P&R setting out how the cashflow would be managed such that that the station project does not have a detrimental impact on the council's financial position. It should be noted that the shopping centre expansion was consented only as part of a comprehensive redevelopment of the area, and the residential and office elements of the scheme are viable only if the station is delivered early. The business rate income from the centre expansion is therefore only generated if the station goes ahead, and thus there is no opportunity cost to the council in using that income to fund the station. The Regulations establish that the ringfenced business rates are to be disregarded in calculating the Council's wider financial settlement.
9.	**Item 7 –** Business Planning 2018-2024.	John Dix	Who was responsible for making you aware of the additional borrowing requirement for the Brent Cross Thameslink station and why didn't they do it sooner?	In accordance with funding strategy, investment in the station has been added to the capital programme in a staged way on the completion of agreed milestones, and has to date been funded by the grant. "Additional borrowing" refers to planned borrowing that has yet to be incorporated into the capital programme. In agreeing the funding strategy in July 2014, the Committee set six tests which must be met before this borrowing is entered into. The Committee has received regular updates on the position in relation to these tests. In accordance with the decision of Assets Regeneration and Growth Committee (ARG) in March 2018, the council is now negotiating a detailed Implementation Agreement with Network Rail, which will include the final target cost for the station. The Agreement will be considered by ARG in September 2018, following which a report will be brought to P&R Committee seeking authority to enter into the borrowing

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				provided the six tests are met. The Deputy Chief Executive is the Chief Officer responsible for the programme. ARG receives update on progress with the scheme at each meeting.
10.	**Item 7 –** Business Planning 2018-2024.	John Dix	At 1.5.14 you identify managing demand as a way to reduce the budget gap. Given that you have been saying that for at least the last 6 years since you published the graph of doom and that it is a policy that has repeated failed to deliver, do think you need to change the people who keep recycling this approach.	Managing demand is fundamental to the Councils budget as the biggest spend areas relate to demand led services. The Council is doing well in mitigating demand and without this work, costs in Adults and Children's services would be much higher. This can be evidenced by such things as the number of Adults entering the care system not increasing. This means that eventually when individuals do require services, they are generally do so with more complex needs and therefore cost more to support.
11.	**Item 7 –** Business Planning 2018-2024.	John Dix	The report talks about radical options for the future of local services but fails to mention any engagement with local residents at the early stages of this process to help develop these options. Please will you confirm that you will publish a resident engagement/involvement plan before the process commences.	The Council will engage with residents to get their views on priorities and principles that will shape our corporate and financial plan for the next five years.
12	**Item 10 –** Saracens Loan Agreement		Given the foregoing issues raised under agenda item 7 and the need to cut capital borrowing why is the council considering making a 30 year loan to Saracens to enable the construction of a new West Stand at Allianz Park?	This loan has not yet been approved as due diligence is ongoing. If it was, it would be on commercial terms and would therefore generate income for the Council.

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13.	**Item 14 –** Contract variations and extensions	John Dix	Given that Capita are responsible for the finance function in the Council why is Barnet paying for Grant Thornton support following a review of financial procedures and practices?	The work to be undertaken relates to an independent review of financial controls. This work is also required swiftly and so costs will initially be funded by the Council as holder of the contract with Grant Thornton.
14.	**Item 14 –** Contract variations and extensions	John Dix	Before confirming a spend of up to £500,00 what are the specific objectives of this exercise and how will you measure whether their input has met those objectives?	The £500k value is the upper limit for approval purposes but the actual cost is anticipated to be much less. The specific work plan and objectives will be agreed and reported through Audit Committee, as will progress against these objectives and the final cost of the review.

Public Comment (3 minutes per comment):

Comment	**Agenda Item**
Mr John Dix	Item 7 – Business Planning 2018-2024.

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