

	<p>Community Leadership Committee</p> <p>25th June 2014</p>
<p style="text-align: center;">Title</p>	<p>Finance and Business Planning, Corporate Plan and Medium Term Financial Strategy 2015/16 – 2019/20</p>
<p style="text-align: center;">Report of</p>	<p>Strategic Director for Growth and Environment</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1: Policy and Resources Committee report on Finance & Business Planning Appendix 2: Service information packs</p>
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<p>Summary:</p>
<ul style="list-style-type: none"> • A report was agreed by Policy and Resources Committee on 10 June 2014 which outlines the future financial challenge facing the Council to 2019/20 – with further savings of £72 million forecast to be required - and the process whereby Council Committees will consider the response to this challenge, including the setting of savings targets for each Committee. The extracts of this report relevant to the Community Leadership Committee are set out in the main body of this report. • This report recommends that the Community Leadership Committee: <ul style="list-style-type: none"> • Considers the savings target of £0.8 million by 2019/20 in the areas of spend overseen by the Committee, asset by Policy and Resources Committee. • Considers the timetable of activity to develop priorities and savings proposals to meet the target, before the Committees reports back to Policy and Resources Committee on 2 December 2014, at which the council’s draft budget for 2015/16 and future spending plans will be set out for consultation. • As part of this report, the Committee makes recommendations on future commissioning priorities over the period 2015 – 2020, to be incorporated in the Council’s revised Corporate Plan.

Recommendations

That the Community Leadership Committee:

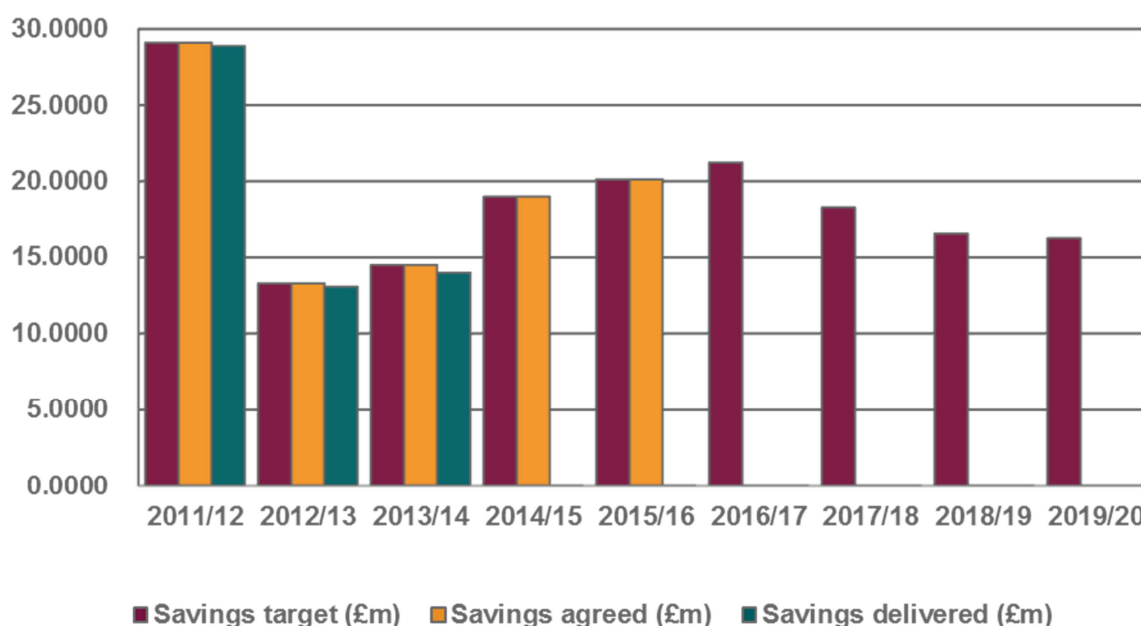
- 1.1 Notes the Policy and Resources Committee report as set out in Appendix A;**
- 1.2 Notes the savings target of £0.8 million that has been allocated to the Committee by the Policy and Resources Committee.**
- 1.3 Agrees to work up proposals that will achieve that savings target by 2019/20 - including by considering the options set out in the Priorities and Spending Review Report – by the autumn, together with an agreed future commissioning plan. Savings proposals will go forward to the Policy and Resources Committee meeting on 2 December 2014, which will consider the Council's draft budget for consultation; and**
- 1.4 Notes the service information pack included in Appendix B which provides contextual information on budgets, past spend and performance data, contracts, customer and staffing data.**

1.2 Strategic Context

- 1.2.1** The financial position of Local Government is extremely challenging, despite more recent improvements in the UK economy. Economic growth has been slower than originally projected by the Government at the 2010 Spending Review and, although the economy is now growing, a large structural budget deficit remains. When the Coalition Government first sets its spending plans and deficit recovery programme, it was projected that the annual budget deficit would be eradicated by 2015. This target has been missed, and it is now expected to be in balance by 2018/19. Public sector debt as a % of GDP is not currently expected to start falling until 2016/17.
- 1.2.2** The Government is committed to addressing the budget deficit primarily by cutting expenditure (80%) compared to increasing taxation (20%). Of the total £732 billion annual government expenditure, approximately half of this is “non-departmental” spend, primarily welfare and pensions, which is driven by demand. Welfare expenditure has already been subject to significant cuts. Of the remaining “departmental” expenditure, over 50% of this is protected as it relates to the NHS, schools, defence equipment and overseas aid. Local Government, along with transport, police, skills, universities and defence, sits in the remaining non-protected expenditure group. For this reason, a disproportionate level of cuts will continue to fall on Local Government until the end of the decade unless protections around other areas of spending are relaxed.
- 1.2.3** In spite of the on-going financial challenges, the Council continues to provide high quality services to residents. According to the Council's Residents Perception Survey, resident satisfaction with the Council has increased by 21% since 2010. Compared to 2010, residents think the council is doing a better job; offers better Value for Money; is working to improve the local area; and is listening to concerns of local residents and responding quickly when asked for help. In addition, 91% of primary and 86% of secondary schools are rated as ‘good’ or ‘excellent’ by Ofsted – among the best performance in the

country. The Borough remains an attractive and successful place to live, with 87% of residents satisfied with their local area.

- 1.2.4 Over the period 2011-15, the Council has worked hard to reduce costs, cut waste, and improve efficiency. Over that period, a total of £75m of annual savings have been found in Council budgets. Tough decisions have been made over, including outsourcing support services, setting up joint ventures and shared service arrangements to reduce costs and/or increase income, and better managing demand for social care. However, the Council is only half way through what is expected to be a decade of austerity, and therefore further work needs to be done to balance the budget to 2020.



- 1.2.5 The Council's future regeneration programme will see £6bn of private sector investment over the next 25 years to ensure that the Borough remains an attractive place to live and do business. This will create around 20,000 new homes and up to 30,000 new jobs across the Borough. The Council also expects to receive approximately £5.6 million of recurrent income from the proceeds of regeneration by the end of the decade, with around £50 million of non-recurrent income to be re-invested in infrastructure.
- 1.2.6 Residents from across the borough will continue to share in the benefits of growth, with increasing housing development leading to an increase in the tax base and, subsequently, lower Council Tax bills for residents. During these challenging times, the Council does not want to increase financial the burden on families and individuals. This is why the Council has frozen Council Tax from 2010-11 and 2013/14, and reduced Council Tax by 1% in 2014/15.

1.4 The Barnet Priorities and Spending Review

- 1.4.1 The scale of the financial challenge continues to be huge. The Council has estimated that it will need to save a further £72 million (25%) from its annual

budget by 2019/20 due to increasing demand and further austerity. This will require a fundamental shift in the way public services are delivered. Such a scale of change will take time to deliver, and for this reason it is important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. This report was considered by Policy and Resources Committee on 10 June 2014 and is included in **Appendix A**.

1.4.2 The Priorities and Spending Review (PSR) – which concluded with the publication of the final report on 2 June - has been a process led by officers. It has been informed by public consultation, and officers have engaged with all three main political parties over the last 12 months. The PSR report sets out options for Committees to support in developing their responses to future budget challenges. It is important to note that no decisions on future budget savings are being made in this report – rather, it sets out options for Members to consider through Committees, informed by consultation with residents.

1.4.3 The Community Leadership Committee will have oversight of the council's spending on in a number of areas totalling £1.9 million, which includes spending on community safety, the Council's Grants Budget, communications and Mayoral and Civic spend. The elements of the PSR report relevant to the Community Leadership Committee are as follows:

- The PSR has identified a **package of measures which could save up to £800,000 in the budget areas overseen by the Community Leadership Committee**, in particular through alternative delivery models in relation to the provision of services related to community safety.
- There are opportunities to generate operational efficiencies of approximately £200,000 in the delivery of the borough's **CCTV services**. Going further, **the council could save an additional £600,000 by moving to a full cost recovery model of CCTV provision**, which would include finding alternative funding sources from those that benefit from the existence of CCTV cameras.

Summary:

- **The PSR has identified options to increase the financial benefit to the council by approximately £0.8 million in the Community Leadership Committee's area of responsibility, through the following means:**

Improving organisational efficiency, including:	Approximately £0.2 million
<ul style="list-style-type: none"> • Operational efficiencies in the delivery of the borough's CCTV services. • Cancellation of the MOSAIC contract and using resources provided by the council's Customer and Support Group partner. 	
Promoting growth and raising income, including:	Approximately £0.6 million
<ul style="list-style-type: none"> • Considering moving to a full cost recovery model for the borough's CCTV services 	
TOTAL	Approximately £0.8 million

1.4.4 The PSR report puts forward options which have the potential to save the Council up to £50.8m by 2019/20. This means that, even if all of the options set out in the PSR report were accepted and the maximum value of savings achieved, the Council would still face a budget gap of £21m by 2019/20. This may well have further implications for this committee.

1.5 Commissioning Plans and the Corporate Plan

1.5.1 The Council's Corporate Plan is the overarching strategic document for the organisation, setting out its commissioning priorities and objectives. The current Corporate Plan which covers the period 2014-15 to 2015-16 was published in April and has been revised to reflect the new freedoms offered by the Localism Act.

1.5.2 Following local elections in May, and the formation of a new administration, the Corporate Plan needs to be updated. The creation of the new Committee system of governance provides an opportunity for each Committee to help set the future direction of the Council. It is therefore proposed that each Committee agrees forward looking commissioning plans covering the period 2015-20 within their areas of responsibility, which will be reported back to Policy and Resources Committee on 2 December 2014 as part of a refreshed Corporate Plan.

1.5.3 It is recommended that the tone of the Corporate Plan is guided by an emerging overall narrative that has been developed off the back of the responses to the first phase of PSR consultation, of Barnet being a place:

- Of **opportunity**, where people can expect a **good quality of life**;
- Where **opportunity is shared, fairly**;
- Where **services will be transformed** by a smaller, smarter public sector; and
- Where people will be **helped to help themselves**.

1.9 Timetable

1.9.1 Theme Committees will be supported by officers throughout the summer and autumn to develop their response to the savings targets they have been set, agreeing a package of proposals by November that will enable a draft Medium Term Financial Strategy for the Council to be set by Policy and Resources Committee on 2 December 2014. The outline timetable is as follows:

- **June:** Finance and Business Planning process commences with agreement at Policy and Resources Committee on 10 June. Each Committee receives a report on the budget and business planning process, the budget envelope to 2020, and a summary of potential savings opportunity. Each Committee is asked to develop commissioning priorities and proposals to inform a new Corporate Plan, commissioning strategy for the Committee, and savings proposals.
- **October – November:** Each Committee to agree draft commissioning priorities and savings proposals, for submission to Policy and Resources Committee on 2 December.
- **2 December:** Policy and Resources Committee

1.10 Consultation

1.10.1 Consultation has already commenced to help inform the Council's future plans and will continue as options set out in this report – and others that are likely to emerge - are considered further. Consultation follows three broad phases:

- a) Phase 1 – Citizens' Panels and Focus Groups have targeted service users, businesses and some protected characteristic groups to gauge residents' views about local services and priorities.
- b) Phase 2 – the "Call for Evidence" closes on 30 June. This has involved online channels, asking local and national commentators and stakeholders for views on how we meet future challenges, and ensures this thinking is informed by best practice. The Call for Evidence was launched in March and suspended during purdah. The findings of phases 1 and 2 will be shared through Committees over the summer to inform decision making.
- c) Phase 3 – consultation on specific savings proposals will commence as they are formulated and before final decisions are taken. It is recommended that Committees run consultation on emerging groups of ideas over the summer/autumn to inform proposal development. Individual consultation on specific proposals will take place following agreement of a draft medium term financial strategy and corporate plan at Policy and Resources committee in December. Equalities Impact Assessments will be developed as proposals become clearer.

2. REASONS FOR RECOMMENDATIONS

2.1 As set out in this report, Local Government is facing significant cuts in funding which will require a fundamental change to the way services are delivered by 2020. Such a scale of change takes time to deliver, and for this reason it is important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. Policy and Resources Committee on 10 June 2014 agreed the future business planning process and savings targets for Theme Committees. This report takes this process forward.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 This report in itself does not ask that Members make any decisions on specific savings options; rather it sets out a process for engaging all Members and Committees in the development of budget proposals for the period up to 2020.

4. POST DECISION IMPLEMENTATION

4.1 Following approval of these recommendations, Committees will consider the development of commissioning plans and savings proposals to meet the targets in this report. Each Committee will need to be in a position to

recommend commissioning plans and draft budget proposals to Policy and Resources Committee on 2 December, ahead of consultation.

5. IMPLICATIONS OF DECISION

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

5.1.1 This report relates to the Council's Medium Term Financial Strategy (MTFS) and annual Finance and Business Planning process. In March 2014, the Council set a two year MTFS covering the period 2014-15 to 2015-16. Following local elections in May, and the formation of a new administration for Barnet Council, this report sets out the process for refreshing the Corporate Plan and priorities, and the process for setting a budget and medium term financial strategy extending through from 2016 through to 2020.

5.1.2 In addition to continued austerity, demographic change and the resulting pressure on services poses a significant challenge to the Council. The organisation 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 is allocated to the infrastructure reserve as a contribution towards these costs.

5.2 Legal and Constitutional References

5.2.1 All proposals emerging from the business planning process are considered in terms of the Council's legal powers and obligations (including, specifically, the public sector equality duty under the Equality Act 2010) and, where appropriate, mechanisms put into place to ensure compliance with legal obligations and duties and to mitigate any other legal risks as far as possible.

5.2.2 Constitution, Part 3, Responsibility for Functions – Section 3

5.3 Risk Management

5.3.1 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. Risk management information is reported quarterly to the Board and to Committees and is reflected, as appropriate, throughout the annual business planning process.

5.3.2 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 2014/15 and 2015/16. This announcement also indicated that austerity is likely to continue until the end of the decade as the Government continues to reduce public spending as it cuts the UK's budget deficit. Current modelling suggests that this is likely to equate to a further reduction of £72m to the Council's budget by 2019/20. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate future cuts.

5.3.3 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.

5.4 Equalities and Diversity

5.4.1 Equality and diversity issues are a mandatory consideration in the decision-making of the Council. This requires elected 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 protected group and what mitigating factors can be put in train.

5.4.2 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

5.4.3 Similarly, all human resources implications will be managed in accordance with the Council's Managing Organisational Change policy that supports the Council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

5.5 Consultation and Engagement

5.5.1 As set out above.

6. BACKGROUND PAPERS

6.1 Appendix A – Priorities and Spending Review 2014 - Policy and Resources Committee - 10 June 2014.

6.2 Appendix B – Community Leadership Committee briefing pack