

	<p><b>Policy and Resources Committee</b></p> <p><b>09 July 2015</b></p>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Finance and Business Planning – Medium Term Financial Strategy 2016/17 to 2019/20</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Andrew Travers, Chief Executive John Hooton, Chief Operating Officer Kate Kennally, Strategic Director of Commissioning</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>Appendix A – Medium Term Financial Strategy 2016-20 Appendix B – Council Reserves Appendix C – Movement in 2015/16 Budgets Appendix D – Write offs</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>Stephen Evans, Director of Strategy and Communications, <a href="mailto:Stephen.evans@barnet.gov.uk">Stephen.evans@barnet.gov.uk</a> Anisa Darr, Interim Assistant Director of Finance, <a href="mailto:Anisa.Darr@barnet.gov.uk">Anisa.Darr@barnet.gov.uk</a></p>

<p><b>Summary</b></p>
<p>This report seeks approval from Policy and Resources Committee on the following:</p> <ul style="list-style-type: none"> <li>a) The process for Theme Committees to develop savings proposals, in line with commissioning priorities, for the period 2016-20 which will come back to this committee in December 2015; and</li> <li>b) The movements to the budget in 2015/16.</li> </ul>

## Recommendations

### That Policy and Resources Committee:

- 1.1 Note the updated Medium Term Financial Strategy up to 2020 as set out in Appendix A and the assumptions underpinning this in section 1.3.5;
- 1.2 Agree the additional savings targets for Theme Committees as set out in paragraph 1.3.5 for allocating the remaining budget gap;
- 1.3 Agree the process for the review of the capital programme as set out in section 1.4;
- 1.4 Agree the process of consultation as set out in section 5.5
- 1.5 Agree the movements in budget in 2015/16 as set out in section 1.6
- 1.6 Note the reserves balances as set out in section 1.5
- 1.7 Instruct officers to work with the CCG to ensure that the full amount of the Better Care Fund previously allocated to social care is allocated to support Adults Social Care from April 2016 onwards; and
- 1.8 Approve the write offs in Appendix D

## 1. WHY THIS REPORT IS NEEDED

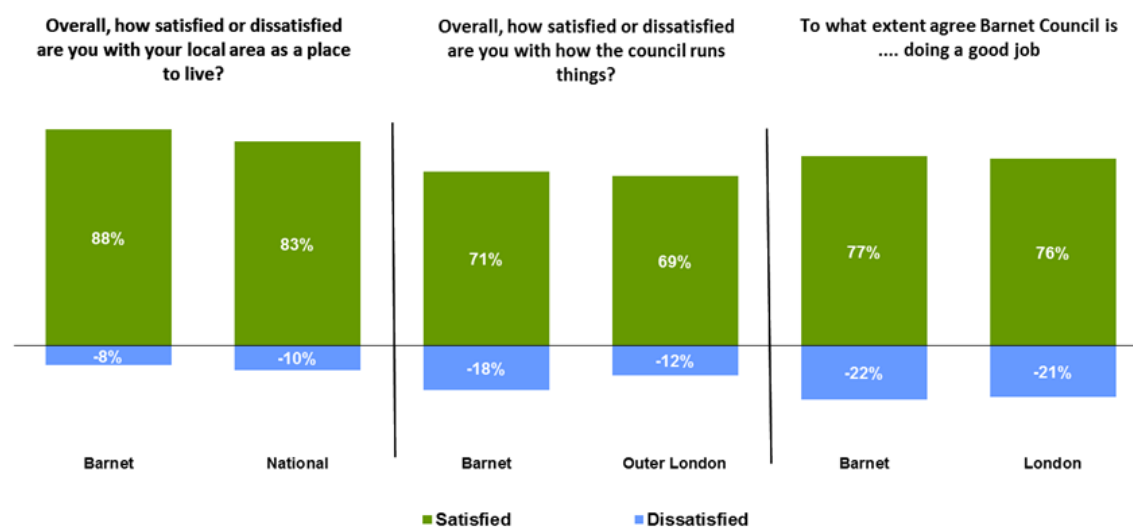
### 1.1 Executive Summary

- 1.1.1 In March 2015, the council set a Medium Term Financial Strategy (MTFS) covering the period 2015-20. The MTFS for this period identifies a total budget gap (including proposed pressures) of £90.9m and includes savings proposals totalling £68.9m. This produced a balanced budget for 2015/16 with a remaining gap of £21.9m – where savings have yet to be identified – over the period 2016-20.
- 1.1.2 The council typically re-assesses the assumptions underpinning the MTFS once a year, in July, through a report to Policy and Resources Committee (P&R). This report sets the context in which Local Government is operating and updates Members on any changes to the council's future budget assumptions and changes to the following year's budget. Further reports are taken to P&R each Autumn – setting out the draft budget for the following year – with the final report on the following year's budget going forward to Committee each Spring, before agreement at Full Council.
- 1.1.3 Following the General Election in May, this report updates the assumptions in the MTFS and presents a revised budget gap for 2016-20, estimated at £29.4m beyond the proposals previously set out in the MTFS. This represents an increase of £7.5m on the assumptions presented to P&R in March. This is mainly a result of an anticipated reduction in business rates income and Revenue Support Grant that Barnet will receive from Government.

1.1.4 This report sets out the process the council will follow to close this budget gap.

## 1.2 Strategic context

1.2.1 The past five years has been a period of significant challenges for all councils, but ones we have risen to in Barnet, having successfully saved £75m while limiting impacts on front line services and, crucially, maintaining resident satisfaction. The latest Residents' Perception Survey data indicates that 88 per cent of residents are satisfied with Barnet as a place to live; 71 per cent are satisfied with how the council runs things; and 77 per cent feel that it is doing a good job. These results are part of an upwards trend over the past five years.



1.2.2 Over half of residents agree that the council provides value for money, a rise of 8 per cent since Autumn 2012, and 63 per cent believe that it provides value for money *for the council tax I pay*, a 6 per cent increase over the same period. This reflects the council's commitment to keeping Council Tax low, as Barnet is now 9 per cent above the London average for this measure.

1.2.3 In response to the scale of the challenge facing Local Government from public spending reductions and increasing demand, Barnet undertook a Priorities and Spending Review (PSR), the results of which were presented to P&R in June 2014. The PSR was a process led by officers and informed by public consultation and engagement with all three main political parties. The savings options presented were grouped under four themes: Efficiency: growth and income: reducing demand; and promoting independence and service redesign. Opportunity areas were taken through Theme Committees and savings proposals were referred to P&R for agreement in June 2014.

1.2.4 Theme Committees then worked up detailed proposals and brought them back for agreement in the Autumn of 2014. The final set of budget proposals covering 2015-20 were then taken through P&R again before final agreement at Full Council in March 2015.

- 1.2.5 Following the election of a Conservative government, the Chancellor announced plans for an Emergency Budget on 8 July 2015, which is likely to set out further details on the Government's spending plans, particularly in relation to additional funding for the NHS and further reductions to welfare spending.
- 1.2.6 Ahead of that, the Conservative manifesto gives indications of the commitments made which propose to eliminate the budget deficit by 2018, maintain a budget surplus by 2019/20 and oversee a reduction in national debt.
- 1.2.7 Local Government, along with other departments such as transport, police, skills, universities and defence, remain in the non-protected expenditure group. By protecting budgets such as NHS, schools and international aid, the impact on unprotected budgets – including Local Government – is more pronounced.
- 1.2.8 In his speech on the UK economy delivered on 4 June this year, the Chancellor announced £3bn of additional departmental cuts in 2015/16, including £230m from the Department for Communities. It is not yet clear how much might be passed on to Local Government on top of the 10% cut to council budgets this year. The nature of the Local Government settlement makes cutting the central Revenue Support Grant in-year more difficult, but a number of other central grants from central to Local Government are at risk. An in-year reduction of £200m to the Public Health grant has already been announced for this year, with a potential £1m impact in Barnet.
- 1.2.9 The Conservative manifesto pledges to help Local Authorities keep Council Tax low and ensure that residents can continue to veto high rises via a local referendum. The current 2% threshold to trigger a poll may continue, which reduces the flexibility to use Council Tax as a means of reducing the gap.
- 1.2.10 The Queen's Speech confirmed the Government's intention, through the Housing Bill, to extend the Right to Buy to cover housing association properties. The potential impact of this policy on councils – particularly those in London – is still being considered and we await further details from the Government on the precise nature of the scheme.
- 1.2.11 The Housing Bill also set out the Government's intention for 90 per cent of suitable brownfield land to be made ready for development by 2020. The council is already inviting residents, developers and landowners to identify suitable sites, including brownfield, which could be brought back into use. MTFs assumptions in regard to Assets, Regeneration and Growth may need to be reassessed if further opportunities for development are identified.
- 1.2.12 The Queen's Speech introduced a Cities and Local Government Devolution Bill, which will provide the legislative framework necessary to deliver the Greater Manchester devolution deal and other future deals – both in large cities which choose to have elected mayors and in other places. Were London boroughs to lobby successfully for further devolution of powers and budgets to the sub-regional level, this could impact positively on MTFs assumptions.

## **Barnet's response to the financial challenge – maximising the revenues we generate locally through growth and investment**

1.2.13 Growth is an essential part of the council's strategy as we become less reliant on Government funding and generate more of our income locally. Residents will continue to share in the benefits of growth, with increasing housing development leading to an increase in the tax base and, subsequently, helping the council maintain lower Council Tax bills.

1.2.14 With the help of local residents and businesses, 60 potential sites for housing have been identified to support the borough's future development pipeline. It is estimated that the first 15 sites could accommodate up to 700 new homes. Supply can be increased without the need for new sites by bringing the approximately 1,300 homes in Barnet which have been empty for 6 months or more back into residential use. The council is offering Empty Property Grants to owners who wish to refurbish, demolish, rebuild or convert these properties.

### **Targeted help to those that need it – a focus on employment**

1.2.15 The council's ambition is to support the local economy by making Barnet the best place in London to be a small business. The strategy for achieving this focuses on the council making itself easier to do business with – for example when seeking planning permission, starting a new business, applying for a license or supplying us with good and services. Further initiatives – shaped by the local business community – focus on enhanced support for town centres, and exploring inward investment opportunities.

1.2.16 Most residents will benefit from the opportunities that growth brings, but some will require additional support so they do not miss out. A clear priority for the council is to continue to work effectively with other parts of the local public sector to help residents get a job. Barnet has a good track record in this area, with the integrated Welfare Report Task Force – located in Barnet House – successfully engaging with 96% of Barnet residents impacted by the Benefit Cap and helping 36% into work. By combining resources with Barnet Homes, Jobcentre advisers and health advisers, not only does the model provide a better service for residents, its also reduces bureaucracy for the agencies involved. The council is rolling out this model more widely, and has recently set up an integrated 'Jobs Team' in Burnt Oak – this area of the borough with the highest unemployment. This pilot is supported by resources secured from Whitehall.

### **Investing in the future**

1.2.17 Barnet will not be able to support the growth needed to ensure the council's financial independence without investment for the future. The council's regeneration programme will see £6bn of private sector investment over the next 25 years to ensure 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 and generate £11m of additional recurrent income for the council by 2020 and one-off income of £50m to be reinvested in infrastructure. The Treasury has made significant financial commitments to support our regeneration plans at Grahame Park and Brent Cross Cricklewood, including £97 million to fund a new Thameslink station. The council intends to hold a stake in these future regeneration plans, for example

as part of the joint venture developing Brent Cross. This will help the sustainability of the council's finances not just through to 2020, but beyond.

1.2.18 The council is looking to build on this track record of long-term investment by investing now for gains in the medium term. Indeed, the success of our MTFs depends on this approach. For example, investment in supported housing can help manage demand for adult social care by enabling older people to live independently in the community for longer. To this end, Barnet Homes are building an additional 50 Extra Care Housing units by 2017/18, and the council is considering plans to provide 100 specialist homes linked to health and care support and community facilities by 2020 – including 50 for sale. The council intends to continue investing in this way as appropriate to reduce the ongoing cost of social care while increasing independence for service users.

1.2.19 The council is also investing in infrastructure to ensure the borough remains a place where people want to live and work. £50m will be invested in improving the condition of roads and pavements over the next 5 years in response to residents' perception data indicating that 38 per cent of residents name this as their top personal concern locally.

1.2.20 Barnet's schools are amongst the best in the country, and the council will continue to invest in maintaining this as one of the main reasons why people are drawn to the borough, building on the £116m invested over the past 5 years.

1.2.21 Decisions regarding further investment in essential infrastructure to support the future growth of the borough – including schools, transport, healthcare and community centres – will be taken by Theme Committees over the coming months.

### **Managing demand on services**

1.2.22 At the same time as continuing supply-side reforms over the next 5 years - making changes to the way services are designed in order to drive savings – the council will also need to oversee a step-change in its approach to managing the demand on services wherever possible, through early intervention and tackling the causes of problems rather than treating the symptoms.

1.2.23 The council is already involved in significant early intervention and demand management activities across a range of services – reforms to early years provision; measures to allow people to remain longer in their own homes to reduce social care costs; engaging early with residents impacted by continuing reforms to welfare (such as the roll-out of Universal Credit) and working more closely with Jobcentre Plus – in order to help reduce the demand on services. However, in response to a growing population and further funding reductions, the council's approach to demand management will be an increasingly important part of its strategy and all services will need to look at what else further can be done to make progress.

### 1.3 Medium Term Financial Strategy

1.3.1 Appendix A sets out the MTFs from 2016/17 to 2019/20, taking into account national economic factors such as assumed Government funding cuts and inflation, along with local factors such as housing trajectory and population and demand pressures on services. The headline figure is a budget gap of £81.1m for 2016-20.

1.3.2 The assumptions within the budget envelope are as follows:

- **Pressures:** an assumption has been made in the budget envelope for future demographic pressures specifically for Adults and Children's Social Care costs. This is based on the latest demographic projections from the GLA and specific data from the Projecting Older People Population Information System (POPPI) and the Projecting Adult Needs and Service Information System (PANSI). An assumption has also been included for increased costs relating to complexity of cases in Special Education Needs (SEN) and Learning Disabilities (LD);
- **Inflation (pay):** the Local Government pay award from January 2015 – March 2016 was agreed at 2.2%. Annualised, this increase is in the region of 1.1% and therefore the MTFs continues to assume a 1% increase in pay;
- **Inflation (non-pay):** figures of 2% for inflation have been used to estimate the increase in non-pay costs;
- **North London Waste Authority (NLWA) levy:** figures for the NLWA levy are based on the latest information from the NLWA;
- **Capital financing costs:** no further provision has been added since the budget was agreed in March by Full Council. The current budget provision is considered to be sufficient based on current capital needs; this will be revised after the capital needs analysis exercise has been completed;
- **Contingency:** A provision has been added from 2017/18 to cover general risks;
- **Concessionary fares:** increases have been projected in line with demographic changes of the 60+ population in Barnet;
- **Business rates:** the council, along with other London boroughs, have noticed a decrease in business rates due to an increase in successful appeals against rateable values; therefore a decrease in the baseline has been factored in to reflect this;
- **Revenue Support Grant (RSG):** the assumption for reduction in RSG reflects the Government's aspiration to have a budget surplus by 2018/19, and is based on financial modelling by London Councils;
- **Public Health Grant:** following the Chancellor's 4 June 2015 announcement of a £200m in-year cut to the Public Health grant, this reduction has been carried through to all years from 2016-20 in the MTFs. However, there is speculation that moving forward the ring fence will be removed and the Public Health grant will start forming part of the RSG with an even greater reduction;
- **Council Tax:** the proposal, subject to consultation and an Equality Impact Assessment, is that a Council Tax freeze is factored into the MTFs for 2016/17, with an increase of 2% per annum beyond that.

- 1.3.3 Full Council, in March 2015, agreed saving plans to close the gap by £51.7m, which would leave a remaining gap of £29.4m. The preferred option to address this is to allocate part of the remaining gap to Theme Committees and fund the remainder from reserves until the Council Tax base increases post 2020.
- 1.3.4 In anticipation of the increase in the Council Tax base beyond 2020 (based on projected Council Tax receipts from housing in the west of the borough), it is proposed to fund £5m of the gap in 2019/20 from reserves. It would not be prudent to fund a budget gap from reserves on an ongoing basis, but it is the view of the Chief Finance Officer that this would be prudent on a short term basis, given the current level of general and risk reserves. The assumption will be reviewed annually.
- 1.3.5 Savings targets during the PSR period were based on a bottom up exercise of where savings could be identified rather than a pro-rata reduction. It is proposed that the remaining gap is allocated to Theme Committees in line with the percentage reductions established through the PSR. This would ensure that Committees like Assets, Regeneration and Growth (ARG) contribute towards the overall gap and that Children's and Adults Services are afforded a relative level of protection. Allocating the remaining gap in this way would result in the following additional savings targets for Theme Committees:

<b>Committee</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Adults & Safeguarding	(2,415)	(2,576)	(918)	(55)
Assets, Regen & Growth	(1,930)	(2,059)	(734)	(44)
Children, Education, Libraries & Safeguarding	(1,892)	(2,018)	(719)	(43)
Environment	(1,125)	(1,199)	(428)	(25)
Policy & Resources	(2,534)	(2,703)	(964)	(58)
<b>Total</b>	<b>(9,896)</b>	<b>(10,555)</b>	<b>(3,763)</b>	<b>(224)</b>

- 1.3.6 Although it is proposed that the overall gap is allocated to the Theme Committees, it is important to avoid looking at options for further savings in isolation without considering how savings could be driven through cross-cutting proposals which would impact on more than one Committee. Commissioners will therefore work together to ensure that such opportunities are not missed.

## **1.4 Capital Investment Programme**

- 1.4.1 The current capital programme totals £470m up to 2020, funded from a combination of capital receipts, borrowing, revenue and external grant contributions.



- 1.4.2 It is recommended that officers in Delivery Units, along with the appropriate Commissioning Director, develop capital investment proposals which allow the council to achieve its corporate priorities, strategic aims and which may enable invest to save opportunities. These will then be assessed for affordability and equalities impacts with recommendations put forward to relevant Theme Committees for referral to P&R in December 2015.
- 1.4.3 In the period up to 2020, there are a number of non-HRA projects and programmes including the council's proposed new headquarters at Colindale; the new Thameslink station at Brent Cross; secondary school builds; and investment in roads and pavements that require significant capital funding. The Treasury Management team will be undertaking work to review the current strategy with specific regard to the borrowing strategy and requirement to review capital financing, cash balances, other capital proceeds, cashflow and phasing of new borrowing requirements. This will form part of the Treasury Management Strategy that will go to Full Council in March next year.

## **1.5 Specific reserves**

- 1.5.1 The detailed reserves position as at 31 March 2015 is included in Appendix B. The total size of the council's reserve pool is £129m. This represents 47% of the council's net budget. This is made up of the following elements:
- General Fund reserve - **£14.8m** - This is broadly in line with the £15m balances set by the Section 151 Officer to allow for inyear volatility in spend
  - Corporate earmarked reserves (risk, equalities impacts, transformation, service development, welfare reform and financing reserve) - **£50.5m**
  - Infrastructure reserve (New Homes Bonus, Community Infrastructure Levy) - **£38m**
  - Service specific earmarked reserves - **£7.7m**
  - Ring fenced reserves (schools, public health, section 256) - **£18m**
- 1.5.2 The basis of all council reserves is included in the budget report to Full Council each year. This includes a policy that defines the level of reserves that the Chief Finance Officer recommends as prudent, and sets out the basis of different reserves that are held.
- 1.5.3 It is the role of the Section 151 officer to recommend a level of reserves within the council's budget. However, it is important that Members understand the level of reserves that the council holds, and ensure that the reserves policy fits in line with the organisational strategy. Reserves balances are by definition "one off" as they can only be used once and are not replenished, as opposed to the council's revenue budget which includes annual allocations for certain expenditure.. A review of Barnet's reserves compared to other London councils is attached in Appendix E.
- 1.5.4 Corporate earmarked reserves have been set aside by the council for a variety of purposes. Principally these are for unforeseen risks, to undertake transformation projects across the council and to fund the council's response to welfare reform and equalities impacts.

- 1.5.5 The infrastructure reserve holds New Homes Bonus and the Community Infrastructure Levy. The council is not legally bound to spend New Homes Bonus money on infrastructure, but there is an expectation that it is used for this purpose, and the council has a significant infrastructure burden across the borough which it must service. This reserve is fully committed against the current capital programme.
- 1.5.6 Ring fenced reserves include money that is ring fenced by statute and can only be used for their designated purpose (such as schools and public health balances), funding held to service a long term PFI contract, and also funding held on behalf of other organisations such as the North London Sub Region.
- 1.5.7 It is recommended that in year application of reserves to service expenditure in line with the purpose of the reserve is delegated to the Chief Operating Officer.

## 1.6 2015/16 Budget management

### Transfers from contingency and reserves

- 1.6.1 Each year, the council sets aside an amount of money in contingency to cover costs of pay awards. In November 2014, a national two year pay award of 2.2% was agreed from 1 January 2015 – 31 March 2016. The proposed allocations, on an on-going basis, from contingency are as follows:

Directorate	Amount
	£
Adults and Communities	185,900
Assurance	29,700
Children's Education & Skills	133,800
Children's Family Services	362,720
Commissioning	43,550
Parking & Infrastructure	7,910
Streetscene	162,140
<b>Grand Total</b>	<b>925,720</b>

The national pay award was agreed in January 2015 and was not, as anticipated, backdated to April 2014. This meant the council had paid staff an additional 1% between April 2014 – January 2015; which comes to £440k for council staff and non-teaching staff in schools. This figure is net of the staff that would have received an increase in line with London Living Wage. It is recommended this is funded from risk reserve.

- 1.6.2 The council also sets aside an amount of money in contingency to cover costs of inflation on contracts and this is allocated to services following confirmation of inflationary increases on these contracts. The proposed allocations, on an on-going basis, from contingency are as follows:

Directorate	Amount
	£
Adults	1,064,530
Assurance	1,850
Commercial	434,280
CSG	656,240
Education	89,630
Family Services	419,270
HB Law	259,000
Re	395,000
Streetscene	48,000
HNR	1,026,900
<b>Grand Total</b>	<b>4,394,700</b>

- 1.6.3 Family Services is currently facing difficulty in recruiting to key social worker positions. Ahead of the agreement and implementation of unified reward, £492k is proposed to be transferred on a one-off basis to Family Services to reflect the part year impact of moving intervention and planning pay to top quartile and moving other social work teams to market median. This is a national issue and investment in this area will ensure that not only are we able to recruit suitably qualified and experienced individuals, but also ensure that the council's statutory duties are being met. From a financial perspective, attracting and retaining the best social workers also enables the Council to manage the costs of expensive care placements more effectively than with a less capable or temporary workforce. There will be an on-going impact of this change which it is expected will be addressed as part of the Unified Reward proposal. It is recommended that this is funded from risk reserve.
- 1.6.4 Following the overspend by Adults and Communities in 2014/15 of £2.4m, there was a robust review of the pressures that the delivery unit is currently experiencing. There has been an increase in new Ordinary Residence clients and in service users with Learning Disabilities. The service has also seen an increase of self-funders with depleted funds who therefore have become the responsibility of the council. The number of self-funders with depleted funds is difficult to predict. However, the council has a legal duty to support clients with unmet eligible needs. It is recommended that there is an adjustment to the budget for Adults and Communities of £2m, on an on-going basis, from contingency. The Director of Adults and Communities needs to continue to deliver savings and take necessary action to bring the delivery unit's expenditure in line with budget. It is recommended that P&R instruct officers to work with the CCG to ensure, in addition to current allocation, that the full amount previously allocated to social care in the Better Care Fund is used to fund social care from 2016 onwards.
- 1.6.5 P&R previously agreed to fund the budgetary shortfall arising from the Parking Judicial Review for 2014/15. This allocation was not used; however the pressure has continued. It is proposed to continue the ring fencing of this money in the risk reserve for drawdown if required by the service.

1.6.6 In December 2014 P&R agreed a reserve for transformation projects of £16.1m. An initial draw down of £2.7m was requested, and the remaining balance was earmarked for future projects and funding was to be requested when projects reached the appropriate gateways. These projects are now moving forward and approval is sought to start to release the remaining funding of £13.4m.

<b>Project</b>	<b>Transformation Funding already drawn down</b>	<b>Remaining Transformation funding to draw down</b>
<b>Housing Improvement and Efficiency</b>	£150,000	
<b>Street Scene Transformation</b>	£650,000	£2,246,621
<b>Parking</b>		£183,912
<b>Early Years – Children’s Centres</b>	£345,290	£0
<b>Independence of Young People with LD (0-25)</b>		£350,000
<b>Family Services - Back Office Efficiencies</b>		£250,000
<b>Education and Skills</b>	£50,000	£1,250,000
<b>Skills and Employability</b>		£436,978
<b>Libraries</b>	£200,350	£299,650
<b>Nurseries</b>	£70,000	
<b>Programme management to support CELs projects</b>		£224,000
<b>Community Participation</b>		£100,000
<b>Adults (Prevention, Independence and Efficiency)</b>		£1,724,000
<b>Health and Social Care Integration</b>		N/A (S256 funded)
<b>Sports and Physical Activity (SPA)</b>		£1,033,000
<b>CCTV</b>		£70,000
<b>Unified Reward</b>	£450,000	
<b>Smarter Working</b>	£250,000	
<b>BAU (central support to proposals )</b>		£100,000
<b>Legal advisory</b>		£1,500,000
<b>PMO central team</b>	£250,000	£1,688,428
<b>Workforce changes including advisory and support</b>	£250,000	£1,112,000
<b>Programme contingency</b>	£50,000	£830,000
	<b>£2,715,640</b>	<b>£13,398,589</b>

## **Transfers to reflect the Commissioning Structure**

1.6.7 The project to strengthen the commissioning capacity of the council has concluded and the new structure went live in April 2015. As a result of this, transfers need to take place between delivery units and the Commissioning Group to reflect the current structure. These on-going transfers are as follows:

Adults & Communities - £2m including

- Community Safety team budget of £362k and the CCTV contract budget of £817k will move from Adult and Communities to the management of the Commissioning Director for Environment;
- The Adults Joint Commissioning team budget of £419k and the GLL contract budget of £472k will move from Adults and Communities to the management of the Commissioning Director of Adults and Health;

Family Services - £1.7m which includes

- The Domestic Violence team budget of £777k will move from Family Services to the management of the Commissioning Director for Environment;
- In addition, there has been a service restructure which transferred the responsibilities of various business support functions from Family Services to Education and Skills which were previously delivered as a shared service. This also includes the transfer of the Virtual Schools which is now being delivered within Education and Skills. The total budget to be transferred is £444k, details of which are in Appendix B.

Central Expenses

- The NWLA levy budget of £11.6m is held in central expenses and will now be managed by the Commissioning Director for Environment;

Street Scene

- The comingled recycling income budget of £1.13m will move from Street Scene to the Commissioning Director for Environment as this is related to the NLWA levy budget.

Virements between services over £50,000 and up to £250,000 were approved by Chief Officer and Chief Finance Officer in consultation with the Chairman of P&R and are reported to this meeting in Appendix B.

## **Transfers to reflect re-profiling of savings**

1.6.8 Education and Skills have delivered £1m worth of savings in transport costs for children with Special Educational Needs (SEN) over the last three years despite growth in numbers of about 4% over that period. There is a further saving of £500k expected to be delivered in 2015/16. Initial work suggests that, although passenger numbers can probably be reduced if demand were to remain constant, the total saving will be lower and delivered in a later timeframe than expected. It is proposed to cover the gap created in 2015/16 on an on-going basis from contingency and review the scope of the saving and timeframe in line with other savings proposals from 2016-20.

1.6.9 Adults and Communities were due to deliver £1.5m of savings through HRA investment in new builds which would result in a reduction in high cost placements. There have been some delays in building so the savings have to be profiled to reflect this delay. It is proposed to cover the gap created in 2015/16 on an on-going basis from contingency and review the scope of the saving and timeframe in line with other savings proposals from 2016-20.

1.6.10 P&R agree the write offs for NNDR and Sundry Debtors as set out in Appendix D to this report. Debts are looked at on a case by case basis. All of these debts have been pursued using the council debt management policy and are now considered unrecoverable and therefore, need to be written off.

## **2. REASONS FOR RECOMMENDATIONS**

2.1 As set out in the strategic context, Local Government continues to face significant cuts in funding which require longer term robust financial planning for the future. This report makes recommendations for Committees to take this forward.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 This report sets out options in relation to addressing the budget gap of £24.4m between 2016-20. However, this report does not ask that Members to make any decision on specific savings options for the period 2016-20; rather it sets out a process for engaging all Members and Theme Committees in the development of budget proposals.

## **4 POST DECISION IMPLEMENTATION**

4.1 Following approval of these recommendations, reports will be taken to Theme Committees to enable them to consider the development of savings proposals to meet the targets in this report. These Committees need to be in a position to recommend draft budget proposals to P&R in December for consultation.

## **5. IMPLICATIONS OF DECISION**

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

5.1.1 In March 2014, the council agreed the budget covering the period 2015-16. This report sets out the process to ensure that the budget reflects required changes and that monitoring for the council is accurate.

### **5.2 Legal and Constitutional References**

5.2.1 All proposals emerging from the review of the budget setting process must be considered in terms of the council's legal powers and obligations, including its overarching statutory duties such as the Public Sector Equality Duty.

- 5.2.2 Decision makers should have due regard to the Public Sector Equality Duty when making their decisions. If negative equality impacts are found then decision makers may – or may not – decide to change their decisions after balancing all of the factors, including but not limited to equality considerations. The equalities duties are ongoing duties – they are not duties to secure a particular outcome. The equalities duties should be taken into account before a decision is made. It is important that decision makers have regard to the statutory requirements on them and make decisions in light of all available material. This will include the results of consultation and other comments that residents and organisations make on the proposals. Equality Impact Assessments on service change proposals – together with any mitigations required – are presented to P&R and Full Council as part of the final budget report each Spring, before decisions are taken to set the council's budget.
- 5.2.3 The targets set for the Theme Committees will be subject to Equality Impact Assessments and consultation if necessary before final decisions are made on savings.
- 5.2.4 Constitution Responsibilities for Functions Annex A sets out the terms of the P&R Committee to be the principal means by which advice on strategic policy and plans is given and co-ordinated and to recommend to Full Council, as necessary, on strategic issues. This is to include:
- Approval of the Corporate Plan
  - Council's Capital and Revenue Budget setting (subject to Full Council) and Medium Term Financial Strategy
  - Ensuring effective Use of Resources and Value for Money
- 5.2.5 To be responsible for the overall strategic direction of the Council including the following specific functions/activities:
- Treasury Management Strategy
  - Write off of debt
  - Internal Transformation programmes
- 5.2.6 To consider and take any necessary action on proposals for new legislation, Bills before Parliament, Acts of Parliament and other proceedings before Parliament affecting or likely to affect the interests of the Borough or its inhabitants generally, where not the specific concern of any other committee(s). The promotion of Bills and Provisional and Statutory Orders in Parliament shall be dealt with by the council.

### **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 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 2013, 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. Current modelling suggests that this is likely to equate to further annual reductions of between £15m and £20m to the council's budget. For this reason, it is important that the council continues to be prudent with its use of reserves and contingency to militate against 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 The Equality Act 2010 and The Public Sector Equality Duty outlined in statute, (See paragraph 5.2.2 of this paper on legal issues) require elected Members to satisfy themselves that equality impact considerations have been fully taken into account in developing all the proposals which emerge from the finance and business planning process, and considered together with any mitigating factors. As part of the council's approach to strengthening how due regard is paid to equalities in decision making, the council will analyse the equality impact of each of those proposals in the budget year in question and will also develop a cumulative impact assessment of all the proposals. The council's Annual Equalities Report for 2014/15 reports back, at paragraph 3 vi), on how this process was carried out in 2014/15.
- 5.4.2 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 Barnet Council is committed to involving residents, businesses and service users in shaping the borough and the services they receive. Consultation and engagement is one of the key ways the council interacts with and involves local communities and residents, providing them with opportunities to:
- Gain greater awareness and understanding of what the council does
  - Voice their views and understand how they can get involved
  - Feed in their views to the democratic decision making process.

### **Preliminary consultation**

- 5.5.2 The council has already undertaken a range of consultation and engagement activities to inform its development of the 2015-2020 Corporate Plan strategic priorities and 5 year Commissioning plans, along with indicative savings proposals to inform the MTFs.



The preliminary consultation was designed to:

- a. Inform the Priorities and Spending Review by gathering insight to explore where savings and income generation can be made across the council
- b. Understand residents' views of council priorities and valued services
- c. Gain an in-depth understanding of stakeholders' priorities and how they would want the council to approach the budget and allocation of resources over the next five years.

5.5.3 Between December 2014 and March 2015, the council undertook formal consultation on its Corporate Plan and Commissioning Plans to 2020. The results were presented to P&R in February 2015 and Full Council in March 2015, before the final Corporate Plan and MTFS to 2020 were signed off.

5.5.4 The consultation was designed to consult on the combined package of the Corporate Plan; Commissioning Priorities; and budget to 2020.

The consultation aimed to get residents' views on the:

- high-level strategic priorities which formed the basis of a revised Corporate Plan from 2015 – 2020
- the five year Commissioning priorities and plans, broken down by individual Theme Committees
- the shape of each Theme Committee's indicative budget from 2016-2020 which collectively formed the indicative MTFS to 2020.

5.5.5 The insight that has already been gathered will be used by Theme Committees to help identify where remaining savings need to be made to fill the budget gap.

5.5.6 Further qualitative research will be commissioned on the recent Spring Residents' Perception Survey to understand what is driving residents' concerns to help inform the overall business plan. The Autumn 2015 survey results will also be used to inform the final Business Plan.

5.5.7 The table below outlines the phases of engagement to date;

<b>Phase</b>	<b>Date</b>	<b>Summary</b>
Phase 1: Setting out the challenge	<i>Summer 2013</i>	The council forecast that its budget would reduce by a further £72m between 2016/17 and 2019/20, setting the scene for the PSR consultation
Phase 2: PSR consultation to inform development of options	<i>October 2013 - June 2014</i>	<ul style="list-style-type: none"> <li>• Engagement through Citizen's Panel Workshops which focused on stakeholder priorities and how they would want the council to approach the Priorities and Spending Review</li> <li>• An open 'Call for Evidence' asking residents to feedback ideas on the future of public services in Barnet.</li> <li>•</li> </ul>

Phase 3: Engagement through Committees	Summer 2014	<ul style="list-style-type: none"> <li>• Focus on developing commissioning priorities and MTFs proposals for each of the 6 Theme Committees</li> <li>• Engagement through Committee meetings and working groups</li> </ul>
Phase 4: Strategic Plan to 2020 Consultation	December 2014 – March 2015	<ul style="list-style-type: none"> <li>• A series of 6 workshops with a cross section of residents recruited from the Citizens Panel and Youth Board, plus two workshops with users<sup>1</sup> of council services.</li> <li>• An online survey (17 December 2014 – 11 February 2015)</li> </ul>

### **Budget consultation on the 2016/17 budget**

5.5.8 The preliminary engagement will inform the development of the council's budget proposals, to be put forward for formal consultation on the budget for 2016/17.

5.5.9 As part of the council's statutory duty to consult with National Non Domestic Rate Payers (NNDRs), letters will be sent out to all the council's NNDRs inviting them to comment on the 2016/17 budget.

5.5.10 In terms of service specific consultations the Council has a duty to consult on proposals to vary, reduce or withdraw services in the following circumstances:

- where there is a statutory requirement in the relevant legislative framework;
- where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy;
- exceptionally, where the matter is so important that there is a legitimate expectation of consultation.

5.5.11 Consultation is also recommended in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equalities duties. Consultation will take place on individual proposals linked to projects as they are developed, and the outcome of the consultation will need to feed into Committees as decision are taken.

## **6 BACKGROUND PAPERS**

6.1 None.

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<sup>1</sup> One "service user" workshop was for a cross section of residents who are users of non-universal services from across the Council. The second workshop was for adults with learning disabilities.