

	<p>Policy and Resources Committee</p> <p>16 December 2015</p>
<p style="text-align: right;">Title</p>	<p>Business Planning – Medium Term Financial Strategy 2016-20 and draft budget for 2016/17</p>
<p style="text-align: right;">Report of</p>	<p>Chief Operating Officer</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>Yes</p>
<p style="text-align: right;">Key</p>	<p>Yes</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – Medium Term Financial Strategy 2016-20 Appendix B – Savings proposals by Theme Committee Appendix C – Capital programme</p>
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<p>Summary</p>
<p>On 25 November 2015 the Chancellor set out the findings of the Government’s Spending Review and Autumn Statement 2015. This set the Government’s economic and financial plans to the end of Parliament in 2020. This report revises the Medium Term Financial Strategy in line with the announcement, updates the Committee on the savings proposals developed by Theme Committees and seeks approval from Policy & Resources Committee on the following:</p> <ul style="list-style-type: none"> a) Consulting residents on savings proposals developed by Theme Committees, in line with each Committee’s commissioning priorities, for the period 2016/17; b) Additions to the capital programme up to 2020; and c) The movements to the revenue budgets in 2015/16.

Recommendations

The report recommends that:

- 1.1 The Committee 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;
- 1.2 The Committee agrees, subject to consultation, a Council Tax freeze for 2016/17 as set out in section 1.3;
- 1.3 The Committee agrees to consult on whether or not a 2% social care precept - to help fund care for the elderly - should be applied for 2016/17 as set out in section 1.3, ahead of the final budget for 2016/17 coming back to P&R on 16 February, when full details of how the precept can be applied by local authorities will be known, and to Full Council for approval in March;
- 1.4 The Committee agrees to engage with Barnet CCG immediately to secure a more equitable share of the Better Care Fund for the council tax payer;
- 1.5 The Committee agrees for the savings proposals as set out in Appendix B, subject to consultation ahead of the final budget for 2016/17 coming back to P&R on 16 February, and to Full Council for final approval of the budget in March;
- 1.6 The Committee agrees the capital additions as set out in Appendix C and section 1.5;
- 1.7 The Committee agrees the process for consultation as set out in section 5.7;
- 1.8 The Committee agrees the movements in budget in 2015/16 as set out in section 1.6.

1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

- 1.1.1 On 25 November 2015, the Chancellor set out the Government's economic and financial plans to the end of Parliament, through the Spending Review and Autumn Statement 2015. Overall plans for Local Government have been received and the MTFS has been updated in line with the announcement. However, individual local authority allocations are due to be released week commencing 14 December 2015 and therefore there is still some uncertainty.
- 1.1.2 The Council's budget gap remains consistent with the position presented to Policy and Resources Committee in July 2015. The budget gap for the period 2016-20 is estimated to be £81.1m.
- 1.1.3 This report sets out the savings proposals developed by Theme Committees, in line with commissioning priorities, to close this budget gap. It also sets out

capital investment proposals required to ensure Barnet is able to support the growth needed.

1.2 Strategic context

1.2.1 The past five years has been a period of significant challenge for the council, but ones we have risen to, having successfully saved £75 million while limiting impacts on front line services and maintaining resident satisfaction. The latest Residents' Perception Survey indicates that 88 per cent of residents are satisfied with Barnet as a place to live and nearly 80 per cent feeling that the council is doing a good job. With financial pressure on the council set to continue, the next 5 years will continue to present challenges but, crucially, there will be some significant opportunities.

The Government's 2015 Spending Review – continued reductions to the Local Government core grant

1.2.2 On 25 November, the Chancellor announced the Spending Review and Autumn Statement, which reiterated the Government's commitment to eliminate the budget deficit – achieving a £10 billion surplus by 2019/20 – and reduce national debt.

1.2.3 Local government, along with budgets such as transport, skills, and universities, remain unprotected, meaning that reductions are even more pronounced. The Chancellor announced £4.1bn cuts to Local Government core funding – comprising business rates and the Revenue Support Grant – by 2020. London Councils estimates that this represents a 30 per cent reduction in real terms when changes in funding for the New Homes Bonus and Better Care Fund are factored in.

Continued restrictions to increasing Council Tax

1.2.4 The existing 2% limit imposed on increases to general Council Tax, before triggering a local referendum, remains in place. This reduces the flexibility for councils to use Council Tax as a means of reducing the gap.

The ability for councils to introduce a 2% per year adult social care precept from 2016/17 to fund care for the elderly

1.2.5 The Spending Review does provide councils with a new power to introduce a precept of 2% per year to fund care for the elderly. The precept is additional to the 2% limit for general Council Tax increases. The precept is discussed further in para 1.3.

Changes to the retention of business rates

1.2.6 The Spending Review also announced changes to business rates retention that would see Local Government retain 100% of business rates collected by 2020. The details of how this will be baselined or how the system will work have not been outlined, so it difficult to determine the potential impact on Barnet at this stage. Although greater flexibility in relation to business rates is welcome, as a potential lever to stimulate local business growth, the devil will be in the detail. It is not yet clear whether there will be a cap on retained business rates or whether a degree of redistribution across the system will occur (otherwise, councils such as Westminster will retain significantly more income).

1.2.7 It is also likely that the Government will place additional responsibilities on councils in return for allowing a greater level of business rates. Some of the additional responsibilities we are aware of at this stage are Housing Benefit for pensioners, Transport for London capital projects and public health.

Housing

1.2.8 The Chancellor also set out the Government's intention for social housing rent to be capped at the relevant Local Housing Allowance rate. Current estimates quantify the impact of the Housing Benefit changes in Barnet to be minimal. However, detailed modelling will be undertaken as further details emerge.

1.2.9 In addition, the Government will consult on reforms to the New Homes Bonus, including reducing the length of payments from 6 years to 4 years and a preferred option to reduce the overall total by £800m (roughly 50%). Details will be set out in the local government finance settlement consultation, which will include proposals to introduce a floor to ensure that no authority loses out disproportionately.

Barnet's strategy – Capital investment in infrastructure to ensure that Barnet remains a place where people want to live and work

1.2.10 Although the Spending Review makes clear that, for Local Government, there will continue to be significant pressure on resources, a core part of Barnet's strategy is to invest over the years ahead.

1.2.11 The council's regeneration programme will see £6bn of private sector investment over the next 25 years, which will create around 20,000 new homes and up to 30,000 new jobs. It will also generate £11m of additional recurrent income for the council by 2020, with one-off income of £50m to be reinvested in infrastructure.

1.2.12 The Treasury has made 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 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.

1.2.13 The council, via Barnet Homes, is also investing in an additional 50 Extra Care Housing units by 2017/18, and 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 will continue to invest in this way, to reduce the ongoing cost of social care.

1.2.14 Investment of £50m will be targeted on improving the condition of the borough's roads and pavements over the next 5 years, together with further investment in school places, building on the £116m invested over the past 5 years. Investment in school expansion, both in terms of funding and provision of land, has contributed to the creation of over 7,500 new school places over the last six years.

1.2.15 The council is also investing in new community centres at Grahame Park, Colindale and Stonegrove Spur Road, as well as two new leisure centres

located in New Barnet and Copthall. These facilities will help to ensure that Barnet's growing population can stay healthy and build strong community cohesion.

Barnet's strategy – Maximising the revenues we generate locally through growth and investment

Housing and regeneration

1.2.16 Growth is an essential part of the council's strategy, as we become less reliant on Government funding and which requires us to generate more of our income locally. Residents from 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 to bear down on Council Tax bills. As well as the significant financial benefits outline, housing development is also a necessity as the population of Barnet, already the highest in London, continues to grow, driven by a high birth rate, high in-migration and low out-migration, and people living longer.

Employment and skills

1.2.17 Most residents will benefit from the opportunities that growth brings, but some will require targeted support – such as help to get a job – so they do not miss out. Barnet's Welfare Reform Task Force and Burnt Oak Opportunity Support Team (BOOST) are examples of initiatives have already demonstrated significant benefits both for residents, by providing a 'one stop shop' approach which brings together multi agencies under one roof. The results have been impressive, with the Task Force having engaged with 96 per cent of Barnet residents affected by the Benefit Cap and helping 35 per cent into work. Since its launch in June 2015, 200 residents have signed up to work with the BOOST team in Burnt Oak, with over 70 helped into employment and, crucially, achieving high retention rates.

1.2.18 Not only does the model of co-located, multi-agency teams provide a better service for residents, it also generates efficiencies across the public sector with analysis showing an economic benefit of £3 for every £1 invested in the Task Force. The model of co-located teams is something that the council will look to roll out for other services in locations across the borough.

Barnet's strategy – Transforming the way we design and deliver services

1.2.19 For every service, the council will consider the case for different ways to deliver our priority outcomes. For example, in adult social care, a greater number of elderly residents will be provided with social care support within their own homes, which will allow individuals to access support services and technologies that are right for them. This will save money by reducing demand for high cost residential accommodation.

1.2.20 In children's social care, proposals to increase the size and effectiveness of the in-house foster care service are designed to save money by helping a greater number of children and young people to move from residential to foster care placements. Intervening earlier will prevent placements from breaking down, increasing the likelihood that children will remain in stable placements for longer.

1.2.21 Environmental services will be transformed through the use of new technology to improve the efficiency of street cleansing services and make it easier for residents to report problems. At the same time, increased monitoring and enforcement of littering, fly tipping and other offences, particularly in town centres, will help to reduce the need for street cleansing services.

Barnet's strategy – Promoting community participation and resilience

1.2.22 To ensure Barnet continues to thrive, and building on local community spirit, the council will work to build stronger relationships with residents and communities in the years ahead. The aim is to ensure that residents and community groups become more independent and resilient and less reliant on public services.

1.2.23 If we succeed, residents and community groups will be able to deliver more, and take on more responsibility for their local areas in places where there is clear potential for community groups to support and complement the council's role. Engaging users in the design and delivery of services will also help to ensure they are better matched to local need and ultimately more successful.

1.2.24 The council has developed a wider ranging Community Participation Strategy in order to achieve its ambitions to support resilient communities where residents participate more in local activities. The strategy covers multiple work streams, including:

- **Community Assets Strategy** – setting out how we will use our over 140 community buildings to achieve outcomes and lever support from residents and the voluntary and community sector;
- **Developing a comprehensive VCS database** – of 1,400 local voluntary and community sector organisations, so residents can find local support and reduce demand on statutory services; and
- **A resident volunteering programme** – to support more people to volunteer in priority areas such as parks and adult social care.

Barnet's strategy – Managing demand for services

1.2.25 Pressure on the council's budget is not only a consequence of declining funding from Government – increasingly it is driven by rising demand for services due to changing demographics.

1.2.26 Between 2010 and 2015, the council successfully met a 25% budget gap largely through efficiency savings and delivering services differently. This helped to limit the impact on frontline services, which might help explain high levels of resident satisfaction. Moving forward, although the council will continue to focus becoming more efficient, it will be increasingly difficult to manage a further 25% budget gap through supply side reforms alone.

1.2.27 As a consequence, the focus of the council's savings plans for 2015 to 2020 place a greater emphasis on ways to reduce demand on services - through the community doing more; intervening earlier to treat the cause, not the problem – including tackling the 'Toxic Trio' of domestic violence, drug and alcohol abuse and mental ill health, which are the most prevalent causes of poor outcomes for Barnet families – and influencing residents to change their behaviour, including recycling more.

1.3 Medium Term Financial Strategy

1.3.1 Appendix A sets out the Medium Term Financial Strategy 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:

- **Demographic 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 latest demographic projections from the GLA and specific data from POPPI and PANSI. An assumption has also been included for increase in costs relating to complexity of cases in SEN and LD;
- **Inflation (pay):** the Local Government pay award has been confirmed as 1% increase for the next 4 years;
- **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 as the current budget provision is considered to be sufficient based on current capital needs this maybe revised after the capital needs analysis exercise has been completed;
- **Contingency:** A provision has been added from 17/18 to cover general risks;
- **Homelessness:** £500k in a specific contingency in 2016/17 to deal with the pressures in supply and demand side costs in relation to temporary accommodation;
- **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 prudently reflects the Government's aspiration to have a budget surplus by 2019/20;
- **Public Health Grant:** it has been confirmed that the ring-fence on public health spending will be maintained in 2016/17 and 2017/18 with a 3.9% average saving per annum over the next 5 years. To be prudent, a reduction of 5% has been modelled in the MTFs. It has been confirmed that funding of public health expenditure is one of the responsibilities local government will have to take on as a result of further localisation of business rates, however it is not clear which year this will kick in from and further consultation is expected. For now, the MTFs assumes this will be implemented after the current parliament ends;

- **Education Services Grant:** the Autumn Statement 2015 announced a £600m reduction in this budget. We have assumed a 10% year on year reduction in this grant into the MTF5;
- **Council Tax:** the proposal subject to consultation and the Equalities Impact Assessment is that a council tax freeze is factored into the MTF5 for 2016/17, with an increase of 2% per annum beyond that.
- **Adult Social Care precept:** the Chancellor's announcement on 25 November allowed the flexibility of applying a precept of up to 2% annually from 2016/17 in order to mitigate the impact of the pressures on care for the elderly. The current underlying pressure in Adult social care is estimated to be at least £5.4m for 2016/17, which includes risks around increasing demand, new statutory requirements and increased referrals from the NHS. Applying the new precept at the maximum amount for 2016/17 will allow for £3m of the pressure to be funded from this, with the remainder of the pressure being funded from further allocation of Better Care Fund and Winter Pressures money through negotiations with the CCG. The precept would result in annual increases in Council Tax for householders ranging from £14.70 (£0.28 per week) for Band A to £44.06 (£0.85 per week) for Band H. Full details of how councils will be able to apply the precept, including any potential constraints, will be available in December 2015.

1.3.3 There are a number of known pressures that we can confidently quantify and include in the MTF5, as presented above; these include inflationary pressures on pay and contracts, demographic increases and the impact on service provision and concessionary fares. However, there are other risks and pressures that haven't materialised yet and therefore inclusion of the pressure at this stage in the MTF5 would further increase the savings target. These include:

- The impact of the social care market, specifically care homes and home care, not being viable and the impact on the local authority being able to discharge of its statutory and safeguarding responsibilities;
- North London Waste Authority's (NLWA) proposed procurement of a new waste disposal facility, or upgrade of the current facility, will adversely impact the budget position for the council. Alternative delivery models for waste disposal, including the potential for the borough to exit the NLWA and procure its own contract for waste disposal;
- The costs of disposal of residual waste is more expensive compared to recycling and therefore if recycling rates continue to plateau or decline and / or the savings identified are not realised, it may become necessary to go to alternate weekly collection;
- Family services have seen increased demand for residential care, special guardianship orders and resident's orders, preparing for independence and family assessments. If these increases continue to rise, this could lead to a significant pressure in the Family Services budget.
- The proposal to reduce New Homes Bonus (NHB) payments from 6 to 4 years in the Chancellor's budget on 25 November poses a potential risk of funding the infrastructure projects in our capital programme. A reduction in NHB payments could lead to an increase in our borrowing

which would have an adverse impact on revenue by way of interests and associated borrowing costs.

1.4 Savings proposals

1.4.1 Policy and Resources Committee, in July 2015, agreed the allocation of additional targets to Theme Committees to close the budget gap by 2020. Theme Committees considered proposals that are presented in detail in Appendix B.

1.4.2 The main savings by Theme Committee are listed below:

Adults and Communities

1.4.3 Adults and Communities Committee has a total savings target of £18.5m. The main proposals contributing to this gap are:

- Improving information, advice and support offer so that individuals and their families take greater responsibility for their own and their family member's care and support;
- Develop alternative housing and support options to reduce the need for higher cost placements;
- To utilise new technologies to enable people to continue to live safely in their own homes;
- Increase the proportion of working age adults known to adults social care into employment;
- To integrate health and social care services to improve the experience of receiving care and support and reduce duplication;
- Increase the productivity of the adult social workforce to be able to meet the needs of a growing population within available resources.

Assets, Regeneration and Growth

1.4.4 Assets, Regeneration and Growth Committee has a total savings target of £13.8m. This is mainly achieved through:

- Efficiency savings in the civic and community asset estate by implementing the Office Accommodation Strategy and Community Asset Strategy;
- Additional income council tax and business rates from increasing the base through regeneration and development opportunities.

Children's, Education, Libraries and Safeguarding

1.4.5 Children's, Education, Libraries and Safeguarding Committee has a total savings target of £14.5m. The main savings proposals are made of:

- Reshape early intervention and prevention services to provide effective, targeted interventions which reduce the need for higher cost interventions;
- Developing new models of social work practice and intervention which reduce the need for higher cost placements and the number of adolescents in residential care;
- To utilise new technology and community capacity to create a sustainable library offer for Barnet;
- To integrate health, care and education services to improve the experience of receiving care and support for disabled children and their families and reduce duplication;

- Increase the productivity of the children's service to be able to meet the needs of a growing population within available resources

Community Leadership

1.4.6 Community Leadership Committee has a total savings target of £0.3m. the main savings proposals are made of:

- Non-renewal of the council's annual subscriptions to MOSAIC customer data segmentation programme;
- Reduce expenditure associated with CCTV once the capital contribution towards investment has been paid off.

Environment

1.4.7 Environment Committee has a total savings target of £10.6m. The savings proposals are made of:

- Delivering a sustainable waste and recycling service which increases recycling rates, minimises the tonnage collected and sustains resident satisfaction;
- Securing greater value from Barnet's extensive green and open spaces and parks service through increased income and greater utilisation levels;
- Better utilising the council's regulatory powers to keep Barnet clean, green and safe;
- Increasing the efficiency and productivity of commissioned services.

Policy and Resources

1.4.8 Policy and Resources Committee has a total savings target of £18.4m. The savings proposals comprise of:

- Increasing the efficiency and productivity of commissioned services;
- Reducing costs associated with workforce and exploring option of shared service;
- Achieving efficiency through reduction in the costs associated with borrowing;
- Increasing revenue income through review of council tax support payments (already implemented).

1.4.9 The budgets for ring fenced budgets are listed below:

Better Care Fund (BCF)

1.4.10 Government has confirmed that the BCF will continue and increase (nationally by £1.5 billion) in 2016/17. The 2014/15 Barnet BCF allocation is £23.4m and is used to fund health services, social care services, major adaptations through the Disabled Facilities Grant and make investments into the development of integrated services.

1.4.11 Prior to the BCF, the council received section 256 monies for the funding of social care services which benefited health with a value of £6.6m. The section 256 monies were consolidated into the BCF in 2015/16. Adults Social Care services currently receives £4.2m of funding through the BCF for the protection of social care with the balance of the £6.6m being spent on health and social care integration projects.

- 1.4.12 The monies within Barnet's BCF form a pooled budget under section 75 of the NHS Act 2006 overseen by the Barnet Health and Wellbeing Board. The section 75 agreement allows for resources to be easily transferred between health and social in order to meet the objectives of the pooled fund.
- 1.4.13 The success of the BCF and therefore the pooled budget is measured through the achievement of a reduction in emergency hospital admissions and initiatives with the BCF are targeting resources on preventing admissions to hospital through 7 day social work service, rapid response services and enablement.
- 1.4.14 Given the additional demand pressures that adult social care is facing as a result of more people receiving care outside of hospital (there has been an average increase of 22% per year in referrals to hospital social work teams since 2012) and reduced winter pressures funding (88% reduction from funding levels in 2012), the council has assumed that £6.6m of the BCF will be available for the protection of adult social care services referred to in para 1.4.11. The additional funding will be used to address the underlying deficit of adult social care referred to in para 1.3 and 1.6.2. The council's assumptions have been shared with Barnet CCG through the Health and Wellbeing Financial Planning sub-group and will form the basis for the negotiations of the BCF for 2016/17.
- 1.4.15 It is proposed that the council engages with Barnet CCG on the options for 2016/17 to achieve an additional £2.4m for the protection of adult social care through the BCF. This consultation will run from the 18 December 2015 through to 31 January 2016, the outcomes and implications of which will be reported through to the Health and Well-Being Board and Policy and Resources Committee in February 2016.

Dedicated Schools Budget (DSG)

- 1.4.16 A draft 2016/17 DSG budget, which incorporated an amendment to the school funding formula, was presented to and agreed, in principle, by Schools Forum in October 2015. The Schools Forum was consulted on the proposals to amend the school funding formula and agreed with the local authority's proposal. Following the receipt of a revised data set by the Education Funding Authority (EFA), a revised draft will be presented to Schools Forum in February 2016. The final 2016/17 DSG budget will be included in the February 2016 budget update to Policy and Resource Committee.

Housing

- 1.4.17 Housing Committee has savings that deliver benefits to the Housing Revenue Account (HRA) business plan. These total £2.9m and comprise of the proposals below:
- Reduction in management and repairs costs due to forecast stock losses through estate regeneration and Right to Buy sales;
 - Enhancing the value of contract arrangements, reduced accommodation costs and new ways of effective use of IT;
 - Stopping 'non-essential' works and re-prioritisation of certain types of non-urgent repairs.

Public Health

1.4.18 Public Health funding has sustained an in-year cut of 6.2% (£1.048m) in 2015/16 as a contribution towards the national deficit. The Spending Review and Autumn Statement 2015 has confirmed that the ring-fence on public health spending will continue in 2016/17 and 2017/18, however funding is expected to reduce by an average of 3.9% per annum over the next 5 years. As part of the additional responsibilities that local government will need to take on as a result of further localisation of business rates – funding of public health expenditure has been confirmed. However, it is not clear which year this will be implemented from and a government consultation is expected. Therefore for now, the MTFs assumes this will be implemented after the current parliament ends.

1.4.19 In anticipation of a funding reduction the Public Health budgets have been modelled on a prudent 5% reduction. The programme of procurement in 2016/17 and beyond will in the main be a collaborative approach to the commissioning of sexual health services across London and is assumed to deliver efficiencies and contain growth, from April 2018. The proposals follow the strategic direction established for Public Health spend in 2014/15 with budget allocated to ensure delivery of priority outcomes. Decreases in spend in core Public Health service areas have been achieved via efficiencies and contract re-procurement.

1.4.20 Spend on the wider determinants of health, notably in Early Years, is increased. As a result, investment of £200k per annum (until March 2018) into Adult Social Care Prevention and £250k per annum (until March 2019) for CAMHS has been assumed. These investments will mitigate the impact of savings that will be delivered.

1.4.21 Commissioning intentions and the budget for 2016/17 is due to be presented to Health and Wellbeing Board at its meeting in March 2016. The draft budget will be included in the Policy and Resources paper in February 2016, following local government settlement, when grant figures for 2016/17 will be confirmed.

1.5 Capital Investment Programme and Treasury Management Strategy

1.5.1 Investing in the future is a key strand of the council's response to the scale of the challenge facing Local Government from funding reductions and increasing demand. Barnet will not be able to support the growth needed to ensure the council's financial independence without investment for the future. The capital programme doesn't only support the growth agenda but also includes a number of additions that enable the achievement of the revenue savings proposals.

1.5.2 The current capital programme totals £550m up to 2020, funded from a combination of capital receipts, borrowing, revenue and external grant contributions. The MTFs includes provision for future capital expenditure on council priorities through to 2020.

1.5.3 The changes recommended to the capital programme are set out in detail in Appendix C. Policy and Resources Committee allocates budgets to these

projects but it is the responsibility of relevant Theme Committees to ratify the proposals as and when they come forward as business cases. Additions to the capital programme are required in order to:

- Fulfil statutory requirements, including statutory duties;
- Provide investment to generate future capital value;
- Provide investment to realise MTFS savings;
- Provide investment to generate additional council tax and business rates income; and
- Address the environmental, economic and social conditions, both due to statute and to address corporate objectives.

1.5.4 A summary, by theme committee, of additions to the capital programme are listed below:

Theme Committee	Project	Total (£m's)
Asset, Regeneration and Growth	• Additional Investment in town centres	4.0
	• Additional Colindale parks work	6.2
	• Additional advanced delivery of highway improvements	7.7
	• Office building at Colindale	50.3
	• Development Pipeline 2015/16	10.7
	• Additional Brent Cross investment	8.0
Environment	• Hendon cemetery and crematorium	1.2
	• Additional local implementation plans (LIP) works	12.4
	• Additional street cleansing and greenspaces – vehicles and equipment	1.4
	• Additional Waste & Recycling vehicles	1.0
Housing	• Additional empty properties	3.3
	• Additional Decent Homes and Disabled facilities Grant	1.1
	• HRA Capital Works programme	4.7
	• Brent Cross Extra Care Homes	12.5
	• Infill 20 Homes	4.4
	• Advanced acquisitions	5.3
	• Additional Investment in Moreton Close	2.7
Policy and Resources	• Additional depot relocation works	11.2
	• Barnet ICT strategy	9.1
	• Daws lane community works	3.0
Children's, Education, Libraries and Safeguarding	• Additional Meadow Close children's home costs	2.5
	• Additional library services capital works	3.9
	• Youth Zone	4.2
	• Future school places planning	44.2
Smaller additions/new/reductions to projects across theme committees		1.3
Total		216.3

1.5.5 The capital additions listed above are funded from grants and external funding (£45m), Infrastructure reserve, S106 and CIL (£39m), capital receipts (£11m), revenue contribution (£8m), leaving an increase in borrowing requirement of £114m.

1.5.6 In addition to the capital additions listed above, there are a number of capital additions at different stages of development and approval, which may have a significant up front borrowing requirement. The costs of these are still being

worked up and therefore at this stage these have not been added to the capital programme from 2016/17 but these are estimated to be:

- Brent Cross Thameslink station: estimated to be in the region of £215m; and will enable the regeneration of Brent Cross south side. £97m of this will be funded by central government grant (re-confirmed at Spending Review and Autumn Statement 2015) and ring-fenced increased business rates generated in the area (Barnet and GLA share);
- Development Pipeline Tranche 1: estimated to be in the region of £85m (2016-20); this mixed tenure development will generate capital receipts in excess of the investment which will enable us to continue investing in other projects across the borough;
- Development Pipeline Tranche 3: estimated to be in the region of £60m (2016-20); this affordable housing for rent development is intended to pay back the investment within 30 years and provide much needed social rents in the borough.

1.5.7 In the period up to 2020, there are a number of non-HRA projects and programmes including office building at Colindale, Thameslink station, secondary school builds and investment in roads and pavements that require significant capital funding. The Treasury Management team has undertaken work to review the current strategy with specific regard to the borrowing strategy and reviewing capital financing requirement, cash balances, other capital proceeds, cashflow and phasing of new borrowing requirements. This will form part of the Treasury Management Strategy that is presented to Policy and Resources Committee in January 2016 and approved by Council in March 2016, in order to utilise cash balances as much as possible and reduce the need to take out new external borrowing.

1.6 2015/16 Revenue Budget management

1.6.1 The general fund forecast outturn for quarter 2 is an overspend of £3.718m. This represents a 1.15% variance against a budget of £276.5m. In order to manage expenditure and income within agreed budgets, Directors are tasked with developing recovery plans to identify all significant pressures to ensure mitigations are identified.

1.6.2 The Delivery Units with significant overspends are listed below with a summary of their main pressures:

- Adults and Communities: forecast overspend of £2.4m at quarter 2, driven by increased demand for services funded from care budgets, particularly clients with dementia; clients transitioning into learning disabilities from children's services with increasingly complex needs and correspondingly expensive packages of care; and self-funders whose funds have depleted.
- Family Services: forecast overspend of £1.3m at quarter 2, driven by increased demand for residential care, special guardianship orders and resident's orders, preparing for independence and family assessments. The overspend also relates to the use of agency staff due to the national shortage of social workers.

- Housing: forecast overspend of £1m at quarter 2, driven primarily because of a reduction in availability of lower cost units on regeneration estates, along with other economic factors resulting in increased demand for more expensive short term accommodation.

1.6.3 Recovery plans for forecast in-year overspends are monitored by Performance and Contract Management Committee through the year. Specific risks in the MTFS in para 1.3.2 does take the pressures above into consideration, however relevant Directors will need to ensure existing overspends are being addressed in order to ensure delivery of future savings proposals are not at risk.

Transfers from contingency and reserves

1.6.4 Allocate £274k (one-off) from contingency to fund the costs for Barnet Living Wage as per the table below:

Delivery Unit	£
Children's Education & Skills	109,800
Children's Family Services	9,530
Streetscene	154,770
Total	274,100

Transfers to reflect budget changes

1.6.5 The in-year reduction to Public Health funding of 6.2% and in year additional allocation for 0-5 years has resulted in a net impact of £1.5k which needs to be reflected in the budget. On a one-off basis, from 2015/16, the Public Health budget will need to be increased by £1.5k.

1.6.6 Following a review of support service recharges to the Housing Revenue Account and Special Parking Account, a virement of £540k is required on an ongoing basis between the Commissioning Group and the Customer Support Group budgets to reflect where recharge income is attributed to.

1.7 Transformation Programme

1.7.1 Delivery of the outcomes set through the Corporate Plan and the savings required by the MTFS have been achieved through the transformation programme. At the heart of this approach is an invest to save model, which to date has delivered successful programmes achieving and or enabling savings in 2014/15 and 2015/16, in the region of £9m.

1.7.2 The delivery of the additional savings in the MTFS will require additional funding to be allocated to the Transformation reserve. Each project funded from the transformation reserve, in line with Barnet's project management toolkit, will set out clear benefits related to the delivery of the Corporate Plan and MTFS.

1.7.3 The Programmes team will work with commissioning directors in order to report back in February 2016 regarding the level of investment required.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The council is legally obliged to set a budget each year which must balance service expenditure against available resources. It is also a key element of effective financial management for the council to put together a financial forward plan to ensure that it is well placed to meet future challenges, particularly in the context of cuts to local authority funding, demographic increases and legislative changes.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 This report sets out a range of options across the council's remit to meet the budget challenge. This includes proposals for workforce savings, as well as generating income. Alternatives to this could include more significant cuts to services the council provides, but these are not included in this report.

4 POST DECISION IMPLEMENTATION

- 4.1 Following approval of these recommendations, resident consultation will commence on 18 December 2015. The savings proposals will then be reviewed in light of the results of the consultation and a further set of proposals along with the findings from the consultation will be presented to Policy and Resources Committee in February 2016. Savings proposals along with council tax requirement will then be taken to Council in March 2016.
- 4.2 Council will set the budget envelope. Some savings proposals may need individual detailed consultation and this will be carried out before individual decisions are made. If the consultation and equality impact assessment results are such that decision makers decide not to implement the proposals then alternative proposals will be considered including use of reserves.
- 4.3 Savings proposals along with council tax requirement will then be taken to Council in March 2016.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Council's Corporate Plan for 2015-20 sets the vision and strategy for the next five years based on the core principles of **fairness, responsibility and opportunity**, to make sure Barnet is a place:

- Of opportunity, where people can further their quality of life;
- Where people are helped to help themselves, recognising that prevention is better than cure;
- Where responsibility is shared, fairly;
- Where services are delivered efficiently to get value for money for the taxpayer.

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

- 5.2.1 In July 2015, the Council agreed the budget covering the period 2016-20 and

the process by which the budget gap would be met. This report sets out the savings proposals recommended by Theme Committees to meet the savings gap of £81m in Appendix B. It also recommends the capital programme additions as set out in Appendix C.

5.2.2 The revenue budget proposals will enable the council to meet its savings target as set out in the MTFS. These budgets will be formally agreed each year, after appropriate consultation and equality impact assessments, as part of the council budget setting process. For this reason, the proposals are subject to change annually.

5.2.3 The budget proposals in this report will have an impact on staff. A number of budget proposals will result in a reduction in posts in the organisation. For 2016/17, this impact will be discussed at General Functions Committee and is summarised below:

Delivery Unit	Full Time Equivalents (FTE)
Adults and Communities	47.5
Family Services	0
Street Scene	12
Commissioning Group	0
Total	59.5

5.3 Social Value

5.3.1 In taking forward the proposals due regard will be paid to the Social Value Act. The Social Value Act will be a useful tool in ensuring that our activities are embedded in prevention and early intervention. We will seek to look for added value that providers can bring in delivering our services, such as where apprenticeships are provided.

5.3.2 The Public Services (Social Value) Act 2013 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.4 Legal and Constitutional References

5.4.1 Section 151 of the Local Government Act 1972 states that: “without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.

5.4.2 Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the

authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is deterioration in an authority's financial position is set out in sub-section 28(4) of the Act.

- 5.4.3 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.
- 5.4.4 Constitution Responsibilities for Functions Annex A sets out the terms of the Policy and Resources Committee, which include:
- To be the principal means by which advice on strategic policy and plans is given and co-ordinated ... on strategic issues such as the Council's Capital and Revenue Budget setting ... Medium Term Financial Strategy and ensuring effective Use of Resources and Value for Money.
 - To be responsible for the overall strategic direction of the Council including strategic partnerships, Treasury Management Strategy and internal transformation programmes.
 - 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.
- 5.4.5 This report is marked as urgent as it needs to go to public consultation. Referring it to Council will mean that consultation cannot commence until 27 January 2016. The findings of consultation along with the savings proposal will then need to be presented to Policy and Resources Committee on 16 February 2016 and then Council on 1 March 2016 in order to set a balanced budget and council tax requirement for residents ahead of the new financial year on 1 April 2016. Commencing consultation on 27 January to 8 February 2016 will not allow for meaningful consultation to take place.
- 5.4.6 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.
- 5.4.7 Full equality impact assessments will be prepared for the Policy and Resources Committee taking into account the results of the public consultation before the budget is referred to Council.

5.5 Risk Management

- 5.5.1 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.
- 5.5.2 In December 2015, the Government is due to confirm spending totals for Councils for 2016/17 and indicative figures from 2017-20. Ahead of this the Spending Review and Autumn Statement 2015 has confirmed that the deficit elimination and debt reduction programme is set to continue until the end of the decade. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate future cuts.
- 5.5.3 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.
- 5.5.4 The future savings proposals are significantly challenging and dependent on a range of factors often outside of the control of the service and with longer lead in times. The achievement of savings predicated on reducing demand through improved preventative work and social work practice should lead to better outcomes. However the relationship between early intervention/prevention and reduced demand on social care is not always linear and is subject to a range of both controllable and uncontrollable variables. There is therefore a risk that the savings set out may not be deliverable as the Council must always ensure that safeguarding of adults, children and young people remains paramount.

5.6 Equalities and Diversity

- 5.6.4 The Equality Act 2010 and The Public Sector Equality Duty outlined in statute, (See section 5.3 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 taken together. The Council's Annual Equalities Report for 2014/15 reports back on how this process was carried out in 2014/15.
- 5.6.5 To allow members to demonstrate that the Council has met the Public Sector Equalities Duty as outlined above, each year the Council undertake a planned and consistent approach to business planning across services to assess the equality impact of budget proposals for the current year and to identify any mitigations to ease any negative impact on particular groups of residents. This can be refined as proposals develop and include the assessment of any cumulative impact on any particular group.
- 5.6.6 At this stage of the budget planning process for 2016/17 savings and savings

to 2020, the council has conducted a preliminary high level review of the equalities impact of the initial proposals. The savings templates, which have been approved by the relevant Theme Committees, are attached at Annex B to this paper and give detail of analysis to date indicating where further equality analysis may be required. Between December 2015 and February 2016 Delivery Units will review their equality analyses as proposals develop and in response to consultation feedback. Savings that are continuing from previous years will require on-going analysis and new savings will require initial analysis. The EIAs for 2016/17 proposals will be kept under review and updated prior to publication with the final budget report to Policy and Resources Committee and Full Council.

5.6.4 Similarly, all human resources implications of the budget savings proposals 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.

5.7 Consultation and Engagement

5.7.1 As a matter of public law the duty to consult with regards to proposals to vary reduce or withdraw services will arise in 4 circumstance:

- 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; and
- Where consultation is required to complete an equalities impact assessment.

5.7.2 Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, a consultation can only be considered as proper consultation if:

- Comments are genuinely invited at the formative stage;
- The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;
- There is adequate time given to the consultees to consider the proposals;
- 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;
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and
- The consultation is clear on the reasons why, and the extent to which alternatives and discarded options, have been considered.

5.7.3 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

- 5.7.4 The Council has already undertaken a range of consultation and engagement to inform the Council's development of the Corporate Plan strategic priorities and 5 year Commissioning priorities and 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.
- 5.7.5 Earlier this year formal consultation took place on the Strategic Plan to 2020. The results of which were presented to Policy and Resources Committee in February 2015 and Full Council in March 2015, before signing off the final Strategic Plan and MTFs to 2020.
- 5.7.6 The Strategic Plan consultation was designed to consult on the combined package of the Corporate Plan; Commissioning Priorities; and budget to 2020.

The consultation aimed to:

- Create a stronger link between strategy, priorities and resources
- Place a stronger emphasis on commissioning as a driver of the business planning process.
- Focus on how the Council will use its resources to achieve its Commissioning Plans.

5.7.7 The table below outlines the phases of engagement to date:

Phase	Date	Summary
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"> • 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 • An open 'Call for Evidence' asking residents to feedback ideas on the future of public services in Barnet.
Phase 3: Engagement through Committees	Summer 2015	<ul style="list-style-type: none"> • Focus on developing commissioning priorities and MTFs proposals for each of the 6 committees • Engagement through Committee meetings

		and working groups
Phase 4: Strategic Plan to 2020 Consultation	December 2014 -2015	<ul style="list-style-type: none"> • A series of 6 workshops with a cross section of residents recruited from the Citizens Panel and Youth Board, plus two workshops with users¹ of council services. • An online survey

General budget consultation on the 2016/17 budget

5.7.8 Public consultation on the overall budget for 2016/17 will commence on 18 December 2015, following Policy and Resources Committee; before the final savings are agreed by Policy and Resources Committee on the 16 February 2016 and Full Council on 1 March 2016.

5.7.9 The 2016/17 budget consultation will focus on the overall size and individual components of the 2016/17 budget in general terms. In particular the consultation will invite views on the overall budget, the savings being made within each Theme Committee, and the proposal to freeze Council Tax in 2016/17.

5.7.10 Residents and businesses will be invited to give their views through an online questionnaire published on Engage Barnet. Paper copies will also be available on request.

5.7.11 As part of the Council's statutory duty to consult with National Non Domestic Rate (NNDRs) payers, letters will be sent out to all the council's NNDR payers inviting them to take part in the online consultation.

5.7.12 As outlined in para 5.5.1, in terms of service specific consultations the Council has a duty to consult with service users where there are proposals to vary, reduce or withdraw services. Where required, consultation will take place on individual proposals linked to projects as they are developed in full for 2017-20 savings.

5.7.13 Where appropriate separate service specific consultations have already taken place for the 2016/17 savings and the outcome of these consultations have fed into committee decision making process. However, there will be further service specific consultations on 18 December 2015, after Policy and Resources Committee, on the following:

- Waste and recycling strategy – February 2016
- Parks and Open Spaces Strategy – February 2016
- Bowling Greens – February 2016
- Playing Pitch Strategy – May 2016

5.8 Insight

5.8.1 The Adults and Safeguarding and Children's, Education, Libraries and Safeguarding proposals have been developed using the Joint Strategic Needs Assessment (JSNA) which outlines the current and projected needs of the borough's population.

¹ 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.

5.8.2 All the proposals have used evidence of best practice and guidance (such as NICE guidance), where available and relevant, to develop their initiatives.

6 BACKGROUND PAPERS

Item	Decision	Link
Assets, Regeneration and Growth Committee 30 November 2015	Decision Item 15 – Business Planning	http://barnet.moderngov.co.uk/ie/ListDocuments.aspx?CId=696&MId=8311&Ver=4
Children’s Education, Libraries and Safeguarding Committee 18 November 2015	Decision Item 8 – Annual Business Planning	http://barnet.moderngov.co.uk/ie/ListDocuments.aspx?CId=697&MId=8259&Ver=4
Adults & Safeguarding Committee 12 November 2015	Decision Item 7 – Business Planning 2016/17	http://barnet.moderngov.co.uk/ie/ListDocuments.aspx?CId=698&MId=8362&Ver=4
Environment Committee 10 November 2015	Decision Item 7 – Business Planning	http://barnet.moderngov.co.uk/ie/ListDocuments.aspx?CId=695&MId=8334&Ver=4
Housing Committee 19 October 2015	Decision Item 11 – Housing Revenue Account (HRA) Business Plan	http://barnet.moderngov.co.uk/ie/ListDocuments.aspx?CId=699&MId=8268&Ver=4
Policy and Resources Committee 9 July 2015	Decision Item 10 - Business Planning – 2015/16-2019/20	http://barnet.moderngov.co.uk/documents/s24390/Finance%20and%20Business%20Planning%20Medium%20Term%20Financial%20Strategy%20201617%20to%20201920.pdf