



Policy & Resources Committee

6 January 2020

Title	Business Planning – Medium Term, Financial Strategy 2020-25, Budget Management 2019/20 and Draft Budget for 2020/21
Report of	Chairman of the Policy and Resource Committee
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix A – Medium Term Financial Strategy (MTFS) 2020– 2025 Appendix B – Savings Proposals by Theme Committee Appendix C – Capital Programme Changes Appendix D – Proposed Capital Programme Appendix E – Policy & Resources Fees and Charges
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Summary

On 6 November 2019, the Chancellor of the Exchequer set out the 2019 Autumn Budget. The Autumn Budget is based on the latest forecasts from the Office for Budget Responsibility (OBR) for the UK economy and public finances. Informed by this, the council's Medium Term Financial Strategy (MTFS) has been reviewed and updated, thus ensuring the budget is accurate and sustainable.

This paper sets out the priorities for this committee and each theme committee, Medium Term Financial Strategy (MTFS), savings plans and capital programme. These figures are based on a financial forecast for the period 2020-2025 and will help to ensure resources are aligned to the strategic outcomes set out in the council's Corporate Plan.

This report forms a key part of the budget setting process for 2020/21 onwards. It provides the key budget headlines on both a local and national level. In addition, the report seeks to provide an update on the council's underlying financial strategy.

This report also seeks Committee approval for a series of budget management decisions for 2019/20 required as part of normal business in line with the organisations Financial Regulations.

The MTFS and the financial forecasts contained herein are based on the most up to date planning assumptions. It should be noted that the Local Government Finance Settlement is due to be received before Christmas. It is possible that the settlement could differ from the assumptions made. The implications of the differences, if any, will be brought back to Policy and Resources in February 2020 for consideration.

The MTFS presents a balanced budget for 2020/21 with a total gap of £71.866m from 2020/21 to 2024/25. Savings proposals to mitigate £35.129m are included in this MTFS, leaving a remaining gap of £36.737m. Colleagues from across the council are reviewing options to deliver savings to meet the remainder of this gap through working collaboratively across services to deliver the council's Corporate Priorities. Recommendations to bridge this gap will be presented to future Committees.

This report seeks approval from Policy and Resources Committee on the following:

- a) Consulting residents on 2020/21 budget and savings proposals and options for Social Care Precept and Council Tax;
- b) Referral to full council for participation in the London Business Rate Pool;
- c) Changes to the capital programme up to 2025; and
- d) Virements to the revenue budgets in 2019/20.

Recommendations

Officers recommend that the Committee:

1. Notes the updated Medium Term Financial Strategy (MTFS) to 2025 as set out at Appendix A and the assumptions underpinning this in paragraph 1.5;
2. Agrees to consult on the use of the Council's flexibility to raise the level of General Council Tax by 1.99% in 2020/21;
3. Agrees to apply a 2.0% Social Care Precept, to help fund care for the elderly as set out in section 1.5.9 in 2020/21;
4. Agrees that the savings proposals as set out in Appendix B, subject to consultation and equalities impact assessment, come back to Policy and Resources Committee in February 2020 for referral to Full Council in March 2020 for final approval of the 2020/21 budget including Council Tax;
5. Approve the Policy and Resources Fees and Charges as set out in Appendix F and outlined in paragraphs 1.3.1,
6. Agrees the changes to the existing Capital Programme as set out in section 1.5 and Appendix C;
7. Agrees to deleting and / or reducing schemes from the 2020/21 Capital Programme as set out in section 1.5;
8. Agrees the process for Budget Consultation as set out in section 9;
9. Agrees the bad debt writes offs as set out in section 1.6.14;
10. Notes the update on the London wide Business Rates Pool as set out in paragraphs 1.2.9 to 1.2.10;
11. Recommends to Full Council joining the London wide Business Rates Pool as set out in paragraphs 1.2.28-1.2.30.
12. Recommends that Council delegates responsibility to the Chief Finance Officer (S151) in consultation with the Chairman of Policy and Resources Committee to agree the arrangements for the London wide Business Rates Pool in the form of the Memorandum of Understanding as set out in paragraph 1.2.33.
13. Agrees implementation of the outcome of the review of contractual arrangements for the Brent Cross development scheme endorsed by Housing and Growth Committee on 26 November 2019, namely that integrated programme management and land delivery functions should move to the council and that regulatory planning and highways related to Brent Cross should remain with RE.

1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

- 1.1.1 On 6 November 2019, the Chancellor of the Exchequer set out the 2019 Autumn Budget. The Budget, and further related announcements, are based on the latest forecasts supplied by the Office for Budget Responsibility (OBR) for the UK economy and public finances. Further statements are to be delivered in the spring of 2020; however, these are intended to be economic as opposed to budget statements.
- 1.1.2 In March 2019, the council set a Medium Term Financial Strategy (MTFS) covering the period 2019 to 2024. The MTFS for this period identified a total gross budget gap of £25.323 million by the end of the period; savings proposals of £19.965m were identified and the use of £5.357m reserves resulted in a balanced position for 2019/20. A remaining gap of £5.9m was anticipated for 2020/21 which was assumed to be 50% (£2.97m) funded from reserves. At the time the 2019/20 budget was prepared, it was expected that additional funding for social care was more likely to continue than not. The gap therefore did not present a critical concern and the September 2019 spending review confirmed that social care funding would continue.
- 1.1.3 The reduced use of reserves to balance the budget is in keeping with the council's overarching financial strategy of eradicating the use of one-off funding to balance the budget over the MTFS period.
- 1.1.4 This fully reviewed and revised MTFS presents a balanced position for 2020/21. This budget addresses pressures which have caused overspending in 2019/20, removes the expectation of drawing down from reserves and provides funding towards emerging and growing financial pressures. After also providing for inflationary increases, service budgets will see an additional £26.6m of investment. In order to meet this increase, £17.3m of savings have been proposed together with recognising £5.3m in increased grant funding and a proposed increase in General Council Tax and utilising the Social Care Precept flexibility (generating an addition £7.2m in total).
- 1.1.5 Overall the council's management team believe that this budget is robust within which they are able manage service risks and achieve the outcomes required within the Barnet 2024 Corporate Plan.
- 1.1.6 The refreshed MTFS presented to this Committee now projects forward an additional year to 2024/25. After a review of cost pressures, funding and the deliverability of savings, over the five years to 2024/25, additional savings of £36.737m are required in order to live within the expected income levels. This represents a total savings requirement of £71.866m, with savings of £35.129m already identified.
- 1.1.7 To close the anticipated budget gap, Theme Committees have recommended savings proposals to Policy & Resources totalling £35.129m over the period 2020-2025.

- 1.1.8 The council's reserves are forecast to total £42.1m at the end of 2020/21. Over the course of the MTFS this is expected to reduce to £38.4m, with the crucial measure of Non Ringfenced Revenue Reserves expected to be £30.1m at the end of 2024/25. This represents a rapid stabilisation of the reserves position.
- 1.1.9 The council's capital programme currently stands at £1,148m. Throughout the summer, officers have been looking at the reasons that slippage occurs and challenging assumptions on the anticipated delivery profile of the Capital Programme. Overestimating capital expenditure can cause a number of unintended consequences, such as incurring unnecessary financing costs, reducing service budgets to fund borrowing, or the lapsing of funding opportunities.
- 1.1.10 As a result of this work it has been identified that a total of £186.804m needs to be re-profiled from the current year into future periods. Whilst this value is significant, it improves the accuracy of the programme and supports stronger financial management.
- 1.1.11 The General Fund revenue forecast at the end of period 7 for 2019/20 is £307.173m, which is a net overspend of £2.657m, compared with the revised budget of £301.098m. This forecast is stated after the net contribution from specific and general earmarked reserves totalling £3.417m.
- 1.1.12 Non-domestic rates totalling £1,081,741.31 are recommended for write off. The individual debts are all over £5,000 and cover the financial years 2008/09 to 2019/20.
- 1.1.13 Irrecoverable council tax debts of £55,005.04 are requested for write off. The individual debts are all over £5,000 and cover the financial years from 2004/05 to 2017/18.
- 1.1.14 Sundry income totalling £357,718.21 are recommended for write off. The individual debts are all over £5,000 and cover the financial years 2014/15 to 2018/19
- 1.1.15 Tenant Arrears relating to HRA are recommended for write off. Individual debts over £5,000 totalling £15,305.74 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £75,537.55 covering the financial years 2008-2013 which are being written off.
- 1.1.16 Tenant Arrears relating to the general fund are recommended for write off. Individual debts over £5,000 totalling £62,121.76 covering the financial years 2012-2017 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £234,385.93 covering the financial years 2012-2019 which are being written off.
- 1.1.17 Housing and Growth Committee at its meeting on 26 November 2019 considered a report on the 'Brent Cross central team'. It agreed the reports three recommendations that the Committee:

- 1) Notes and endorses the outcome of the review of contractual arrangements for the Brent Cross development scheme, namely that integrated programme management and land delivery functions should move to the council and that regulatory planning and highways related to Brent Cross should remain with RE, subject to the outcome of staff consultation and financial due diligence.
- 2) Notes that the preferred option will not create an increased financial pressure above continuation of the contractual arrangements currently in place, and six staff would be directly impacted (by moving TUPE transfer in to the council).
- 3) Acknowledges that the Deputy Chief Executive, acting in the best interests of the council, will carry out all necessary actions and negotiations to implement option 3 which is explained in the paragraph below.

1.1.18 The Deputy Chief Executive is now taking the necessary action by recommending to Policy and Resources Committee that integrated programme management and land delivery functions related to the Brent Cross programme should move to the council (option 3 of the Housing and Growth Committee report). Staff consultation and financial due diligence have now taken place and no issues have arisen that prevent the transfer occurring. Now TUPE data has been received, the equalities impact assessment has been updated for the six directly impacted staff with a neutral equalities impact anticipated.

1.2 Strategic Context

National Strategic Context

Settlement Update

- 1.2.1 In October 2019, MHCLG announced that the 2020/21 Settlement would be announced before Christmas 2019, however, at the time of publication we were still waiting for the details.
- 1.2.2 In a letter dated 05 November 2019, MHCLG stated to authorities that:
 - The provisional settlement will be delayed beyond the timeframes set out in the Hudson Review (Hudson Review recommended provisional settlements no later than 05 December and final settlements by 31 January) from last year;
 - Furthermore, the settlement will likely *“be a priority for Ministers to consider after the General Election. We will take all possible steps to ensure that the final settlement aligns with local authority budget setting timetables.”*
 - Details for the additional funding announced in the Spending Round for homelessness will be *“announced at the earliest opportunity”* but at a minimum will maintain funding for the Flexible Homelessness Support Grant and Homelessness Reduction Act New Burdens at 2019-20 levels.
 - Finally, the overall departmental allocation for the Troubled Families programme for 20/21 will be equal to the 19/20 budget. This will enable us

to continue delivering our local programmes, supporting families and evidencing these outcomes.

General Election 2019

1.2.3 As a consequence of the result of the 12th December 2019 General Election there are a number of possible policy, legislative or economic impacts on the public sector. The Conservative manifesto contained a number of significant policies, the most relevant in impacting upon the council are set out below:

- £20.5bn additional funding for the NHS in England by 2023-24, 50 million more GP appointments and 50k more nurses
- 20k more police officers over the next three years
- Net Zero carbon emissions by 2050
- 1m homes in the next 5yrs, aiming for 300k new homes a year by the mid-2020s
- £5bn for social care over five years and develop new long-term plan with cross-party support
- £74m over 3yrs for additional community care for disabled patients
- £7.1bn a year more for schools in England by 2022-23
- £250m a year, for at least three years, plus a £250m capital spending boost, for "wraparound" childcare - meaning after school or during holidays
- £250 million to support local libraries and museums
- Increase penalties for fly-tipping
- Continue the roll-out of universal credit system
- Achieve Brexit by the end of January and not extend the transition period beyond December 2020

1.2.4 As further details about the practical implications of these changes become known they will be factored in to the council's operational and financial plans and strategies.

Overall public-sector funding

Funding Reforms

1.2.5 The Government had previously announced a programme of reforms to the local government finance system. These reforms included:

- increasing the proportion of business rates retained by the sector, to ensure local authorities had more control over the money they raised and powerful incentives to grow and reinvest in their local economies;
- introducing reforms to the business rates retention system, to increase stability and certainty; and
- reviewing the funding formula that determines funding allocations through the annual local government finance settlement, based on a fairer and more up-to-date assessment of councils' relative needs and resources.

1.2.6 The implementation of these reforms has been delayed but the Government has announced that it remains committed to reforming local

government finance. In 2020 the Government plans to carry out a multi-year Spending Review, which will lay the groundwork for reforms. They have announced that they will continue to work towards implementing these reforms in 2021-22, including a full reset of business rates retention baselines.

- 1.2.7 As a result, the one-year Spending Round and the plans for a more substantial Spending Review exercise has been deferred to 2021-22. The government has announced that they are implementing a 'roll-forward' settlement for 2020-21.

2019 Autumn Budget

- 1.2.8 On 5 November 2019, the Chancellor of the Exchequer announced the 2019 Autumn Budget, with a Spring Statement to follow in early 2020. In addition to the updates on the performance of the UK economy and health of the public finances, the Chancellor delivered several key financial and policy announcements specific to local government. These headlines have been summarised below:

- Announcement for 2020/21 funding only, new Spending Review to be held in 2020
- Resource Departmental Expenditure Limits (DEL) increase from £330.8bn to £352.3bn, representing growth of 4.1%, remaining within the current fiscal rules.

- 1.2.9 The Government announced its top priorities within the Spending Round as follows:

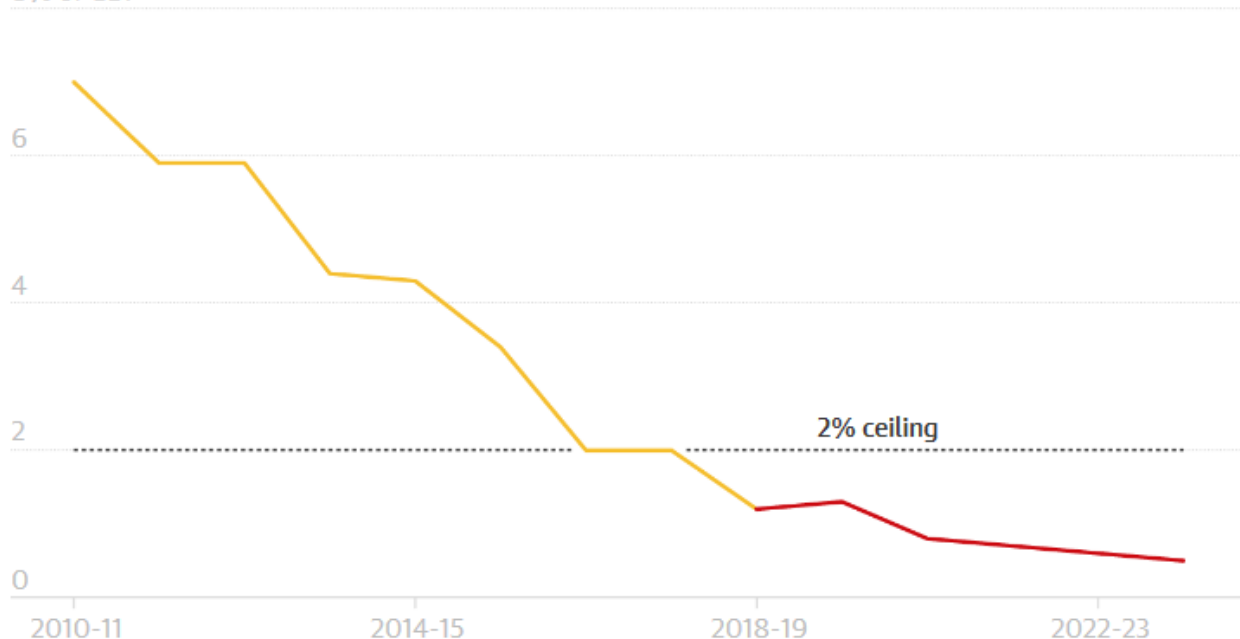
- Health and social care – the government reaffirmed the existing five-year settlement for the NHS, with an additional £33.9bn more per year by 2023/24, compared to 2018/19 budgets, with a real terms 3.1% increase in Resource Departmental Expenditure Limits (DEL) in 2020/21. Nationally there will be a 3.4% increase in Public Health funding and an additional £1bn for adult and children's social care and the government will be consulting on a 2% adult social care precept to enable councils to access a further £0.5bn.
- Education and skills - the schools' budget will rise by £2.6bn in 2020/21, which will include per pupil funding of £3,750 at primary and £5,000 at secondary schools. The additional funding is inclusive of £700m more funding in 2020/21, to support children and young people with special educational needs. £400m of additional funding for Further Education has also been announced.
- Tackling crime – an extra £750m for policing to pay towards the government's commitment to recruit an additional 20,000 officers by 2023, which forms part of a 6.3% real terms increase in Home Office funding;

- Brexit - the Spending Round confirms £2bn of core funding provided to departments for Brexit in 2019/20 will be continued into 2020/21. This money will be used to help pay for the costs of establishing a new relationship with the EU.
- No real terms decrease for any government department, and a real terms increase for most.

1.2.10 The Chancellor's statement was based on the Office for Budget Responsibility (OBR) forecasts from the March 2019 spring statement. Should the assumptions of the health of the economy change then future spending rounds will need to factor that in. The graph below shows Government borrowing as a % of GDP and how this has reduced since 2010.

■ Government borrowing ■ March 2019 spring statement forecast

8% of GDP



Business rates

1.2.11 On 1 April 2017 the Government launched five initial 100% business rates retention pilots in areas with ratified devolution deals. These devolution deal pilots will continue into 2020-21.

1.2.12 Other business rates retention pilots agreed for 2019-20 will finish at the end of the financial year. The Government has decided not to run further pilot arrangements for 2020-21. London, which operated under a 75% pool pilot in 19/20, will revert to the 67% business rates retention scheme as agreed in 2017-18.

Council Tax

1.2.13 Following the outcome of the Spending Round, the Government proposed the following package of referendum principles for 2020-21:

- a core principle of up to 2%, applicable to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities, including Police and Crime Commissioner Fire and Rescue Authorities;
- an adult social care precept for local authorities with responsibility for adult social care of 2% on top of the core principle;

New Homes Bonus

1.2.14 As part of the roll-forward settlement the Government is proposing to retain the £900 million top-slice of Revenue Support Grant to fund New Homes Bonus payments in 2020-21. In addition to funding legacy payments associated with previous allocations, the Government is proposing to make a new round of allocations for 2020-21.

1.2.15 The Government has advised that it is intending to look again at the New Homes Bonus and explore the most effective way to incentivise housing growth. As the roll forward is for one year, with any funding beyond 2020-21 subject to the 2020 Spending Review and potential new proposals, we have been advised that any new allocations in 2020-21 will not necessarily result in legacy payments being made in subsequent years on those allocations.

Local Government Finance Settlement

1.2.16 For Local Government, the main headlines announced were that central funding for Local Government will increase by £1.1 billion. With this increase in grant, Local Government Core Spending Power is estimated to increase by £2.9 billion in total in 2020-21. Within this:

- the settlement included an additional £1 billion grant for adult and children's social care;
- consultation on a 2% Adult Social Care precept that will enable councils to access a further £0.5 billion, bringing the total increase in funding for social care to £1.5 billion; and
- Local Government's business rate baseline funding levels to increase in line with inflation.

1.2.17 In addition, the Spending Round confirmed that local authorities will receive additional resources through a real-terms increase in the Public Health Grant. The NHS contribution to adult social care through the Better Care Fund will also increase by 3.4% in real terms, in line with the overall NHS long-term settlement.

1.2.18 Outside of the main Local Government settlement, high-needs funding for schools is increasing by more than £700 million in 2020-21, an increase of more than 11% on 2019-20 funding levels.

1.2.19 Other key announcements include:

- £54m to help reduce homelessness and rough sleeping, to add to the funding already provided in 19/20
- £24m of additional funding for the Building Safety Programme
- Confirmation of £241m for the Towns Fund to support regeneration of high streets / town centres. Confirms £2bn of core funding for Brexit in 2019/20, continued into 2020/21

Impact on Barnet

1.2.20 For Barnet, the impact of the Spending Round 2019 announcement includes:

- The continuation of £3.9m Social Care (Adults and Children's) funding;
- An additional c£6.0m of Social Care Funding;
- Consultation on the reduction in general CT referendum limit from 2.99% to 1.99% – this would result in a reduction of £1.8m against previous assumptions;
- Consultation on an ability to levy a 2% Social Care Precept, which would result in income of £3.6m;
- Revenue Support Grant is not expected to reduce; which would result in an additional £2.3m;
- Initial Business Rates baseline estimates have reduced (detriment £0.3m) together with confirmation that the London Business Rates pilot pool will not continue in to 2020/21. The benefit of the pilot pool had not been factored in to the MTFS on an on-going basis and therefore doesn't lead to a detriment, however it means there is reduced scope for a windfall from growth and the Strategic Infrastructure Pot. There is an option for London to continue to pool under a local agreement and authority to pursue this option is sought within the recommendations of this paper.
- London will revert to the 67% business rates retention scheme as agreed in 2017-18. The potential financial benefits of London pooling under the 67% scheme are not as great as under the current 75% retention pilot. Firstly, there would be less growth retention (67% versus 75%), and, secondly, there would be a lower saving on levy payments, as the pool would pay a levy on growth with the pool overall paying less in levy than the London tariff authorities would have paid individually.
- Based on the latest forecasts from July rolled forward (i.e. no real terms growth assumed next year), a non-pilot pool of all London

authorities would produce a net financial benefit of approximately £25.4m. For Barnet the benefit is expected to be around £400k.

1.2.21 All the impacts described within this section are included within the MTFS presented at Appendix A.

Brexit

1.2.22 Overall the economic implications of Brexit for the Borough are still difficult to forecast and quantify with any certainty until the terms of exiting the EU have been agreed. As highlighted in the P&R report from October 2019, due to insufficient detail being available to make a more informed view, the refreshed MTFS assumes neither a positive or negative impact within the budget. The MTFS will continue to be refreshed using the prevailing economic conditions. The council's budget and performance of Pension Fund assets are continually being monitored to manage any direct impacts. The Brexit Preparedness report which went to P&R on October 3rd, 2019, section 5.6, highlighted key implications to the Council as a result of economic factors. <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9851&Ver=4>

1.2.23 The council maintains reserves to insulate against sudden shocks and to provide sufficient time to respond to the changing environment. The government has also allocated funding to support local authorities with Brexit preparations, all London Boroughs have received approximately £315K over the 18/19 and 19/20 financial years, with port authorities receiving additional funding.

1.2.24 The council does not currently rely on funding from EU grants and therefore does not need to develop an exit strategy for those funding streams. The council is working with local VCS organisations to establish if any of them rely on EU funding, and if so, whether they have put in place plans to ensure they are sustainable if this funding were not replaced. The government has guaranteed that UK organisations will continue to receive funding if they successfully bid into EU funded programmes before the end of 2020.

1.2.25 Barnet continues to monitor all developments and guidance in relation to Brexit and is ensuring the whole organisation is kept aware of potential impacts and that mitigations are identified and put in place as soon as possible. For further information on the wider potential impacts of Brexit on Barnet, these can be found in the following Brexit Preparedness report: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9851&Ver=4>

Service specific national, regional and local context

London Business Rates Pooling

- 1.2.26 Following Spending Round 19 and the deferment of the Business Rates Reset to 2021/22, Local Government will have one final opportunity to benefit from growth within the current retention system.
- 1.2.27 With only the original 2017/18 pilots being permitted to maintain their pilot status into 2020/21 and no new bids being accepted; the retention system for London Boroughs will revert to pre-existing 67% scheme (37% GLA, 30% Barnet).
- 1.2.28 Non-pilot status pooling will, therefore, represent the best opportunity to maximise growth retained locally. London Councils have modelled the potential benefits of pooling in 2020/21 and it is estimated that Barnet will benefit by an additional £400,000 through being pool members. This has been included within the proposed MTFS. Should the pool not go ahead, this assumed income will need to be removed.
- 1.2.29 London Councils Leaders Committee agreed on 8 October 2019 to continue with the pool into 2020/21 subject to the Mayor agreeing to forgo the GLA's share of any net financial benefits. It was also agreed not to continue with the Strategic Investment Pot given the much lower sum of money likely to be involved.
- 1.2.30 The London pool has been agreed in principle by Leaders' Committee and the Mayor and will be designated in the provisional settlement.
- 1.2.31 Each authority will need to take the relevant decisions, through their own constitutional decision-making arrangements. This report includes the required recommendations:
- To enter the pool (including delegating authority over its administration to the lead authority which, following consideration by the elected officers of London Councils, would be the City of London Corporation for the duration of the pool); and,
 - To agree a Memorandum of Understanding between London authorities for the operation of the pool.

Adult Social Care

- 1.2.32 Funding for social care continues to be a national challenge. The Association of Directors of Adults Social Services (ADASS) 2019 Budget Survey reported that only 7% of directors are 'fully confident' of meeting savings targets in 2020/21. The Local Government Association (LGA) has expressed concern that the scope for further significant social care efficiency savings is limited. This concern was also identified by the Health Select Committee during its inquiry into the Impact of the Spending Review on health and social care.¹

¹ https://www.adass.org.uk/media/7275/adass-budget-survey-report-2019_sans-embargo.pdf

- 1.2.33 The biggest concern in terms of financial pressure is cited as the “unit price for care packages to support people with increasing complexity of care needs”. This is driven by increasing staffing costs, reducing capacity in the care market and demographic pressure, both in terms of increasing overall numbers of adults requiring care and more adults living (longer) with multiple conditions and complex care needs.
- 1.2.34 As cited by the Adult Social Care Funding Briefing Paper to the House of Commons, the number of adults aged 85 or over, the age group most likely to need care, is rising faster than the overall population. The overall UK adult population grew by 8% between 2007 and 2017, while the number aged 85 or over rose by 25% in the same period. At the same time, services for working-age adults account for 58% of the current demographic pressures on adult social care budgets.²
- 1.2.35 There is also concern that funding pressures are making the care provider market increasingly precarious. In the ADASS Budget Survey 2019, 81% of Directors of Adult Social Services reported that care providers in their area were facing financial difficulties. 75% of councils (up from 66% last year) reported that providers in their area had closed, ceased trading or handed back contracts in the six months to June 2019.
- 1.2.36 National financial pressures are reflected in Barnet, where we see increased cost-pressures year on year due to an increase in the numbers of new individuals receiving care, reduced numbers of people leaving / stopping care (therefore longer overall care episodes), increasing complexity of care needs and cost pressures from inflation and market constraints. The number of people living in the community with long term care provision from the Council increased considerably (by 20%) from 2017-18 to 2018-19. Between 2020 and 2035, the number of older people (aged 65+) in Barnet with learning disabilities is projected to increase from around 1,200 to nearly 1,800, a rise of 47%.³ It is also estimated that there are 4,294 people with dementia living in Barnet and by 2035 this figure is expected to increase to 6,806, which is an increase of 58.5%.⁴
- 1.2.37 Benchmarking updated based on (recently published) 2018/19 figures shows that Barnet was the 16th lowest spending authority on adult social care out of 152 England authorities per head of the population. This makes it likely that finding further savings are even more difficult to identify and deliver.
- 1.2.38 As referenced in the Adults and Safeguarding Quarter 2 (Q2) 2019/20 Delivery Plan Performance Report to this Committee in November, Barnet also achieves outcomes in adult social care better than or equal to

² <https://researchbriefings.files.parliament.uk/documents/CBP-7903/CBP-7903.pdf>

³ Source: POPPI & PANSI national datasets

⁴ As above

comparator local authorities (LAs). This shows that overall value for money is good.

Children's Social Care and Education

1.2.39 In April and May 2017, Children's services in Barnet were judged by Ofsted to be inadequate when they undertook an 'Inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board'. The council fully accepted the findings of the report and has been working collectively with the partnership to drive the improvements needed to transform services for children, young people and their families from inadequate to good. In June 2017, the Policy and Resources Committee agreed to invest an additional £5.7m in Family Services. This investment in additional resources has seen a significant decrease in caseloads and increase in management oversight, in order to deliver safe, high quality practice.

1.2.40 During the local authority's last inspection in May 2019, which was under the Inspecting Local Authority Children's Services (ILACs) framework, services in Barnet were judged to be good across all criteria.

1.2.41 The challenging financial climate in which the Service is operating requires a focus on ensuring that resources are deployed effectively to deliver the key outcomes and priorities for the Committee.

1.2.42 The Children's, Education & Safeguarding Committee is also responsible for education services. The Dedicated School Grant (DSG) is ringfenced to fund education in schools within the borough. It is split into four blocks: schools block, high needs block, central schools services block and early years block. There are regulations and statutory guidance prescribing how the funding can be used to ensure a minimum funding guarantee to schools. Not all the council's education responsibilities can be funded from the DSG and if there is a shortfall in funding in the DSG, the council can decide to use funding from its general fund to meet this shortfall. There is increasing pressure on high needs block ("High Needs") budgets across the country, as a result of demographic growth, the increasing complexity of needs and the impact of the government's special educational needs reforms (in particular extending educational provision for pupils with special educational needs from 0 to 18-year olds to 0 to 25-year olds). For 2020-21, it is expected there will be an additional £700m allocated for SEND. The share for Barnet was expected to be confirmed mid-December however this is now likely to be in January following the General Election.

Future trends

1.2.43 Barnet is forecast to have the largest number of children of any London borough by 2020.

1.2.44 The population of children and young people in Barnet is estimated to grow by 3% between 2018 and 2025, when it is projected to reach 101,875.

- 1.2.45 Projections suggest that by 2025, the population of children and young people in Colindale will be the highest of any ward, although the wards with the highest proportions of young people aged 0-19 years old in 2025 are projected to be: Golders Green (32%), Edgware (30%) and Burnt Oak (29%).
- 1.2.46 The overall number of children and young people with SEN statements or Education, Health and Care Plans rose by 26% between 2014 and 2017 and is expected to rise by a further 20% between 2017 and 2025.

Housing

- 1.2.47 The Government is committed to the improved delivery of new homes nationally through its economic and housing growth agendas. Accordingly, they have introduced a number of measures and reforms to the planning system intended to deliver more housing, improve housing affordability and remove barriers to development.
- 1.2.48 The Government's Housing Delivery Test (HDT) provides a measure of housing delivery based on the preceding three financial years. There is now a requirement for housing action plans to be produced by local planning authorities where the delivery of new housing is below 95% of the housing requirement. According to the Government Barnet's housing delivery is below 95%. The council has therefore been required to produce this Housing Delivery Action Plan (HDAP). The HDAP provides an analysis of housing delivery, including barriers to delivery, and identifies actions to reduce the risk of further under-delivery. The HDAP also highlights measures that Barnet is already taking to improve levels of housing delivery.
- 1.2.49 Responsibility for producing, monitoring and updating the HDAP rests with the council. However, implementing the HDAP is reliant on a collaborative process between a range of stakeholders including developers, land promoters, private and public landowners, infrastructure providers (such as utility providers, highways) and neighbouring authorities with adjoining or cross-boundary sites. These all have an impact on housing delivery.
- 1.2.50 The HDAP will provide supporting evidence for the current Local Plan review; the council intends to consult on a full draft Local Plan in early 2020. Having an up to date plan in place will ensure that Barnet has the right land available in the right places to deliver the homes and jobs we need up to 2036. The Plan will also identify the new infrastructure, such as transport, schools, health centres and utility networks, required to support delivery of new homes.
- 1.2.51 The London Plan provides the overall housing target for Barnet. This stands as 2,349 new homes per annum as set out in the 2015 London Plan.
- 1.2.52 Nearing the end of a full review, a draft replacement London Plan has recently undergone an examination in public. The council expects confirmation of the revised housing target for Barnet once the new London

Plan has been adopted which is anticipated to be in Spring 2020. The draft London Plan sets out an annual target of 3,134 for the ten-year period 2019/20 – 2028/29, an increase of 33% from the current target. The MHCLG housing target for Barnet, using the Government's standard methodology, is 4,126 new homes per annum.

1.2.53 Both the draft London Plan and the MHCLG target are significantly higher than the current target contained in the 2015 London Plan.

North London Waste Authority (NLWA)

1.2.54 The existing energy from waste facility at Edmonton EcoPark has been operating for over 50 years and is one of the oldest facilities of this type in Europe, and the current payments for disposing of our waste are low compared to other areas of London. The Secretary of State for Business, Energy and Industrial Strategy granted a Development Consent Order for NLWA to build a replacement energy recovery facility and associated development at the Edmonton EcoPark in February 2017. The building of the new energy recovery facility and associated works are known as the North London Heat and Power Project (NLHPP) www.northlondonheatandpower.london.

1.2.55 The NLWA levy costs are projected to increase significantly in future years as a result of the NLHPP, which will replace the existing energy from waste facility which is coming to the end of its life. NLWA has agreed that the energy recovery facility will be funded through direct public borrowing and will be operated by its contractor, LondonEnergy Limited. The increases in the levy are subject to the NLWA finalising its funding strategy and therefore in order to avoid the shock of sudden large increases in future years, the council set a financial strategy of setting aside a £1m increase per year for the next 6 years. This will be kept under review to ensure adequate resources are aligned to meet this pressure.

1.3 Barnet's approach to the financial challenge

1.3.1 Barnet has been innovative in its approach to tackling the challenges local government faces. The council has been open to new ways of doing things and working closely with partners across the public, private and voluntary sectors. It is vitally important that Barnet continues this approach to ensure that it is well placed to meet current and future challenges, and continues to be a successful London borough.

1.3.2 The council will continue to focus on the best possible outcomes for Barnet, thus utilising a combination of internal, external, and shared service deliveries to achieve this. As part of meeting these strategic objectives, the council will ensure that all residents are treated equally, with understanding and respect, and will have access to quality services which provide value to the taxpayer.

1.3.3 In particular, the council will focus on ensuring that:

- The growth of the borough benefits all residents
- Barnet's credentials as a family friendly borough are protected and enhanced
- We create opportunities for residents to live independent, active and healthy lives; and
- The council is well run and easy to deal with.

1.3.4 Theme committees will consider how they contribute to these priorities in the New Year.

1.3.5 The scale of the ongoing financial challenges means the way we deliver our services will continue to change and there will be some difficult choices to make to ensure that savings are achieved, but not at the expense of delivering quality services and protecting our most vulnerable residents.

1.3.6 These challenges do, however, present opportunities for us as a council to further build on the progress we have already made in areas such as supporting people into employment. To continue to do so means making careful choices about what we invest in, where and how we make savings, and generating revenue through council tax and other sources to help pay for services. Through using the proceeds of growth to invest in our borough's infrastructure, we are ensuring the sustainability of the council by laying the groundwork for (local) future income generation.

Theme Committee Savings

1.3.7 To address the budget gap identified between 2020-25, Theme Committees have been asked to consider a programme of savings for the five-year period 2020-25.

1.3.8 The savings proposed have been fully recognised within the MTF5 however, there are potential delivery risks which will be managed as plans progress.

1.3.9 The savings identified by Theme Committees are as below:

	20/21	21/22	22/23	23/24	24/25	Total
Theme Committees	£'000	£'000	£'000	£'000	£'000	£'000
Adults & Safeguarding	(5,317)	(1,071)	(942)	(542)	0	(7,872)
Housing & Growth Committee	(2,836)	(1,866)	(1,518)	(1,640)	(913)	(8,773)
Children, Education & Safeguarding	(2,719)	(1,009)	(1,404)	(1,509)	0	(6,641)
Community Leadership & Libraries	0	0	0	0	0	0
Environment	(4,226)	(1,550)	(900)	(500)	0	(7,176)
Policy & Resources	(1,821)	(577)	(434)	(399)	0	(3,231)

Health & Wellbeing Board (Public Health)	(424)	(310)	(350)	(352)	0	(1,436)
Total Savings	(17,343)	(6,383)	(5,548)	(4,942)	(913)	(35,129)

1.3.10 Public Health MTFS savings will be reassigned to other services in the council that target improvement in public health outcomes such as social prescribing, community safety and leisure and open spaces

1.3.11 The detailed savings plans are included at Appendix B.

Fees and Charges (Policy & Resources)

1.3.12 Theme Committees will consider the level of Fees & Charges within their portfolios. Appendix F shows new Fees & Charges and proposed increases 2% above inflation for those services that fall within the Policy and Resources Committee remit.

Budget Sign Off

1.3.13 To promote and re-enforce good financial management and to satisfy an internal audit recommendation, Budget Holders, Directors and Executive Directors will be asked to physically sign-off their budgets to certify that they understand their budgets and the savings they need to make and acknowledge their responsibilities under the council's financial regulations. The finance team will provide all budget holders with a document detailing their future year budgets and a reconciliation of how this has moved from the current year. This will be accompanied with an extract of the Financial Regulations which details their responsibilities concerning budget management. The Council Management Team will receive information on any non-compliance and this will be reported to a future Policy & Resources Committee for consideration.

1.4 Financial Strategies

Overarching financial strategy

1.4.1 In March 2019, the budget report to Council approved an overarching financial strategy. These have been reviewed and strengthened in recognition of the fact that the financial challenges (in respect of reducing funding and increasing demand) facing local government are likely to continue and therefore a focus on resilience and sustainability is important. The council's proposed financial strategy is set out below.

- The council will set a legal budget, balancing recurrent expenditure with estimated income within the medium term in order that the council has a sustainable financial position;
- The council will plan over a medium term of at least 3 years in order that the council is fully informed as to future scenarios and can prepare appropriate action;
- A level of sustainable reserves will be maintained, this will be defined by the Section 151 officer during the budget setting process, considering prevailing risks and opportunities. For 2020, this has been

- identified as £15m for general fund balance and £30m for earmarked non-ringfenced revenue reserves;
- The council will seek to build resilience to economic shocks and insulate from the requirement for sudden cuts to vital services;
 - The council is happy to use reserves to invest in one-off investment or transformation requirements but not to the point of the organisation being in distress;
 - The council will ensure it has sufficient funding for on-going transformation and long-term changes;
 - The council will provide a realistic amount of funding to support increasing demand, quickly addressing ongoing financial pressures with a permanent solution, reducing the instances where one off solutions are used;
 - The council will achieve the best possible outcomes within the funding available;
 - The council will ensure that budgets are aligned to its Corporate Plan objectives and that it will actively disinvest where this is not the case;
 - The council will understand the implications of growth and ensure that both the reward and the increased costs to services are recognised, and;
 - The council will act lawfully and protect the integrity of regulations, ring fences and accounting rules.

Review of the Medium Term Financial Strategy (MTFS)

MTFS Summary

- 1.4.2 The MTFS presented to this Committee has removed the expectation of funding from reserves and now projects forward an additional year to 2024/25. After a review of cost pressures, funding and the deliverability of savings, over the five years to 2024/25, additional savings of £36.737m are required in order to live within the expected income levels. This represents a total savings requirement of £71.866m, with savings of £35.129m already identified.
- 1.4.3 The MTFS presents a balanced position for 2020/21 whilst simultaneously investing in excess of £26m in meeting pressures, funding growth and allowing for inflation and pay awards. The council's management team believe that this level is sufficient within which to manage service risks and achieve the outcomes required within the Barnet 2024 Corporate Plan.
- 1.4.4 Colleagues from across the council are reviewing options (through working collaboratively across services to deliver the council's Corporate Priorities) to deliver the remaining savings to plug the gap for 2021/22 onwards.

MTFS Savings

- 1.4.5 To address the budget gap identified between 2020-25, Theme Committees have been asked to consider a programme of savings for the five-year period 2020-25. £35.129m of savings have been identified over the MTFS period, of which £17.343m fall in 2020/21.

1.4.6 Savings by Theme Committee are shown in section 1.3.8 and detailed savings detailed savings plans are included at Appendix B.

Assumptions contained within the MTFS

1.4.7 The assumptions relating to key items of income and expenditure within the MTFS are included in the table below. Other key items are discussed in further detail in the subsequent paragraphs.

1.4.8 The assumptions relating to key items of income and expenditure within the MTFS are included in the table below. Other key items are discussed in further detail in subsequent paragraphs.

Item	2020/21	2021/22	2022/23	2023/24	2024/25
Business Rates Multiplier (CPI)	1.70%	1.70%	1.70%	1.70%	1.70%
Council Tax Increase	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care Precept Increase	2.00%	2.00%	2.00%	2.00%	2.00%
Increase in Council Tax Base (No of Band D Equivalents)	2,253	1,317	1,507	1,222	1,232
Revenue Support Grant (£m)	6.28	3.85	3.85	3.85	3.85
Expenditure Inflation	1.90%	1.90%	1.90%	1.90%	1.90%
Employee Pay Award*	2.00%	2.00%	2.00%	2.00%	2.00%
Borrowing Rates – Long Term	3.50%	3.80%	4.00%	4.00%	4.00%

* Lower paid staff are likely to receive a greater pay award rate

New Homes Bonus (NHB)

1.4.9 As detailed in 1.2.12-1.2.13, the Government is intending to look again at the New Homes Bonus and explore the most effective way to incentivise housing growth.

1.4.10 As part of the roll-forward settlement the Government is proposing to retain the £900 million top-slice of Revenue Support Grant to fund New Homes Bonus payments in 2020-21. In addition to funding legacy payments associated with previous allocations, the Government is proposing to make a new round of allocations for 2020-21.

1.4.11 As the roll forward is for one year, with any funding beyond 2020-21 subject to the 2020 Spending Review and potential new proposals, we have been advised that any new allocations in 2020-21 will not necessarily result in legacy payments being made in subsequent years on those allocations.

1.4.12 At present our assumption is that New Homes Bonus overall will remain flat, in whatever form the funding is provided to the council.

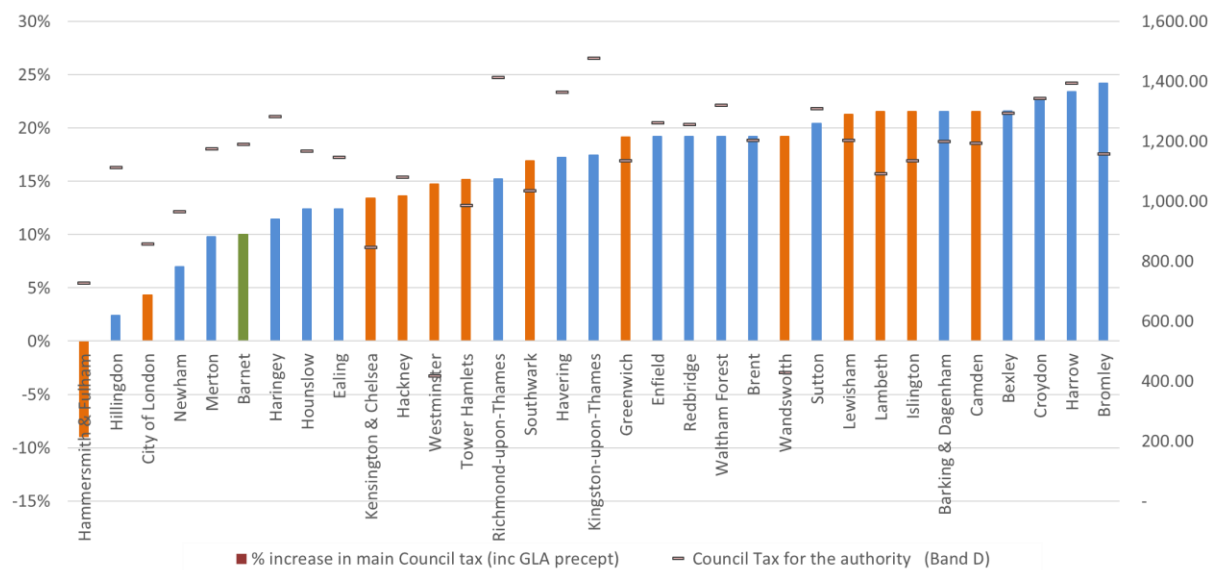
Council Tax

1.4.13 The council needs to ensure that it has adequate resources to meet its statutory and mandated obligations and its priorities. Its approach is to deliver a budget that is affordable and with a prudent and realistic level of Council Tax over the period of the MTFs. The MTFs approved by Council in March 2019 included the assumption of a 2.99% increase in each year in order to support front line services.

1.4.14 As explained in paragraph 1.1.2, the Government has consulted on reducing councils' ability to raise general Council Tax from a maximum of 2.99% to 1.99%. This reduced rate would reduce funding in the MTFs by around £1.8m per year of the MTFs.

1.4.15 Also announced within the spending round was a consultation on the reintroduction of a Social Care Precept - allowing local authorities to raise up to 2% (£3.6m) specifically to fund pressures within Adult Social Care. This has been assumed to be allowed each and every year within the MTFs.

1.4.16 The graph below shows that over the last 10 years Barnet has had the 6th lowest cumulative Council Tax increase together with an absolute Council Tax rate which is below that of most other outer London Boroughs.



1.4.17 The MTFs, therefore, proposes the use of the maximum council tax increase and social care precept.

Service Pressures & Growth requests

Service Pressures

1.4.18 As part of the budget setting process, council services were consulted on the pressures that they expect to either carry forward or to emerge over the MTFs period. These included on-going un-funded 19/20 pressures, forecasts for increases in demand or other pressures as they are identified. £16.4m of pressures were identified, and, given that all the requested pressures may not

materialise, the council's management team recommend that the MTFS assumes funding for 90% of these as detailed below.

Item	Revised Pressures Funding
Variable storage and Office 365 costs	45
HR Transformation	360
Customer Services & Digital - out of hours calls	27
Customer Services & Digital - Web team	45
Organisational Development	225
Community Safety	221
CE: Implementation and ongoing costs for Integra & Additional finance support	27
Policy & Resources	950
Housing General Fund - Temporary Accommodation	270
Fly tipping (clearance)	45
Additional Security Pressures across the estate	126
Pressure on reactive R&M across the estate	90
Increase in cyclical repairs	135
Meeting the updated pressures on the Estates Budget	270
Document Solutions mark-up income	693
Brent Cross income shortfall	699
Additional parking costs for Family Services	90
Housing & Growth Committee	2,418
Winter Gritting	180
Streetscene – Investment into Street Cleansing	450
Streetscene – Waste & Recycling	1,080
Growth due to number of households	90
Environment Committee	1,800
19/20 Pressures	3,149
Increase in complexity of Adult Social Care Packages	990
Transitions cases from Children's Services to Adults	2,880
Adults & Safeguarding Committee	7,019
Demographics and complexity (placements)	990
Special Guardianship Orders	54
No Recourse to Public Funds cases within Family Services	270
Unaccompanied Asylum Seeker Children moving into Care Leaving Services	270
Staffing - agency, following reduction for recharge	405
Placements for 18-25-year olds	270
Libraries – rates and security	144
IT pressures within Family Services	63
Legal costs across social care and education	270
Reduction in schools' central block funding for historical commitments	87
Children, Education & Safeguarding	2,823
Total Pressures Funding	15,010

Growth – investment in service development

1.4.19 The council is committed to investing in the development of services and departments were also canvassed for funding to invest in growth. The table below summarises the amounts requested by services and the recommended items to be funded. £1.425m of this funding of pressures is included within the MTFs presented at Appendix A. The £0.090m investment in sexual health prevention is being invested to manage demand and will be funded from Public Health reserves.

Theme Committees	Description	20/21
		£'000
Housing & Growth Committee	Resource to support investing in growth, development and income generation	975
Children's, Education & Safeguarding	Caseloads/staffing 0-25: investment in Autism related work	360
Public Health	Sexual health prevention (funded from Public Health reserves)	90
Total Investment in Services		1,425

Inflation Funding

1.4.20 Funding for both pay and non-pay inflationary pressures has been allocated to 2020/21 service budgets from the outset and should help to reduce uncertainty around funding available for increased staff costs and contract related spend. This will enable services to plan accordingly and be fully funded to deliver services.

1.4.21 Pay Inflation has been allocated based on 2.73% of 2020/21 pay-related budgets (2% for all services except StreetScene which experiences a higher increase due to the mix of pay grades).

1.4.22 Non-Pay Inflation has been allocated based on 20/21 net non-pay budgets at the current CPI rate (1.9%). For CSG and Cambridge Education, non-pay inflation has been based on 1.9% of 20/21 contract costs.

Contingency

1.4.23 The contingency budget is a useful tool in effective financial management of an organisation. It provides a mechanism to allocate additional funding on a temporary or permanent basis during the financial year. This allows the recognition and funding of costs over and above those included within the council's base budget. It is a more appropriate mechanism than the use of one-off funding, such as reserves, in meeting the costs of pressures as it enables the council to 'live within its means' both in the short and longer term. This therefore supports the delivery of the organisation's overall financial strategy.

1.4.24 The proposed MTFS allows a general, uncommitted contingency of around £2.4m in 2020/21. For the years 2021/22 onwards, this rises substantially to recognise the inclusion of a risk factor around the savings proposals. This approach has been taken to recognise that some of the proposals are at an early stage of development. As the MTFS is reviewed in future periods, these amounts will be considered against the prevailing risks to delivery.

Other key areas of council funding

Other key areas of funding sources for the council are as follows:

Improved Better Care Fund (IBCF)

1.4.25 The 2019/20 Barnet BCF allocation is £36,828,790 and is used to fund health services, social care services, and major adaptations through the Disabled Facilities Grant and to make investments into the development of integrated services.

1.4.26 In 2019/20 the Council was allocated £7,454,335 of BCF funding for the protection of social care.

1.4.27 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 care budgets to meet the objectives of the pooled fund.

1.4.28 The success of the BCF and therefore the pooled budget is measured through the achievement of a reduction in emergency hospital admissions, reduction in delayed transfers of care, admissions to residential and care homes and the effectiveness of reablement.

1.4.29 The core elements of the BCF plan are services for frail and older people and those with long term conditions (LTCs) such as: Rapid Response Team, delivery of seven-day services which support the system in managing delayed transfers of care (DTOCs) provision of community equipment, support to care homes delivered by the Care Quality Team and prevention services including Later Lifer Planners. The overarching aim of the plan is to provide integrated care and support that intervenes early, prevents crises, responds quickly and helps people stay independent for longer.

1.4.30 The BCF Plan includes a commitment to meet NHS England's minimum allocations for the BCF and the required inflationary increases from the 1.9% in 2018/19 to 5.3% in 2019/20.

1.4.31 2019-20 is the final year of the BCF and Local Authorities we are waiting for confirmation of what the new programme will be for 2020-21 and medium term financial plan.

Dedicated Schools Budget (DSG)

1.4.32 In September 2019, the Department for Education (DfE) confirmed the use of National Funding Formula (NFF) for schools, high needs and central school services for 2020-21. It also announced the following:

- Every secondary school will receive a minimum of £5,000 per pupil in 2020/21, primary schools will get a minimum of £4,000 per pupil from 2021/22 (£3,750 in 2020/21);
- Per pupil funding for all schools can rise at least in line with inflation;
- £66m increase in national Early Years funding;
- The funding announcement is in addition to the £1.5bn per year in the Teachers' Pension Grant; and
- Reception to Year 11 funding in 2020/21 will increase by £2.6bn, but this includes the £700m for SEND pupils, so net increase £1.9bn through the National Funding Formula to Local Authorities for mainstream provision.

1.4.33 The Secretary of State confirmed on 3 September 2019 the government's intention to move to a 'hard' NFF for schools – where budgets will be set based on a single, national formula. There is recognition that this will represent a significant change and the DfE will work closely with local authorities, schools and others to make this transition as smoothly as possible for implementation beyond 2020/21.

Housing Revenue Account

1.4.34 The Housing and Growth Committee has made a commitment to significant investment in improving fire safety of council blocks. To partly offset the pressure of this investment, the Committee has identified savings that deliver benefits to the Housing Revenue Account (HRA).

Public Health Grant

1.4.35 Public Health (PH) Grant will continue to be ring-fenced beyond April 2020, until further notice. There is an anticipated national PH Grant uplift in 2020/21 of approximately 3.2% but an exact percentage is still to be confirmed. It is expected that this increase will fund new sexual health treatments introduced in October 2019, Healthy Early Years and Healthy Schools Programme, Perinatal Mental Health and The National Diabetes Prevention Programme currently funded from the existing PH ringfenced reserves.

1.4.36 The Public Health Grant currently funds statutory and non-statutory services such as sexual health, Healthy Child Programme, drug and alcohol, smoking cessation, healthcare public health, resilience school programme targeted to local needs and aimed at improving public health outcomes.

1.4.37 In recent years, decreases in spend in core Public Health Grant, due to the national grant reduction, have been achieved via efficiencies and contract re-procurement. Furthermore, as part of MTFs, Public Health Grant is supporting demand management in social care: an investment in prevention and wellbeing contracts in adult social care (£1.639m in 2019-20) and investment in early help (£1.464m in 2019-20). Future MTFs savings planned beyond 2020 from the Grant will be funding areas such as leisure activities, community safety and employment programmes.

1.4.38 Development of the new Health and Wellbeing Strategy is underway and its guiding principles will seek to maximise the impact on population health outcomes through the use of the Public Health Grant and influencing system wide prevention across the whole Council and local NHS agenda.

Risks to the MTFs

1.4.39 There are known risks which have not been factored into the current MTFs, these are:

- **Demographic increases:** the MTFs factors in a significant increase in demographic pressures (both absolute population number and the characteristics thereof), however if the increases that services experience are more than this, then this could result in an overspend across those services impacted such as Adults, Children's and Housing;
- **Temporary accommodation pressure:** there is an insufficient supply of affordable, local, temporary accommodation. The council is looking at options to manage this, however there is a risk that the costs of this may exceed those provided for within the budget;
- **Non-pay inflation:** the current MTFs assumes an average 1.9% increase in contract spend, however inflation on some types of expenditure is estimated at 10%. If the average increase across expenditure and contracts exceeds 1.9%, then this could result in an overspend across services;
- **Finchley Lido:** structural remedial works on the roof at Finchley Lido. Phase 1 works are complete and Phase 2 remedial works, which will restore the Leisure Centre into full use, are in the process of being approved. The estimated cost is £423k which includes a contingency of £15k therefore the risk is that the costs exceed these values;
- **Fremantle Care workers (London Living Wage):** former Fremantle staff were TUPE transferred to YCB in July 2018. Some former Fremantle care workers that have been transferred to the Barnet Group may be being paid less than the London Living Wage (£10.75 per hour (as at Nov 2019)). The Barnet Group policy is to pay all its workers at least the London Living Wage, subject to affordability, and a HR process is now required to review any changes to terms and conditions which will need to be considered.

Any decision about changes to terms and conditions will need to be considered in the context of the overall pay and reward strategy for the Barnet Group, employment policies and legislation, the wider social care market and the council's procurement rules. It is not yet possible to quantify the level of risk associated as it is too early to form a conclusion about the application of the LLW to TUPE'd staff. However, officers in the Barnet Group supported by council colleagues, where necessary will be working on this over the coming months and can provide further update to the committee in the future.

- **Oakleigh Road Depot:** remediation works have begun at the depot. The costs of which are expected to be borne by the contractor, however there remains the risk that there could be some irrecoverable costs incurred which must be found through the council's funds;
- **Recession** no assumptions have been made in the MTFs of impacts of any economic recession. These impacts could present in a number of ways. Sensitivity analysis has been performed at a desk top level using crude indicators and a summary of these impacts is included below:

Risk	Impact
Reduction in business rates	1% reduction in rateable value = £0.580m The maximum reduction is limited to £3.2m by the safety net system
Increase in hardship/discretionary allowances	The council currently spends £21.4m on its Council Tax support scheme and approximately £240k on Business Rates hardship cases. It is extremely difficult to estimate an impact in this area.
Reduction in fees and charges	A 1% reduction in Fees and Charges would result in a £450k loss of income. In reality, services which benefit from development within the borough are likely to see a reduction whereas services such as adults will see a greater level of stability as much of the charging mechanism is linked to pensions which would not be as volatile. The council benefits from Guaranteed Income in relation to many of its development related services.

Inflationary costs	A 1% increase in costs will result in approximately £1.8m in additional costs to the council however some costs will be more insulated than others. Costs such as fuel, for example, could experience significant volatility.
Interest rates	A 1% change in interest rates would result in a variance in Capital Financing charges of approximately £4m per year by the end of the MTFs period. In times of a recession, interest rates are generally subdued, however there can be volatility depending on the economic levers used by the Government to manage the economy overall.
Increased demand for council services	During times of recession, the demand for Public Sector services increases. It is difficult to provide an estimate of the likely impact however the effect is most likely to impact services such as welfare support (including employment support), mental health services and housing.
Changes in property prices	There is a risk of reduced capital receipts as a result of downward pressure on property values due to a subdued market. The converse opportunity is that capital outlay to purchase assets could be reduced.
Currency fluctuations	A weakening of the Pound could cause additional costs to capital projects where goods or services are provided in international currencies. A 1% depreciation in the Pound against the Euro will cost an additional £11,800 per £1m of international currency spend. Conversely, an appreciation of the same level will provide a reduced cost of £11,800 per £1m of spend.

- No benefit or dis-benefit has been assumed in the MTFs for the **Fair Funding Review** (expected to be 2021/22);
- No benefit or dis-benefit has been assumed in the MTFs for implications of **Brexit** other than the macroeconomic trends currently being experienced;
- No benefit or dis-benefit has been assumed in the MTFs as a result of **Business Rates baseline resets** (due in 2021/22).

➤ **Grants**

- **Social Care Funding:** there are uncertainties around social care funding. Social Care grants have been outlined on an ad-hoc basis and so there is a “funding cliff-edge” for post-2020/21. In the MTFs, it has been assumed that the 2020/21 estimated level of £7.8m for Barnet (announced as part of the additional £1bn for adult and children’s social care in September 2019 review) will continue into future years as a result of the pledge made in the Conservative General Election manifesto.
- **Savings predicated on grant funding:** Savings plans within Children, Education & Safeguarding Committee include:
 - £200k through the better use of grant funding e.g. Troubled Families grant, Youth Justice grant and Trusted Relationships grant.
 - £300k anticipated Department for Education funding for Unaccompanied Asylum-Seeking Children that are care leavers.

The delivery of both these savings assumes that this grant funding will continue into and beyond 2020/21.

- **Grants 2021/22:** For 2021/22 onwards, if grants are rolled into Baseline Needs they will increase by CPI each year going forward. This has not been assumed in the MTFs as there is uncertainty on whether the grants are time limited or will become part of the overall funding picture.

Council Reserves

1.4.40 The council’s earmarked reserves are forecast to be £48.265m at the end of 2019/20, £15.3m lower than the beginning of the year. £8m of this reduction was budgeted for within the MTFs to achieve a balanced position for 2019/20 with the remainder of the reduction relating to capital expenditure (£0.9m), Transformation and Service Development (£2.3m), meeting the revenue overspend (£2.7m) and movement in ringfenced reserves (£1.8m).

1.4.41 The proposed MTFs includes no reserves funding in 2020/21 towards getting to a balanced budget.

1.4.42 The table below incorporates the current forecast outturn position and other known or expected plans in order to create a forecast of the council’s reserves position over the MTFs period. This table assumes that the funding deficits in future years of the MTFs are resolved and that there is no call on reserves through an unbalanced budget or overspend in each of the years.

2018/19 closing bal	2019/20 forecast bal	2020/21 forecast bal	2021/22 forecast bal	2022/23 forecast bal	2023/24 forecast bal	2024/25 forecast bal
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	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Capital</u>							
Capital - CIL	2,937	2,937	2,937	2,937	2,937	2,937	2,937
Revenue implications of capital	1,441	841	401	-	-	-	-
Total Capital Reserves	4,378	3,778	3,338	2,937	2,937	2,937	2,937
<u>Revenue</u>							
MTFS	40,416	30,202	28,202	28,202	28,202	28,202	28,202
Revenue - Earmarked	1,629	1,219	869	519	169	-	-
Transformation	3,083	2,723	2,037	1,390	904	418	-
Revenue - Service Specific	4,822	2,875	2,350	2,120	1,670	1,820	1,970
Non Ringfenced Revenue Reserves	49,950	37,019	33,458	32,231	30,945	30,440	30,172
<u>Ringfenced</u>							
DSG	1,543	949	-	-	-	-	-
Housing Benefits	3,981	3,981	3,981	3,981	3,981	3,981	3,981
North London Sub Region	79	79	79	79	79	79	79
PFI	-	-	-	-	-	-	-
Public Health	1,462	1,209	-	-	-	-	-
Special Parking Account	2,233	1,250	1,250	1,250	1,250	1,250	1,250
Total Ringfenced	9,298	7,468	5,310	5,310	5,310	5,310	5,310
Total Earmarked Reserves	63,626	48,265	42,106	40,478	39,192	38,687	38,419

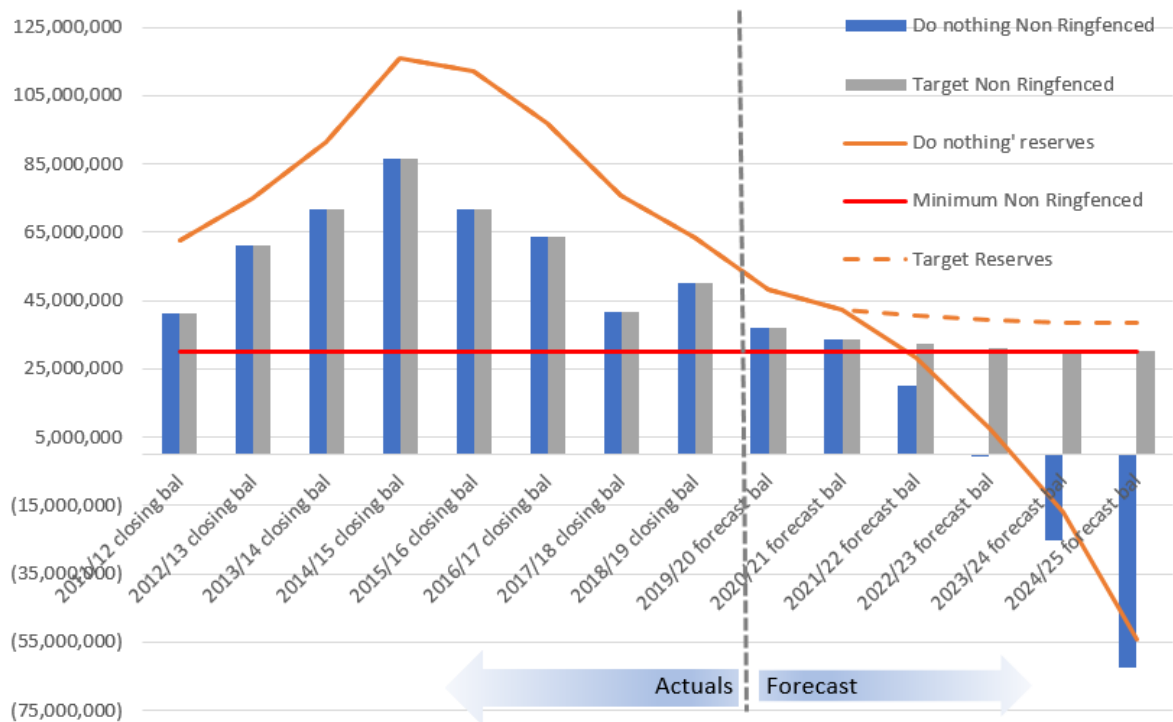
1.4.43 In terms of financial sustainability, the Non-Ringfenced Revenue Reserves is the key measure. This is due to reduce over the next two years but then level out to around £30m in keeping with the stated aim of maintaining at least that value in order to manage the prevailing risks and uncertainty.

1.4.44 The MTFS and Collection Fund Smoothing reserves have been merged since previous reserve forecasts have been published. This combined MTFS reserve is now the single mechanism for managing risks such as overspends and timing issues of collection fund items.

1.4.45 Although several of the reserves appear to maintain a steady balance (e.g. Capital – CIL and Housing Benefits Reserves) there will be movements in and out throughout the year. The assumption is that income will offset expenditure in each year. With the CIL reserve, for instance, seeing forecast receipts and expenditure in the region of £10m each year.

1.4.46 The council's reserves have been decreasing consistently since 2014/15. This reduction is broadly in line with what the sector as a whole has experienced.

1.4.47 The council's reserves balance over time (including a forward forecast) is shown within the graphic below. The graph also shows the impact if the council takes no further action in balancing its future year MTFS projections (the 'Do Nothing' option).



Reserves Strategy

1.4.48 In line with the council's financial strategy, a level of sustainable reserves will be maintained, and is defined by the Section 151 officer as part of the budget setting process, considering prevailing risks and opportunities. For 2020, this has been identified as £15m for general fund balance and £30m for earmarked non-ringfenced revenue reserves;

MTFS Reserve

1.4.49 The purpose of this reserve is to set aside an amount of money which can be drawn down to balance the council's budget when a budget deficit is unavoidable. This can be either through the planned use or to top up the General Fund Balance when the council experiences an unplanned overspend. In considering the risks associated with the council's budget.

1.4.50 This reserve has also been merged with the Collection Fund Smoothing reserve whose purpose was to account for timing differences between when the MTFS expects tax receipts to come on stream and when the income actually starts to be accrued. The combining of these reserves simplifies the options for mitigating financial risks rather than maintaining a series of separate mechanisms.

Costs of delivering the MTFS

1.4.51 It is inevitable that there will be one-off costs in relation to the delivery of the savings required over the MTFS period. The transformation reserve was topped up as part of the budget setting process for this purpose. This facility will be

kept under review by the section 151 officer as savings and projects are implemented.

Revenue Implications of Capital

1.4.52 In a prior budgeting period the council established a reserve to fund expenditure that did not meet the strict definition of capital expenditure but for which there was no revenue provision. An example of this type of cost would be feasibility work or for costs such as the decanting of staff contained within the costs of a build project. Expenditure has been and is planned to be incurred against this reserve over the MTFS period. This has been included within the reserves forecast above.

General Fund Balances

1.4.53 In addition to Earmarked Reserves, the council maintains a General Fund balance to manage the impact of uneven cash flows and unexpected events or emergencies. The level of general reserve required to be held is not specified, however the council uses a guide of 5% of annual net revenue expenditure in line with the professional judgement of the Chief Financial Officer. For 2020/21 this equates to £14.5m. At the 31st of March 2019, the balance stood at £15.8m however this will reduce by an amount equal to the general fund overspend. The Director of Finance intends to 'top up' the general fund balance to £15m post outturn. This transfer will be from the MTFS reserve. The General Fund balance, including a look backwards and forecast forward is shown in the graphic below.

1.5 Capital Programme

1.5.1 The Council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). Capital projects are considered within the Council's overall medium to long term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects in the revenue budget setting process.

Changes to the Capital Programme

Slippage

1.5.2 Throughout the summer, officers have been looking at the reasons that slippage occurs and challenging assumptions on the anticipated delivery profile of the Capital Programme. Overestimating capital expenditure can cause a number of unintended consequences, such as incurring unnecessary financing costs, reducing service budgets to fund borrowing or the lapsing of funding opportunities.

1.5.3 As a result of this work, it has been identified that a total of £186.804m needs to be re-profiled from the current year into future periods. Whilst this value is significant, it improves the accuracy of the programme and supports stronger financial management.

1.5.4 The breakdown of slippage by Committee is shown below:

Directorate	Net Slippage & Accelerated spend £'000
Adults and Safeguarding	-
Brent Cross	(168,082)
Children, Education & Safeguarding	(3,954)
Community Leadership and Libraries	-
Environment	(6,801)
Housing	(17,167)
Policy & Resources	(937)
Housing Revenue Account	10,137
Total:	(186,804)

Amendments to current schemes

Proposed additions

1.5.5 Grammar school projects - £4.362m

St Michael's Grammar School was successful in its bid for expansion to the Department for Education's Selective Schools Expansion Fund. The scheme will create an additional 32 places at an outstanding school. The council will receive the grant funding from ESFA and then passes this over to the school. The total cost for the scheme is: £4.847m. The total amount of funding approved from ESFA is £4.362m. The remaining 10% is match funded by the council which was approved before the school submitted its bid.

1.5.6 Community Equipment and Assistive Technology - £5.55m

Community equipment and assistive technology benefit the community at large, increasing independence and wellbeing for residents. Our approach to 'mainstreaming' the use of Assistive Technology, in particular, is regarded as market-leading in terms of the scale and impact for people. Adults and Health currently provide both Assistive Technology and Community Equipment to clients, as part of their service. These are purchased by the Council and then loaned to clients. When they are no longer needed, they are collected with the aim of 'recycling' – i.e. making them available to other clients. The providers (Millbrook for Community Equipment and Argenti for Assistive Technology) are responsible for delivery, storage, maintenance and recycling of the assets on behalf of the Council.

1.5.7 Greenspaces Infrastructure Programme - £1.500m

The Greenspaces Team delivers a number of parks improvements projects each year using external funding sources. Through the creation of the Greenspaces Infrastructure Programme the service will be able to respond to

the delivery of these projects as capital schemes in a more agile way and will remove the need for a large amount of administrative work that takes place at the end of each financial year.

The programme will be delivered using S106, CIL, Grants and other external funding sources. The projects are capital improvement projects and can be formed at short notice (e.g. New Play Equipment funded from Area Committee CIL funding) and have a short delivery timeline.

1.5.8 Asset Manager IT - £0.050m

The implementation of an IT solution to improve business efficiency to monitor and discharge statutory reporting requirements of the council's asset portfolio. This enables the council to be more efficient in the production of information for its statutory accounts as well as management information on the council's assets.

1.5.9 Highways Improvement – £0.440m

These are highways works completed that are in accordance with their covenants and therefore eligible for the use of s106 contributions.

1.5.10 Colindale – Highways and Transport - £0.180m

This programme is for Highway Improvement Works and Controlled Parking Zone covenants in Colindale. These capital works comply with Highways Contribution agreements and are therefore an appropriate use of s106 contributions for highway works in the Colindale.

1.5.11 Town Centre - £0.100m

This is to use s106 funds for the town centre, public realm and pedestrian improvements in the Finchley Church End area. £83k of contributions from s106 has been identified toward the capital delivery of public realm alongside CIL funding.

1.5.12 Local Implementation Plan 2016/17 and onwards – £0.400m

This programme is funded by TFL grants and is for a combination of projects that include cycle parking at 12 schools in the borough, Electric Vehicle Charging Points (EVCP) and other smaller projects carried forward from 2018/19.

1.5.13 Investment in Roads & Pavement (including NRP) - £2.38m

This programme for an additional £2.38m for planned highway works and contribution towards the installation of bus shelters with in the vicinity of the Development in accordance with s106 agreement and are considered as appropriate use of contributions. It also includes £690k Department for Transport grant. The projections based on current works programme. This would mean a total value of Network Recovery of £23.5m between 2019/20 and 2022/23.

1.5.14 Colindale – Parks, Open Spaces and Sports – £0.100m

This money is toward the active zone in Montrose park and includes the outdoor gym, parkour, Multi Use Gaming Area (MUGA) and all associated flooring. There is £103k S106 capital funding towards the capital works and £10k for programmes and activation of the space.

1.5.15 Vehicles - £13.590m

Vehicle and equipment are the key elements of the delivery of environmental services within Barnet. They are the second largest cost to the services after the staffing. In delivering the Recycling & Waste collection services, the council's approach to leasing or hiring vehicles and equipment has been reviewed and it has become apparent that there are opportunities to reduce operating costs through purchase and pay as you go maintenance instead of lease hire.

The majority of the council's fleet of vehicles were procured between 2010 to 2013. These vehicles are now at the point where it is either not economically viable to continue to use them or not compliant with new emission standards for their operation in Barnet from October 2020 for LEZ (Low Emission Zone) and October 2021 (Ultra Low Emission Zone).

It is recommended that capital expenditure is deployed to purchase the vehicles over three years for Recycling & Waste vehicles, and vehicles for other frontline services are replaced as identified as per fleet replacement programme.

Not replacing the current fleet with capital purchase would expose the Council to either c£1.2m in fines under the ULEZ arrangements or c£2.2m in vehicle hire or lease cost. Both of these will result in significant overspend. The programme is to be funded from borrowing.

1.5.16 Disabled Facilities Grants Programme - £0.410m

This bid is for additional expenditure of £0.413m for provision of the Mandatory Disabled Facilities Grant (DFG) programme. The council as the local housing authority has a statutory responsibility to ensure that grants are available to eligible applicants and demand is currently outstripping the amount of the central government grant allocation. The council is required to fund applications that meet the grant conditions irrespective of budget. This is anticipated to be funded through borrowing unless additional grant contribution is provided by the Government.

1.5.17 Health projects - £1.380m

This budget is for a series of projects related to contributing to the health and wellbeing of residents. All these projects will be funded from S106 contributions. All proposals are in accordance with the S106 capital contribution agreements and are considered appropriate use of funds.

1.5.18 M&E/ GAS - £2.500m

This is an additional budget in line with the HRA business plan approved in January 2019 for significant spend on domestic rewiring and the replacement of electrical rising mains in blocks of flats. It also includes a budget for the replacement of collapsed drains and the installation of new water mains. The funding source is the HRA Major Repair Reserve.

1.5.19 Accessible accommodation adaptations - £1.49m

A shortage of adapted and wheelchair-accessible properties has impacted the Barnet Group's (TBG) and Adult Social Care's (ASC) ability to house vulnerable clients. As a result, many clients are "blocked" in either hospital beds, residential, supported or extra care accommodation or in expensive hotel rooms or temporary accommodation, at significant cost to the council.

From November 2016 to December 2018, 32 Council properties and 2 Open Door Homes units have been adapted using the funding, with a total spent of just over £500k. Adapting these properties has resulted in substantial cost avoidance being made across Housing and Social Services.

This funding proposal is to request the allocation of funds from the Housing Revenue Account for Q4 of 2019/20 and the financial years 2020/21 to 2022/23, to be used to adapt Council units to address the severe shortage of adapted and wheelchair accessible units for clients who are social care eligible.

1.5.20 Total additions

The profiling of the additions described above is set out in the summary table below:

Addition	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000	£000
Grammar school projects	-	2,222	2,140	-	-	-	4,362
Community Equipment and Assistive Technology	1,110	1,110	1,110	1,110	1,110	-	5,550
Accessible accommodation adaptations	115	460	460	460	-	-	1,495
Greenspaces Infrastructure Programme	300	300	300	300	300	-	1,500
Asset Manager IT	50	-	-	-	-	-	50
Highways Improvement	-	444	-	-	-	-	444
Colindale – Highways and Transport	-	-	181	-	-	-	181
Town Centre	-	-	105	-	-	-	105
Local Implementation Plan 2016/17 and onwards	409	-	-	-	-	-	409
Investment in Roads & Pavement (NRP)	2,382	-	-	-	-	-	2,382
Colindale – Parks, Open Spaces and Sports	-	-	-	103	-	-	103
Vehicles	1,428	10,065	820	342	943	-	13,598
Disabled Facilities Grants Programme	413	-	-	-	-	-	413
M&E/ GAS	-	109	2,400	-	-	-	2,509
Health projects	1,384	-	-	-	-	-	1,384
Total	7,591	14,710	7,516	2,315	2,353	-	34,485

1.5.21 Including the slippage and additions described previously, the changes to be incorporated into the revised Capital Programme are as follows:

Directorate	Net Slippage & Accelerated spend	Deletions	Additions
Adults and Safeguarding			5,550
Brent Cross	(168,082)		

Children, Education & Safeguarding	(3,954)	(746)	4,362
Community Leadership and Libraries			
Environment	(6,801)		18,333
Housing	(17,167)	(543)	2,186
Policy & Resources	(937)		50
Housing Revenue Account	10,137	(904)	4,004
Total:	(186,804)	(2,193)	34,485

1.5.22 The proposed Capital programme for 2019/2020 to 2024/2025 takes the essential elements of the previous years' programmes and moves them forward in the context of the financial and political environment for 2019/20. The current approved Capital Programme totals £1.121bn. After incorporating the changes described in the table above, the Capital Programme would total £1.154bn and is set out below in summary form:

Theme Committee	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	15,994	1,905	1,110	1,110	1,110		21,229
Brent Cross	101,312	155,516	107,370	38,228			402,426
Children, Education & Safeguarding	21,003	17,245	14,124	1,539			53,911
Community Leadership and Libraries	235						235
Environment	18,301	28,461	10,970	2,792	1,611		62,135
Housing	70,867	102,095	70,414	42,450	36,446	1,000	323,272
Policy & Resources	19,515	10,386					29,901
Total - General Fund	247,227	315,608	203,988	86,119	39,167	1,000	893,109
Housing Revenue Account	51,000	80,599	68,223	26,285	16,911	17,720	260,737
Total - all services	298,227	396,207	272,211	112,404	56,078	18,720	1,153,846

Funding of the Capital Programme

1.5.23 The capital programme shown above is funded from the following sources:

Theme Committee	Grants	S106	Capital Receipts	RCCO/MRA	CIL	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	2,000	700	500		15,841	2,188	21,229
Brent Cross	360,354					42,072	402,426
Children, Education & Safeguarding	43,597	3,536	842		852	5,084	53,911
Community Leadership and Libraries			68			167	235
Environment	4,255	4,601	3,380	440	12,040	37,419	62,135
Housing	7,889	20,251	16,814	590	15,835	261,893	323,272
Policy & Resources			6,124	5		23,772	29,901

Total - General Fund	418,095	29,088	27,728	1,035	44,568	372,595	893,109
Housing Revenue Account	17,740		13,331	145,166		84,500	260,737
Total - all services	435,835	29,088	41,059	146,201	44,568	457,095	1,153,846

Borrowing

1.5.24 £458m of the total capital programme will be funded from borrowing of which £210m is on-lent to Opendoor Homes for the acquisition or delivery of new housing.

1.5.25 Borrowing is typically Public Works Loan Board loans to support capital expenditure; this type of capital funding has revenue implications (i.e. interest and provision to pay back the loan).

1.5.26 In line with the prudential code, Local Authorities are required to set aside an amount of money for its Minimum Revenue Provision (MRP). MRP is akin to the repayment element of a personal mortgage and applies to all general fund borrowing regardless of the source of funds. Based on the current value of the borrowing requirement, there will be an additional MRP charge of £3.32m 2020/21 (meaning a total revenue budget of £17.6m set aside for MRP charges in addition to interest costs). This is offset by additional income being generated through interest receivable and an existing budget underspent. Taking these items into account £2m of revenue budget reduction has been reflected in the 2020/21 year within the MTFS.

Capital Receipts

1.5.27 The council has previously highlighted a risk in the level of capital receipts that it currently holds or forecasts to receive. Capital Receipts are proceeds of capital sales (land, buildings, etc.) and are re-invested into purchasing other capital assets.

1.5.28 £41m of the above capital programme is planned to be funded by capital receipts. Current receipts are standing at £21.19m with £19.36m being HRA receipts and the remaining £1.83m are General Fund receipts.

1.5.29 Of the £41m, £26m will be funded from HRA capital receipt (RTB Receipts). Current HRA capital receipt balances plus future estimates suggest that there will be enough HRA capital receipts to fund the relevant projects.

1.5.30 The remaining £15m is expected to come from General Fund capital receipts. With £10.5m needed in 2019/20. There are currently no General Fund disposals agreed, this may result in funding changes and possible additional Capital Financing charges in 2020/21. Provision has been allowed for within the Capital Financing budget to meet these costs and if no schemes are identified prior to the end of the financial year, the capital receipts will be substituted for borrowing.

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Health	114,888	56,488	118,099	3,211	-253	117,846	2,958
Assurance	5,690	4,963	6,304	613	-581	5,723	32
Children's Family Services	67,477	43,911	68,993	1,516	-319	68,674	1,197
Growth and Corporate services	40,094	27,414	44,138	4,044	-1,281	42,856	2,762
Environment	11,148	25,233	14,070	2,922	983	13,087	1,939
Finance	61,802	22,892	55,569	-6,233		55,569	-6,233
Service Total	301,098	180,902	307,173	6,074	-3,417	303,755	2,657

1.6.4 As part of good financial management practice, there are a number of business as usual processes that the council undertakes to maintain its budgets. This paper seeks Policy and Resources Committee approval to make in year allocations from the contingency budget and to agree virements between services of over £250k.

Allocations from Contingency

1.6.5 The contingency budget is a useful tool in effective financial management of an organisation. It provides a mechanism to allocate additional funding on a temporary or permanent basis during the financial year. This allows the recognition and funding of costs over and above those included within the council's base budget. It is a more appropriate mechanism than the use of one-off funding, such as reserves, in meeting the costs of pressures as it enables the council to 'live within its means' both in the short and longer term. Council financial regulations also prevent expenditure being incurred for which there is no budget provision. Allocations from contingency ensure that the financial regulations can be adhered to when unexpected items occur. This therefore supports the delivery of the organisation's overall financial strategy.

1.6.6 When preparing the budgets, all inflationary and service pressure allocations within the MTFs are held within the contingency budget and are allocated during the year to the service areas when the true costs are better understood. The contingency budget is usually forecast to be fully spent within the financial projections despite containing unallocated elements. This means that any virements to areas displaying a financial pressure will generally benefit the bottom line of the Council's projected outturn variance. The allocation to theme committees are targets and savings proposals will be subject to equality impact assessments and consultation as required. The contingency could be used where members do not wish to make proposed savings due to equality impacts that cannot be litigated appropriately.

1.6.7 At the start of the 2019/20 financial year, £9.5m contingency funding was available. Of this, £7.5m has been distributed with a further £1.5m allocated as

shown below. After all the allocated balances have been posted, a balance of £0.500m will remain.

1.6.8 It is the Section 151 Officer's intention to allocate the remaining 2019/20 balance towards service pressures once the full implications of issues such as Oakleigh Road Depot access road and the Finchley Lido roof are better understood (subject to future Policy and Resources Committee approval). An expectation is included within the MTFs that £1m will be available from 2020/21 onwards to recurrently reduce the budget gap.

Virements

1.6.9 The constitution requires that any virement from contingency of £250k or above are approved by the Policy & Resources Committee. Further, any virements between services over £250k must also be approved by the Policy & Resources Committee.

1.6.10 The tables below give details of virements by Department rather than committee as the Scheme of Financial Delegation delegates the authority to expend the Council's resources to Executive Directors of Departments.

The following virements from contingency above £250k presently require approval:

Service	Description	TOTAL
Growth and Corporate Services	Review of commercial portfolio	£275,000
Central Expenses (Contingency)	Review of commercial portfolio	(£275,000)
Adults & Health	Adults - invest to save resource requests including transformation team	£850,000
Central Expenses (Contingency)	Adults - invest to save resource requests including transformation team	(£850,000)
StreetScene	Street Scene Pay Inflation	£292,000
Central Expenses (Contingency)	Street Scene Pay Inflation	(£292,000)
StreetScene	2019-20 Street Lighting MTFs Saving reprofiled	£250,000
Central Expenses (Contingency)	2019-20 Street Lighting MTFs Saving reprofiled	(£250,000)

1.6.11 P&R are asked to note the following virements from contingency less than £250k:

Service	Description	TOTAL
Growth and Corporate Services	Feasibility studies for disposals	£158,000
Central Expenses (Contingency)	Feasibility studies for disposals	(£158,000)

1.6.12 P&R are also asked to note the following virements between services:

Service	Description	TOTAL
Growth & Corporate Services	Revised CSG Contract Fee due to insourcing of Finance and Human Resources.	£90,000
Finance	Revised CSG Contract Fee due to insourcing of Finance and Human Resources.	(£90,000)
Adults & Health	Grossing up of the Independent Living Fund Grant	£1,340,371
Corporate Accounting	Grossing up of the Independent Living Fund Grant	(£1,340,371)
Adults & Health	Transfer Corporate Health & Safety to Adults & Health	£98,453
Growth & Corporate Services	Transfer Corporate Health & Safety to Adults & Health	(£98,453)

Debt Write Off

1.6.13 The write-off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income and it removes uncollectable debt from the system. All businesses suffer from uncollectable debt and the council maintains a bad debt provision against which to charge these write offs.

Business Rates (NDR)

1.6.14 Non-domestic rates totalling £1,081,741.31 are recommended for write off. The individual debts are all over £5,000 and cover the financial years 2008/09 to 2019/20.

1.6.15 All the debts are in respect of closed accounts. Most are in respect of debtors who have absconded, including some who are known to be abroad and out of our jurisdiction. Other debts are either limited companies that have been dissolved or wound up or again companies registered abroad. None or insufficient monies to clear these debts have been yielded as Business Rates debts do not rank as preferential debt in insolvency proceedings. Therefore, no further action can be taken.

1.6.16 Attempts to trace absconded debtors include searches of internal systems, credit reference agencies, internet searches, enquiries with owners, agents, and new occupants of the relevant properties and visits by the inspector and Enforcement Agents. With regard to cost effectiveness, the extent of tracing activity will correspond to the amount of individual debts and with a greater emphasis on checks made in respect of larger debts. All customer contact details have been checked to try to prompt contact from the debtor in addition to the necessary recovery notices that are issued in accordance with legislation

It should be noted that if an absconder is subsequently located following a write off then the debt can be re-raised and attempts made to recover it, subject to statutory limitation periods and it being economical to do so.

1.6.17 We also review any documentation to retrieve contact details, follow up with telephone calls and emails and carry out director searches through Companies House.

1.6.18 The collection process for Business Rates involves the issue of a demand notice, reminder notice, summons, liability order, and then issue to Enforcement Agents in accordance with legislation.

1.6.19 The breakdown of the value of the Business Rates debts by year is as follows:

Financial Year of Debt	Court Costs Awarded	Business Rates Liability	Total Debt Due
2008/09	£167.00	£7,280.44	£7,447.44
2009/10	£340.00	£17,456.37	£17,796.37
2013/14	0.00	£38,186.98	£38,186.98
2014/15	£170.00	£62,905.94	£63,075.94
2015/16	£680.00	£57,129.98	£57,809.98
2016/17	£890.00	£126,581.13	£127,471.13
2017/18	£2,550.00	£327,534.75	£330,084.75
2018/19	£3,020.00	£399,264.04	£402,284.04
2019/20	£680.00	£36,904.68	£37,584.68
Total	£8,497.00	£1,073,244.31	£1,081,741.31

1.6.20 A breakdown of the reasons for write off are as follows:

Reason for write off	Total Debt
Bankruptcy	£61,675.57
Dissolved	£76,371.02
Gone Away	122111.67
In Liquidation	£39,004.37
Liquidated	£239,627.09
Insolvent	£382,712.64
Uncollectable	£41,705.95
Company Voluntary Arrangement	£118,533.00
Total	£1,081,741.31

Council Tax

1.6.21 Irrecoverable council tax debts of £55,005.04 are requested for write off. The individual debts are all over £5,000 and cover the financial years from 2004/05 to 2017/18.

1.6.22 All the debts are in respect of closed accounts. Most are in respect of debtors who have absconded, including some who are known to be abroad.

1.6.23 Attempts to trace absconders include searches of our internal revenues system, credit reference agencies, enquiry notices to owners, agents and new occupiers of properties and visit reports by our Inspection and Enforcement Agents. With regard to cost effectiveness, the extent of tracing activity will correspond to the amount of the individual debts with a greater intensity of checks being carried out in respect of these larger debts. It should be noted that where a debtor is traced following the write-off of the debt then the debt will be reinstated and further attempts made to recover, subject to statutory limitation periods and it being economical to do so.

1.6.24 The breakdown of the value of the Council Tax debts by year is as follows:

Financial Year of Debt	Council Tax Liability	Court Costs Awarded	Total Debt Due
2004/05	£1,587.68		£1,587.68
2005/06	£2,729.49		£2,729.49
2006/07	4548.69	£95.00	£4,643.69
2007/08	£4,640.03	£194.00	£4,834.03
2008/09	£4,203.26	£97.00	£4,300.26
2009/10	£3,173.94	£291.00	£3,464.94
2010/11	£3,470.93		£3,470.93
2011/12	£3,975.51	£97.00	£4,072.51
2012/13	£5,507.71	£388.00	£5,895.71
2013/14	£6,572.69	£194.00	£6,766.69
2014/15	£5,709.64	£194.00	£5,903.64
2015/16	£2,730.87		£2,730.87
2016/17	£3,378.13	£97.00	£3,475.13
2017/18	£1,032.47	£97.00	£1,129.47
Total	£53,261.04	£1,744.00	£55,005.04

1.6.25 A breakdown of the reasons for write off are as follows:

Reason for write off	Total Debt
Deceased	£21,468.16
Gone Away	£33,536.88
Total	£55,005.04

Sundry Income

1.6.26 Sundry income totalling £357,718.21 are recommended for write off. The individual debts are all over £5,000 and cover the financial years 2014/15 to 2018/19.

1.6.27 The collection procedures used for the recovery of these debts have included the issue of an invoice, a reminder and also a final notice. Additionally, and where appropriate, debt collection agencies are used and where legal action was undertaken a Notice before Proceedings would have been issued. Efforts have also been made to contact the debtor where possible and to agree suitable instalment arrangements.

Financial Year of Debt	Total Debt Due	Reason for Write Off
2014/15	£318,807.01	Recovery Action Exhausted
2015/16	£12,612.75	Liquidation
2015/16	£5,753.23	Insufficient Funds in Estate
2016/17	£9,920.00	Liquidation
2017/18	£5,000.00	Liquidation
2018/19	£5,625.22	Insufficient Funds in Estate
Total	£357,718.21	

Tenant Arrears Write Offs – HRA

1.6.28 Tenant Arrears relating to HRA are recommended for write off. Individual debts over £5,000 totalling £15,305.74 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £75,537.55 covering the financial years 2008-2013 which are being written off.

1.6.29 All the debts detailed below relate to closed accounts and are considered:

- 'statute barred' where the Council is legally unable to recover any monies from the tenants as the time allowed by law for such recovery has passed.
- low level debt of £20 or under where recovery of these monies is deemed uneconomical.

Attempts to recover the monies owed by former tenants including following up on known contact details, referring cases to external expert agencies, such as search and debt recovery agencies and working with other local authorities/housing agencies and probate checks.

1.6.30 The table below details the breakdown of the write offs by year for balances **less than £5,000 totalling £75,537.55** are:

Years	Total
2008	£7,237.55
2009	£6,830.89
2010	£349.59
2011	£2,099.84
2012	£35,911.65
2013	£23,108.03

Total	£75,537.55
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1.6.31 The table below details the breakdown of the debts by year for balances **greater than £5000 totalling £15,305.74** are:

Years	Reason	Total
2013	Statute Barred	£15,305.74

Tenant Arrears Write Offs - General Fund

1.6.32 Tenant Arrears relating to the general fund are recommended for write off. Individual debts over £5,000 totalling £62,121.76 covering the financial years 2012-2017 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £234,385.93 covering the financial years 2012-2019 which are being written off.

1.6.33 All the debts relate to closed accounts and are considered either:

- 'statute barred' where the Council is legally unable to recover any monies from the tenants as the time allowed by law for such recovery has passed
- 'deceased without estate' which means that the subject has passed away and there is no estate to recover monies
- 'unable to trace' with no record of where the tenant is now residing
- 'unrecoverable' due to the tenant being homeless and was housed under the Severe Weather Emergency Protocol
- low level debts of £20 or under where the recovery of the monies is deemed uneconomical.

1.6.34 Attempts to recover the monies owed by former tenants including following up on known contact details, referring cases to external expert agencies, such as search and debt recovery agencies and working with other local authorities/ housing agencies and probate checks. The write-off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income and it removes uncollectable debt from the system.

1.6.35 The breakdown of the write offs **less than £5,000 totalling £234,385.93** are as follows:

Debt Category	2012	2013	2015	2016	2017	2018	2019	Total
Deceased Without Estate			£1,291.95					£1,291.95
Statute Barred	£121,227.22	£84,036.79						£205,264.01
Unable to Trace		£3,657.03		£1,915.72	£15,376.83			£20,949.58

Uneconomical to Pursue			£14.88	£46.67	£0.83	£3.80		£67.18
Unrecoverable – SWEP						£4,534.34	£200.77	£4,735.11
Unsuccessful from Agency				£2,078.10				£2,078.10
Grand Total	£121,227.22	£87,693.82	£1,306.83	£4,040.49	£15,377.66	£4,538.14	£200.77	£234,385.93

1.6.36 The breakdown of the write offs **greater than £5,000 totalling £62,121.76** are as follows:

Years		Total
2012	Statute Barred	£23,866.38
2013	Statute Barred	£7,823.52
2016	Unable to Trace	£18,253.59
2017	Unable to Trace	£12,178.27
Total		£62,121.76

2. REASONS FOR RECOMMENDATIONS

2.1.1 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 reductions to local authority funding, demographic increases and legislative changes.

2.1.2 The council's MTFs sets out the estimated overall financial position of the council over a period of time. This report details measures undertaken to set a balanced budget for 2020/21 onwards in order to ensure Councillors and the public are informed of this work, supporting good governance.

2.1.3 Ongoing budget maintenance in the form of virements and the allocation of contingency funds support strong financial management.

2.1.4 The revisions to the capital programme ensure that the council's financial planning accurately reflects what is happening with scheme delivery. This ensures that the council can make effective decisions on the deployment of its scarce resources.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1.1 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 reduction to the services that the council provides but those are not included in this report.

- 3.1.2 The council could consider alternative options to allocate contingency funding however these could result in service delivery problems or fail to address structural budget deficits.
- 3.1.3 The alternative option to reducing the capital programme would be to make revenue reductions in order to fund the cost of borrowing.

4. POST DECISION IMPLEMENTATION

- 4.1.1 Following approval of these recommendations, resident consultation will begin on the 7th of January 2020 and end on the 3rd of February 2020. The savings proposals will then be reviewed in light of the results from the consultation and individual and cumulative equality impact assessment and a further set of proposals along with the findings from the consultation will be presented to Policy and Resources committee on 19 February 2020.
- 4.1.2 Policy and Resources Committee will then, after considering the consultation responses and the equalities impact assessments, refer the proposals to Council. 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 the decision makes decide not to implement the proposals then alternative proposals will be considered including the use of reserves.
- 4.1.3 Savings proposals along with the council tax requirement will then be taken to Council on the 3rd of March 2020.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 This supports the council's corporate priorities as expressed through the Corporate Plan for 2019-24 which sets out our vision and strategy for the next 5 years. This includes the outcomes we want to achieve for the borough, the priorities we will focus resources on, and our approach for how we will deliver this.
- 5.1.2 Our 3 outcomes for the borough focus on place, people and communities:
- a pleasant, well maintained borough that we protect and invest in
 - our residents live happy, healthy, independent lives with the most vulnerable protected
 - safe and strong communities where people get along well
- 5.1.3 The approach for delivering on this is underpinned by four strands; ensuring all residents get benefit from growth in the borough, that Barnet's credentials as a family friendly borough are protected and enhanced, we create opportunities for residents to live independent active and healthy lives and that the council is well run and easy to deal with. Theme committees will consider how they contribute to these priorities in the New Year.

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

- 5.2.1 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.
- 5.2.2 The budget proposals in this report will have an impact on staff. Individual reports will be presented to General Functions Committee detailing the extent of the impact on staffing.
- 5.2.3 The proposed changes to the capital programme reduce the cost of borrowing and therefore support the council's revenue budget.
- 5.2.4 The council's financial regulations require that virements for allocation from contingency for amounts over £250,000 and capital programme additions must be approved by Policy and Resources Committee.

5.3 Social Value

- 5.3.1 None applicable to this report, however the council must take into account the requirements of the Public Services (Social Value) Act 2012 to try to maximise the social and local economic value it derives from its procurement spend. The Barnet living wage is an example of where the council has considered its social value powers.

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 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirement in accordance with the prescribed requirements of that section. This requires consideration of the authority's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.
- 5.4.3 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of the council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in

good faith in relation to compliance with statutory duties and exercising statutory powers.

- 5.4.4 These proposals will be referred to Policy and Resources Committee consulted on, and if approved by Policy and Resources Committee referred on to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impact that cannot be mitigated.
- 5.4.5 All proposals emerging from the business planning process will need to be considered in terms of the council's legal powers and obligations (including, specifically, the public-sector equality duty under the Equality Act 2010). All proposals are already, or will be, subject to separate detailed project plans and reports to committee. The detailed legal implications of these proposals are included in those reports, which will have to be considered by the committee when making the individual decisions.
- 5.4.6 The Council Constitution (Article 7 – Committees, Forums, Working Groups and Partnerships) sets out the responsibilities of all council Committees.
- 5.4.7 All proposals emerging from the business planning process will need to be considered in terms of the council's legal powers and obligations (including, specifically, the public-sector equality duty under the Equality Act 2010). Under the financial regulations 2.4.15 any significant changes in the planned use of a reserve must be approved by Policy and Resources Committee.
- 5.4.8 Article 7 of the Council's Constitution sets out the terms of reference of the Policy and Resources Committee which include:
- Responsibility for strategic policy finance and corporate risk management including recommending: Capital and Revenue Budget; Medium Term Financial Strategy; and Corporate Plan to Full Council
 - To be responsible for the overall strategic direction of the Council including strategic partnerships, Treasury Management Strategy and internal transformation programmes.
 - To be responsible for those matters not specifically allocated to any other committee affecting the affairs of the Council.
- 5.4.9 The council's financial regulations state that amendments to the revenue budget can only be made with approval as per the scheme of virement table below:

Revenue Virements

Virements for allocation from contingency for amounts up to £250,000 must be approved by the Section 151 Officer in consultation with appropriate Chief Officer
Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service that do not alter the bottom line are approved by Service Director

Virements between services (excluding contingency allocations) up to a value of £50,000 must be approved by the relevant Chief Officer
Virements between services (excluding contingency allocations) over £50,000 and up to £250,000 must be approved by Chief Officer and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements between services (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee

Capital Virements

Policy and Resources Committee approval is required for all capital budget and funding virements and yearly profile changes (slippage or accelerated spend) between approved capital programmes i.e. as per the budget book. The report must show the proposed: i) Budget transfers between projects and by year; ii) Funding transfers between projects and by year; and iii) A summary based on a template approved by the Section 151 Officer
Policy and Resources Committee approval is required for all capital additions to the capital programme. Capital additions should also be included in the quarterly budget monitoring report to Financial Performance and Contracts Committee for noting.
Funding substitutions at year end in order to maximise funding are the responsibility of the Section 151 Officer.

5.4.10 Article 4 sets out the role of Full Council “approving the strategic financing of the council upon recommendations of the Policy and resources committee, determination of financial strategy, approval of the budget, approval of the capital programme”.

5.4.11 The Secretary of State has the power to designate two or more “relevant authorities” as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012). Paragraph 45 (Interpretation) of Schedule 7B defines a “relevant authority” as a billing authority in England, or a major precepting authority in England. The list of billing authorities at Schedule 5, Part 1 of the Non-domestic Rating (Rates Retention) Regulations 2013/452 includes the GLA and the London Boroughs as billing authorities and the GLA is also a precepting authority pursuant to section 39 (1) of the Local Government Finance Act 1992. In relation to the project, the participating local authorities have implicit powers to enter into arrangements with each other for the purposes of fulfilling the requirements of Schedule 7B for obtaining an order of the Secretary of State authorising the establishment of a business rate pool.

5.4.12 Local authorities have a power to enter into arrangements between them including under section 111 of the LGA 1972: “Without prejudice to any powers exercisable apart from this section but subject to the provisions of this Act and

any other enactment passed before or after this Act, a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions".

6. Risk Management

- 6.1.1 Risk is defined as an uncertain event that, should it occur, will have an impact on the organisation's ability to achieve its objectives. A risk is measured by the likelihood of a perceived threat or opportunity occurring and the magnitude of its impact on the organisation's objectives.
- 6.1.2 The overarching aims of the council's risk management framework are to improve the organisation's ability to deliver its strategic objectives by managing risk; creating a risk culture that adds value to operational activities; and achieving sustained benefit across the portfolio of activities.
- 6.1.3 The risk management framework should help to ensure risk management is embedded throughout the organisation and involves all key stakeholders, including officers, senior managers, members and partners.
- 6.1.4 The council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation.
- 6.1.5 The council's medium term financial strategy is designed to meet the challenges ahead and provide some flexibility to deal with varying service pressures, which may arise. The council holds a number of other provisions and reserves to meet known future liabilities and as a contingency against specific areas of risk.
- 6.1.6 Detailed monthly budget monitoring arrangements are in place across the council, which are designed to provide an early warning of possible budget variations to enable early remedial action, where appropriate, to be taken.
- 6.1.7 During the year management will focus resources on key risk areas as part of the overall monitoring and management of services so the risk of overspending is minimised.
- 6.1.8 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.
- 6.1.9 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.

6.1.10 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. The allocation of an amount to contingency is a step to mitigate the pressures that had yet to be quantified during the budget setting process.

6.1.11 The allocation of budgets from contingency seeks to mitigate financial risks which have materialised.

7. Equalities and Diversity

7.1.1 Equality and diversity issues are a mandatory consideration in the decision-making of the council.

7.1.2 Decision makers should have due regard to the public-sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that policy and Resources Committee has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public-sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

7.1.3 A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7.1.4 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (d) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (e) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (f) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

7.1.5 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

- 7.1.6 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- a) Tackle prejudice, and
 - b) Promote understanding.
- 7.1.7 Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:
- Age
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race,
 - Religion or belief
 - Sex
 - Sexual orientation
 - Marriage and Civil partnership
- 7.1.8 If deemed appropriate, a project may be subject to future individual committee decision once the budget envelope has been set by Council. The equality impacts will be updated for these decisions.
- 7.1.9 The Equality Act 2010 and The Public Sector Equality Duty impose legal requirements on elected Members to satisfy themselves that equality impact considerations have been fully taken into account in developing the proposals which emerge from the finance and business planning process, together with any mitigating factors. To allow the Council to demonstrate that it has met the Public Sector Equalities Duty as outlined above, each year the Council undertake a planned and consistent approach to business planning. This assesses the equality impact of relevant budget proposals for the current year (affecting staff and/or service delivery) across services and identifies any mitigation to ease any negative impact on particular groups of residents. This process is refined as proposals develop and for the February 2019 Policy and Resources Committee it will include the assessment of any cumulative impact on any particular group.
- 7.1.10 The council's Annual equalities report 2019 reports on how this process was carried out in 2018/19. At this stage of the budget planning process for 2020/21 savings and savings to 2025, the council has conducted a preliminary high-level review of the equalities impact of the initial proposals and these are outlined in the savings templates, which have been approved by the relevant Theme Committees. These are attached at Appendix D to this paper and give detail of analysis to date indicating where further equality analysis may be required. Between January 2020 and February 2020 service areas 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 EqIAs for 2020/21 proposals will be kept under review and updated prior to

publication with the final budget report to Policy and Resources Committee and Full Council.

7.1.11 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.

7.1.12 This is set out in the council's Equalities Policy together with our strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.

7.1.13 Progress against the performance measures we use is published on our website at:

www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity

8. Corporate Parenting

8.1.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. The outcomes and priorities in the refreshed Corporate Plan, Barnet 2024, reflect the council's commitment to the Corporate Parenting duty to ensure the most vulnerable are protected and the needs of children are considered in everything that the council does. To this end, great attention has been paid to the needs of children in care and care leavers when approaching business planning, to ensure decisions are made through the lens of what a reasonable parent would do for their own child.

8.1.2 The Council, in setting its budget, has considered the Corporate Parenting Principles both in terms of savings and investment proposals. The Council proposals have sought to protect front-line social work and services to children in care and care leavers and in some cases, has invested in them.

9. Consultation and Engagement

9.1.1 As a matter of public law, 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.

9.1.2 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.

9.1.3 The council will launch a budget consultation on 7 January 2020 to run until the 3rd February 2020 subject to agreement from the P&R Committee on 6 January 2020.

9.1.4 The consultation will cover any proposals to increase council tax together with seeking views on the council's budget overall.

9.1.5 The final budget will then be recommended to P&R Committee on 19 February 2020 ahead of final approval at Full Council on the 3 March 2020.

9.1.6 Consultation will also 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.

9.1.7 There are no direct consultation implications from the decisions recommended within this report.

10. Insight

10.1.1 None in the context of this report.

11. Background Papers

Committee	Item & Agenda	Link
Policy & Resources 3 October 2019	Item 8 Business Planning 2020-25 and Budget Management 2019/20	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9851&Ver=4
Policy & Resources 17 June 2019	Item 8 Business Planning 2020-24 and Budget Management 2019/20	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9850&Ver=4
Full Council 5 March 2019	Item 11 Corporate Plan, Medium Term Financial Strategy 2019/24 and Budget for 2019/20	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=9456&Ver=4
Policy & Resources 20 Feb 2019	Item 8 Corporate Plan, Medium Term Financial Strategy 2019/24 and Budget for 2019/20	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9461&Ver=4
Policy & Resources 11 December 2018	Item 8 Corporate Plan 2019-24, Business Planning - Medium Term Financial Strategy 2019/24 and Draft Budget for 2019/20	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9460&Ver=4
Housing and Growth Committee, 26 November 2019	Brent Cross central team	https://barnet.moderngov.co.uk/documents/s56500/Brent%20Cross%20Central%20team%20Report.pdf