	Policy & Resources Committee **17th June 2020**
Title	**Outturn 2019/20; Budget 2020/21 and Business Planning 2021-25**
Report of	Chairman of Policy and Resources Committee
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix A – Fees & Charges
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Summary

This report provides an overview of the council's outturn for the 2019/20 financial year, an update on the current forecast impact of the Covid-19 pandemic on 2020/21 budget and the process for 2021/22 and future years budget setting.

Further, this report also seeks Committee approval for a series of budget management decisions for 2020/21 required as part of normal business in line with the organisation's Financial Regulations. These include the proposed allocation methodology of confirmed government funding for Covid-19.

Recommendations

That the Committee:

1. Notes the 2019/20 budget outturn as set out in 1.2;

2. Notes the current balances of reserves as set out in section 1.2.5;

3. Approves the allocation methodology of confirmed Covid-19 grants to services as set out in 1.3.14;

4. Approve that officers review current year expenditure plans to minimise the impact of Covid-19 including actions set out in 1.3.18 such as safely reintroducing income generating services, reducing expenditure and developing recovery plans. Officers will seek decisions or provide updates to Theme Committees as appropriate;

5. Approve that the MTFS and its assumptions be reviewed in light of Covid-19 and the potential economic/service impact (including New Homes Bonus, income generation, Council tax base growth and service pressures);

6. Approve that officers start to develop budget proposals for 2021/22 and delegate authority to the Section 151 officer to issue targets to officers to support the achievement of a balanced budget;

7. Notes the delegation given to the Section 151 officer by the Urgency Committee of the 27th April 2020 in relation to virements required as a result of Covid19 as set out in paragraph 1.4.6;

8. Approve the budget virements as detailed in Section 1.4.9;

9. Notes the budget virements as detailed in Sections 1.4.11-1.4.13;

10. Approve the changes to the existing Capital Programme in relation to additions as set out in paragraphs 1.4.19 in accordance with the virement rules;

11. Approve the use of Area Committee Funding to support revenue spend to assist services during this period of crisis as detailed in 1.4.20-1.4.22;

12. Approve a commitment to continue to support the council's charity (Live Unlimited) as set out in 1.4.23-1.4.24;

13. Approve the approach in working with central government on behalf of our residents and the sector as noted in 1.5.20; and

14. Notes the Environment fees and charges that were noted at relevant Theme Committee as detailed in Appendix A.

WHY THIS REPORT IS NEEDED

1.1 Executive Summary

1.1.1 Covid-19 will have a detrimental financial impact on many of the Council's services and this will be significant across a number of these. The scale of the financial challenge is unprecedented in complexity, scale of the crisis and the number of uncertainties in play. It is affecting all local authorities and is not bound by geographical boundaries. It is going to test physical, mental and financial resilience intensely in not only managing, responding to the crisis but also in moving onto the recovery phase.

1.1.2 In response to the COVID-19 outbreak, the government has been making a series of ongoing policy announcements, initially at Budget 2020, and then throughout March, April and May. This has meant officers have had to respond quickly to new announcements and understand the financial implications arising.

1.1.3 A complex picture of initiatives has emerged, some of which have been supported by additional funding; some that will lead to reductions in both council tax and business rates receipts; some that require administration by local authorities of grants to businesses; and then a range of measures with wider financial implications.

1.1.4 Across the local government sector, councils are finding that the funding provided to councils so far is not sufficient to meet the additional demands or provide councils with security to budget for the future.

1.1.5 Since the Council set its budget in March 2020, there are a number of significant pressures which will fundamentally impact on the council's overall financial position. In addition, a number of savings across the MTFS period have been identified as at risk of delayed delivery. Current forecasts indicate a net potential impact of Covid-19 on budgets of £26.2m. £14.2m of this relates to a Collection Fund shortfall and will impact in 2021/22. This delay is because any in year surplus or deficit adjusts the amount of money available for the following year's budget.

1.1.6 As part of support measures that TFL have agreed with the Government, TFL have been asked to suspend free travel for children under 18. Paragraph 1.5.39 outlines the conditions under which local authorities are required to provide free transport for pupils. TFL have advised that any changes would come into effect in September 2020 and officers have estimated a pressure of £3.4m as detailed in 1.5.40.

1.1.7 The council's revenue outturn for 2019/20 was better than previously expected which means that reserves started 2020/21 a little higher. Revenue reserves at 19/20 outturn were £58.920m versus a forecast of £48.2m when the 20/21 budget was set. This improved revenue reserves position puts the council in a much more resilient position than was otherwise expected.

1.1.8 However, due to financial pressures resulting from Covid-19 reserves are likely to be relied on and drawn from more significantly than forecasted in the MTFS. The council is currently working on a longer-term forecast of its reserves position and will include this in the MTFS refresh in September.

1.1.9 Given the impact of the pandemic in terms of financial costs and disruption to the council, the process for medium term budget setting has been delayed. A revised methodology incorporates the recovery work (also seen on this Committees agenda) together with the revised Corporate Plan.

1.1.10 As well as addressing strategic financial issues of the organisation, this Committee is required to consider for approval any virements, reprofiling of the capital programme or allocations from contingency. At the start of the financial year 2020/21, the council budgeted for £5.2m of contingency funding towards cost pressures and other occurrences. The council is expecting another £0.353m for the Reopening High Streets Safely Funds in response to Covid-19 which will be added to the contingency budget and is expected to be fully allocated out during the year. This brings the balance available to £5.599m. Of this, £0.250m has been distributed with a possible further £0.814m for pay inflation as detailed in para 1.4.2, £0.353m to be allocated for re-opening high streets and £0.500m for highways maintenance works. After these virements are posted a balance of £3.182m will remain as shown in 1.4.4.

1.1.11 Following many capital schemes across the region being paused due to social distancing restrictions it is likely that there will be a significant number of schemes which need to be slipped. An exercise is underway to understand this and further work will be undertaken over the summer and once more details are known about how the construction industry itself deals with ongoing requirements and restrictions. Capital additions of £10.95m are proposed in this paper for approval.

1.2 Outturn 2019/20
Revenue

1.2.1 A detailed analysis of the 2019/20 outturn will be presented to the Financial Performance and Contracts Committee in June 2020. However, Policy and Resources Committee are asked to note the high-level position. The General Fund final revenue position for 2019/20 was a net overspend of £0.051m as shown below:

Service Areas	Revised Budget	Outturn (before reserves)	Reserve Movements	Month 12 Outturn after reserve movements	Month 12 variation to revised budget	Month 11 variance	In-Month change
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Health	115,988	118,552	(285)	118,267	2,279	2,780	(502)
Children's Family Services	67,424	68,034	12	68,046	622	1,075	(453)

Environment	11,985	15,095	(1,481)	13,613	1,628	1,346	282
Growth and Corporate services	40,495	34,739	7,012	41,751	1,256	960	296
Assurance	5,688	6,273	(742)	5,531	(157)	70	(227)
Finance	59,518	43,557	10,384	53,941	(5,577)	(6,588)	1,011
Total at Month 12	**301,098**	**286,249**	**14,900**	**301,149**	**51**	**(356)**	**407**

1.2.2 This outturn position is after the contributions to and from reserves, which comprise a net contribution of £14.900m. This overall contribution is mainly the result of:

- The tranche 1 Covid 19 government funding received in late March (£9.4m (of which £8.8m was carried forward to 20/21), with a further tranche received in the new financial year);
- CIL/S106 contributions: the difference between amounts received and amounts spent carried to reserves at year end for future years; and
- Contributions to reserves funded by increased Housing Benefit Overpayment Recovery and an underspend within the Capital Financing budget.

1.2.3 Excluding Covid-19 funding, the overall use of reserves in the year was £3.4m, a reduction on previous expected levels of use by £2m.

1.2.4 Ordinarily the net variance would reduce the General Fund Balance however, in line with the financial strategy of the organisation, the variance will be deducted from the Financial Resilience Reserve and therefore maintain the General Fund Balance above £15m.

1.2.5 The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. As at 1 April 2019, the council held revenue reserves of £63.626m. The 19/20 budget had assumed a use of reserves of £8.057m to balance the budget. During the 2020/21 budget setting process, revenue reserves were expected to be £48.2m but the lower than expected use of reserves means that the Council will start the new financial year in a better financial position than was previously expected with revenue reserves at £58.92m (excluding £8.8m unspent COVID Grant).

Reserve Movements	**Balance Brought Forward £000s**	**Use of reserves agreed in budget setting £000s**	**Resulting balance £000s**	**Additional in-year use of reserves £000s**	**Increases to Reserves**	**Resulting balance £000s**
Revenue Reserves - non-earmarked	**49,950**	(8,057)	**41,893**	(4,658)	2,577	**39,813**
Revenue Reserves - earmarked	**9,298**		**9,298**	(1,201)	1,152	**9,249**

Total Revenue	**59,248**	**(8,057)**	**51,191**	**(5,858)**	**3,729**	**49,062**
Capital Reserves	**4,378**		**4,378**	(2,267)	7,747	**9,858**
Total All	**63,626**	**(8,057)**	**55,569**	**(8,125)**	**11,476**	**58,920**

Capital

1.2.6 The capital outturn for 2019/20 capital investment programme is £274.260m, of which £230.260m relates to the General Fund programme and £44.000m relates to the HRA capital programme. This is £27.897m less than the budget.

Service Area	2019/20 Budget £000	Additions/ (Deletions) £000	(Slippage)/ Accelerated Spend £000	2019/20 Outturn £000	Variance from Approved Budget £000
Adults and Health	15,294		(1,972)	13,322	(1,972)
Children's Family Services	21,003	110	(429)	20,485	(518)
Growth and Corporate services	77,490	463	(23,146)	54,807	(22,683)
Environment	22,301	180	(2,185)	20,296	(2,005)
Brent Cross	101,312		10,163	111,475	10,163
Regional Enterprise (Re)	10,427		(552)	9,875	(552)
General Fund Programme Total	**247,827**	**753**	**(18,121)**	**230,260**	**(17,567)**
HRA	54,330	(542)	(8,181)	44,000	(10,330)
Grand Total	**302,157**	**211**	**(26,302)**	**274,260**	**(27,897)**

1.3 2020/21 Budget

1.3.1 The council set a robust and sustainable budget in March 2020 which resourced the corporate plan priorities and protected front line services. Since this budget was approved, significant events have unfolded. The impact of which are described within this section of the report.

Impact of Covid19 on the organisation

<u>Overall resources</u>

1.3.2 The government issued two Covid19 related grants to support expenditure in relation to Social Care and other increases in expenditure or reduced income. Government has also made funding available to NHSE to support and fund discharges from hospitals to care homes. These amounts together with other funding amounts announced are set out below. As things stand, no other support has been announced.

1.3.3 The costs and lost income is expected to total £52.403m by the end of 2020/21. This is £26.2m in excess of Government & NHS funding provided meaning revenue reserves will be reduced by this value in year. The Council has a MTFS reserve which 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 planned use or to top up the General Fund Balance when the council experiences an unplanned overspend. The strategy of maintaining a reserve specifically for financial resilience has enabled the council to navigate the immediate impact of the extra-ordinary cost pressures resulting from the Covid pandemic.

1.3.4 Following the anticipated impact of Covid19 the forecast for reserves and balances will be below that deemed sustainable as set out in the financial strategy and therefore require replenishing.

1.3.5 The council's revenue reserves at 19/20 outturn were £58.920m versus a forecast of £48.2m when the 20/21 budget was set, which provides a little more resilience than expected. Once more certainty exists in relation to ongoing impacts of Covid19, likely Government intervention and the council's ability to deliver savings and generate income, a fully revised MTFS will be produced which will prioritise the sustainable delivery of services and restoration of reserves to safeguard the financial security of the organisation.

1.3.6 The MTFS reserve has been renamed the Financial Resilience reserve to provide clarity that its primary purpose is to act as a buffer against economic shocks, providing resilience to the council.

Central Government Funding

1.3.7 A number of measures have been outlined by government to support local government during this period. For Barnet, the impact of the General Fund measures is shown below (NB small business grants and rate reliefs are excluded as they are not general fund items):

£m	2019/20	2020/21	2021/22	TOTAL
Covid Funding - 1st Tranche	£9.418			**£9.418**
Covid Funding - 2nd Tranche		£10.830		**£10.830**
£3.2m Homelessness Funding	£0.018			**£0.018**
Extended and Additional Business Rates Reliefs		£18.365	-£18.365	**£0.000**
Adults grant for infection control (25% of £3.5m)		£0.875		**£0.875**
Assumed cost recovery from NCL CCG		£5.075		**£5.075**
TOTAL	**£9.436**	**£35.145**	**-£18.365**	**£26.216**

1.3.8 Of the £9.4m received in 2019/20, commitments of only £0.6m occurred during that year. The remainder is available to spend in 2020/21 when the majority of impacts are being felt.

1.3.9 Reimbursement of the extended and additional Business Rates reliefs (£18.365m in the table above) is paid by MHCLG to authorities via a S31 grant. S31 grants must be accounted for in the year they are received as they are received via the General Fund. The costs of the reliefs will not be borne in the Collection Fund until the following year. The £18.365m which will be received in 2020/21 is effectively a pre-payment for costs that will be incurred in 2021/22.

1.3.10 On 13th May, the government announced an additional £600 million to support providers through a new Adult Social Care Infection Control Fund. The fund is intended to support adult social care providers to reduce the rate of transmission in and between care homes and support wider workforce resilience. The allocation for the borough is £3.5m and 25% of this is included in the funding table in 1.3.7.

NCL CCG funding

1.3.11 In order to support the NHS capacity, arrangements to support speedy hospital discharges were put in place. The subsequent additional costs falling on the local authority are subject to reimbursement from NCL CCG. The costs of these packages are estimated at £6m and reimbursement is assumed at 85% of this total (i.e. not all costs are fully recovered, due to data quality/matching/NHS challenge process etc. Therefore £5.1m income from the CCG is assumed within the council's overall impact.

Track and Trace Services

1.3.12 The government have confirmed that local authorities will be required to work with the government to support track and trace services in their local communities. They have confirmed that £300m will be provided to all local authorities in England to develop and action their plans to reduce the spread of the virus in their area. Details on individual authority allocations are not yet known.

Hardship Fund

1.3.13 The Council also received £4.1m Hardship Fund which was intended mainly to provide all recipients of working age local council tax support ('LCTS') with a further reduction in their council tax bill and to support residents in hardship.

Allocation of Central Government funding to Covd-19 pressures

1.3.14 As outlined in Section 1.3.22, the grant funding provided by government will not be sufficient to cover all pressures. The majority of funding announced by government is not ring-fenced but intended to support Covid-19 related council pressures across all services. Where funding has been received for specific purposes, officers will ensure that funding is allocated in line with the guidelines set by the government. For non ring-fenced funding, it is proposed that funding be allocated as below:

- Prioritisation of funding will be based on 3 tiers
- Allocations will be made a tier at a time
- A pro-rata allocation may be made where funding is insufficient.

Priority Level	Covid Pressure Examples
1	• Mandated costs (for example the Food Hub, PPE, housing of rough sleepers, enforcement of social distancing) • Increased demand for statutory services (eg Discharge from hospitals, Childrens Social Care) • Other costs supporting lockdown restrictions (e.g. supporting working from home)
2	• Lost income resulting from Covid19 measures (eg Car Parking, Leisure Income, Registrars) • Additional costs incurred by services other than statutory areas (eg supplier reliefs, premiums charged by suppliers)
3	• Undelivered savings

1.3.15 The rationale for the prioritisation is that:

- funding should go to additional demand because of Covid-19; and
- new services government asked us to stand up.

1.3.16 Allocation will be retrospective based on spend, after the quarter has completed.

1.3.17 After every quarter if spend is less than forecast for priority 1, there will be flexibility to move funding to priority 2 (and so on). Similarly, if the spend is more than forecast, funding would be taken from lower priorities to fund higher properties.

1.3.18 There is recognition that forecast costs exceed funding and therefore services are reviewing:

- income generating activities that have been suspended and how and when can these be (safely) reinstated;
- new services that can be stepped down quicker than forecasted;
- Maximisation of infection control funding; and
- Review savings resulting from Covid-19, e.g. running costs of estates to balance off against additional costs.

Cost estimates and lost income

1.3.19 The key areas of cost pressures arising from Covid 19 response phase as well as those estimated for the remainder of the year are being presented to Financial Performance and Contracts Committee in June 2020.

1.3.20 For the purposes of monitoring, pressures have been grouped as:

- Funding losses (Council Tax and Business Rates)
- Additional costs
- Income losses

1.3.21 MTFS savings pressures have been assessed in all areas and these impacts are included where the impact has been quantified and remain under review.

1.3.22 The table below summarise current forecast pressures:

	COVID-19 Impacts	Apr-June £000s	Jul-Sep £000s	Oct-Mar £000s	FYE total £000s
Service Pressures	Adult Social Care	£5,662	£3,771	£4,718	**£14,151**
	Children's Social Care	£1,413	£1,063	£708	**£3,184**
	Education	£823	£0	£0	**£823**
	Housing	£608	£496	£647	**£1,750**
	Cultural and Related	£850	£0	£0	**£850**
	Environment and regulatory	£656	£443	£540	**£1,639**
	Finance and corporate	£598	£285	£0	**£883**
	Other	£545	£0	£0	**£545**
Income Losses	Income losses - services	£9,000	£4,574	£2,055	**£15,629**
	Income losses - Collection Fund	£3,588	£3,585	£5,777	**£12,950**
	TOTAL	**£23,743**	**£14,217**	**£14,444**	**£52,403**

1.3.23 For context, the MTFS presented to March Council showed a net balanced position for 2020/21. This was after £16.3m of pressures and growth were funded and savings of £17.311m had been identified to address the gap as shown below:

2020/21 Resources vs. Expenditure	£m
Resources	309.235
Expenditure (incl £16.3m pressures)	326.546
Net Surplus/(Deficit): before savings	**(17.311)**
Savings identified	17.311
Net Surplus/(Deficit) funded by reserves	**0.000**

Savings Delivery

1.3.24 Since the budget was set in March 2020, the pandemic has meant that a number of savings across the MTFS period have been identified as at risk of non-delivery. The impact of these is included in Section 1.3.22 and further detail is shown below:

- Leisure Services: a pressure of £1m is expected due to the 2020/21 MTFS saving relating to GLL achieving surplus income which is unlikely to materialise.

- Environment: the MTFS saving relating to increased parking income of £2.6m is currently deemed to be only partly achievable in this financial year.

- Highways income saving consisting £0.050m smart cities, £0.600m street lighting LED and £0.100m advertising could be subject to slippage which will result in not realising full benefit in 2020-21. £0.15m has been assumed in the impact modelling.

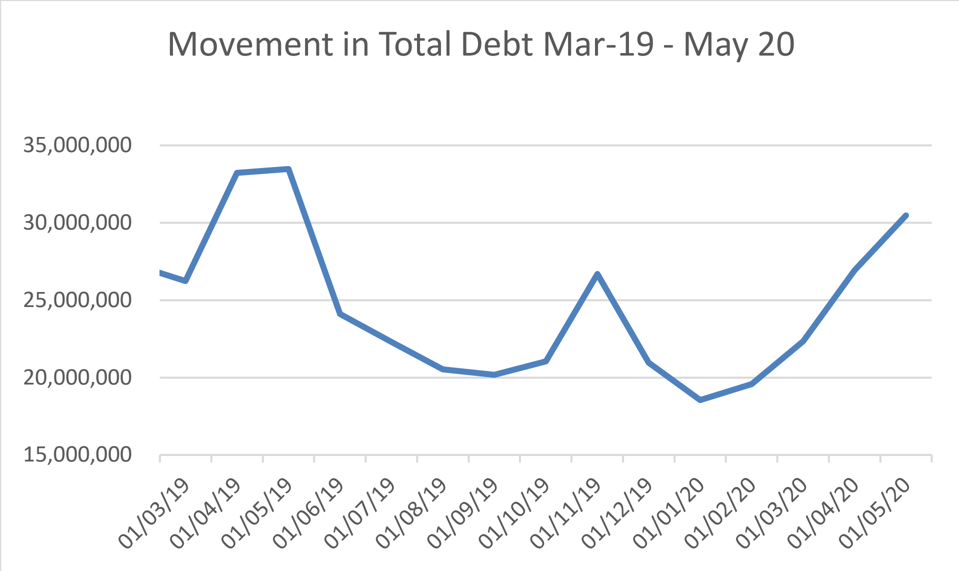
1.3.25 Officers are continuing to work on the impact that Covid-19 may have on MTFS savings and ways to mitigate these impacts.

1.3.26 Any savings which are not expected to be delivered following work by officers, will be presented to Theme Committees in November 2020 as part of the council's usual budget setting process. Equally, if after further due diligence, the saving is deemed to be deliverable it will be re-presented as such.

Debt collection

1.3.27 Many residents and businesses have seen their financial position significantly impacted as a result of the public health measures taken by the Government. At the onset of the Covid19 impact and subsequent lock down situation the council made the decision to pause enforcement action. This combined with reduced funds of debtors means that the council's ability to recover money owed could be impaired. Between February 2020 and March 2020 overall debtors increased by £3.599m.

1.3.28 The graph below shows the movement in total debt from March 2019 to May 2020. It shows that, prior to the lockdown, bad debt was reducing due to work that officers were doing to recover outstanding debt. The onset of the pandemic in March 2020 has shown an increase in bad debt levels:



1.3.29 It is difficult to quantify the longer terms impact and likely recovery of outstanding debt as all debt enforcement activity has been suspended a result of the Covid-19 pandemic.

1.3.30 At 2019/20 year end, bad debt provision (for debtors excluding Council tax, business rates and housing benefit overpayments) was £23.2m. The provision was increased by 15% (£3.024m) due to COVID-19 and should provide a buffer for the impact of unrecoverable debt in 2020/21.

Capital delivery

1.3.31 In addition to the revenue impact, the council must review all its planned capital outlay to assure itself that it is both necessary and affordable with the required revised financial strategy.

1.3.32 Officers have undertaken an initial view across the Capital Programme. The feedback received so far suggests that 8 Live Projects within the allocated programme will have been impacted.

1.3.33 Work to assess the impact of the pandemic on the capital programme is on-going and the next steps are outlined below:

- Further Deep Dive into all projects within the programme to be assured on the view of the projects identified as having had no impact;
- Review of projects that have identified issues as a result of Covid19 so that an understanding can be reached of the true impact;
- Projects that have been in the initiation stages and therefore not part of the programme will need to reassess the landscape and assumptions around scheme viability; and

- ➢ View to be taken on relevance of current and pending Capital Portfolio.

1.3.34 A review of all capital projects which are in flight is taking place and a significantly reprogrammed capital strategy will be presented to Policy and Resources to approve the revised profile.

The council's financial position

1.3.35 All Councils are experiencing significant, unplanned financial pressure and some organisations within the sector face a significant risk of failure, even with the current level of funding provided by the Government.

1.3.36 The Council maintains balances and reserves in order to deal with unexpected fiscal events however it is important to note that the Covid-19 response is unprecedented in scale. Additionally, the sector has just emerged from a financially challenging period of austerity and it is extremely difficult for organisations to free up significant resources without risking their long term sustainability.

1.3.37 Under s114 of the Local Government Finance Act 1988, the S151 officer has an obligation to ensure that revenues and expenditure for the General Fund are retained in balance, and, should there be a risk that total expenditure in the year (or a future period) cannot be fully funded from within approved budgets, government grants, and available reserves, they are under a legal obligation to declare this to Councillors.

1.3.38 This duty to declare exists when all other avenues to balance the budget have been exhausted. At present, it is the professional judgement of the S151 officer that the anticipated costs of the disruption remain within the available resources of the council, however without additional levels of funding, the council will move into significant risk of being unable to remain in balance should the period of disruption sustain.

1.3.39 This period of unprecedented uncertainty is difficult to forecast but the previous financial strategy adopted has meant that we have had sufficient resilience so far. There is concern about a second peak, recovery and the wider impact on the economy. Equally, while the current anticipated costs for a limited period of lockdown are within available resources, there will need to follow a significant effort to restore the council's reserves to a sustainable level.

1.3.40 Officers will continue to ensure the costs of Covid-19 are forecast on a robust basis; continue to engage with MHCLG proactively; and keep Councillors abreast of the emerging financial picture.

1.3.41 We will need to focus on the need to manage finances tightly and have a sustainable financial strategy to keep delivering services in the short-term. This includes looking at:

- services that have not been impacted by the disruption and which could weather future similar disruption;

- Services and income that have been impacted but where we expect the income to return (e.g. deferred business rates, income from registrars (weddings), planning applications); and

- Where income has stopped and will not be recovered, e.g. income from parking and leisure services.

1.3.42 In order to regain the momentum in being a high performing organisation financial stability must be achieved quickly. This includes minimising the call on reserves and setting a balanced budget in 2021/22 onwards. This budget must deliver the required strategy in relation to reserves required to withstand future economic shocks. In the initial response to the pandemic, many local authorities discussed the need to move to essential only services and in some cases, remaining in a slimmed down version will be a financial necessity.

1.4 Budget Management 2020/21

1.4.1 There are a number of day to day decisions which require approval by this Committee in order to ensure the financial administration of the council remains robust. These are laid out within this section of the report.

<u>Pay Inflation</u>

1.4.2 The budget that was set as part of the MTFS included an assumption for pay inflation of 2% resulting in £2.490m being allocated to services 20/21 budgets. After discussion with Trade Unions, Council employees have been offered an improved pay increase of 2.75% from 1 April 2020, plus an additional one day's leave which would increase the minimum entitlement from 21 to 22 days per year (Barnet's minimum annual leave is already above this therefore there would be no impact on LBB staff). The offer is subject to agreement by the Trade Unions but, if agreed, would represent an additional cost of £0.814m to the council which would be allocated to services from the contingency budget. Approval is sought for the allocation of this amount from the contingency budget should the pay offer be accepted by Unions.

<u>Allocations from Contingency</u>

1.4.3 The contingency budget is a useful tool in the 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.

1.4.4 At the start of the financial year 2020/21, the council budgeted for £5.2m of contingency funding towards cost pressures and other occurrences. The council is expecting another £0.353m for the Reopening High Streets Safely Funds in response to Covid-19 which will be added to the contingency budget and is expected to be fully allocated out during the year. This brings the balance available to £5.599m. Of this, £0.250m has been distributed with a possible further £0.814m for pay inflation as detailed in para 1.4.2; £0.353m to be allocated for re-opening high streets; £0.500m for highways maintenance works; and up to £0.500m for the Year 6/7 contract review. After these virements are posted a balance of £3.182m will remain as shown below:

Contingency budget 2020-21	Total
Contingency Budget B/f	921,238
MTFS	4,325,325
Reopening High Streets Safely Fund	352,546
Contingency Available	5,599,109
Posted in 2020-21	
Crisis Fund	-250,000
Total Posted	**-250,000**
Total remaining	**5,349,109**
Pay inflation budget increase to 2.75%	-814,117
Reopening High Streets Safely Fund	-352,546
Highways decapitalisation costs	-500,000
Year 6/7 contract review	-500,000
Commitments (not posted on Integra)	-2,166,663
Total to be allocated	-2,166,663
Total remaining	**3,182,445**

1.4.5 It is the Section 151 Officer's intention to allocate the remaining 2020/21 balance towards service pressures once the full implications of the Covid19 pandemic are known (subject to future Policy and Resources Committee approval).

1.4.6 In line with the delegation given at Urgency Committee on the 27th April 2020, any virements required directly in response to the Coronavirus pandemic or other related matters will be approved by the Section 151 officer and subsequently reported to Policy and Resources Committee. This includes allocations from contingency.

Virements

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

1.4.8 The table 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.

1.4.9 The following virements presently require approval:

Service	Description	TOTAL
Growth & Corporate Services	CTax Court Costs Awarded	1,688,963
Finance	CTax Court Costs Awarded	(1,688,963)
Growth & Corporate Services	MHCLG Business Rates collection costs grant	422,830
Finance	MHCLG Business Rates collection costs grant	(422,830)
Public Health	Gross up of additional Public Health Grant	299,509
Corporate Accounting	Gross up of additional Public Health Grant	(299,509)

1.4.10 The virement will move the income budgets relating to Council Tax court costs awarded and the business rates collection grant from Growth & Corporate Services to Finance. This will result in the budget being moved to align to those responsible for commissioning the work and the recipients of the income.

1.4.11 P&R are also asked to approve the following virement from contingency in support of Highways maintenance works (linked to capital addition):

Service	**Description**	**TOTAL**
Environment (Highways)	Highways maintenance	£500,000
Central Expenses (Contingency)	Highways maintenance	(£500,000)

1.4.12 P&R are also asked to note the following virements from contingency in support of our Covid19 response:

Service	**Description**	**TOTAL**
Finance	Crisis Fund	£250,000
Central Expenses (Contingency)	Crisis Fund	(£250,000)

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

Service	Description	TOTAL
Environment	Transfer 20/21 MTFS Saving from Fixed Penalty Notice littering contract in line with transfer of Community Safety from Environment to Assurance	£76,000
Assurance	Transfer 20/21 MTFS Saving from Fixed Penalty Notice littering contract in line with transfer of Community Safety from Environment to Assurance	(£76,000)

<u>Fees & Charges</u>

1.4.14 Theme Committees have considered the level of Fees & Charges within their portfolios and these have previously been noted by P&R Committee. Appendix A shows further Fees & Charges approved by Environment Committee for 2020/21 for noting by P&R Committee.

<u>Changes to the Capital Programme</u>

Additions

1.4.15 The following items are requested to be added to the Capital Programme:

- £7.0m Housing acquisitions Open Door
- £1.7m Transfer of properties to ODH
- £2.250m relating to Capitalisation of Highways Works

1.4.16 P&R in February 2019 saw the approval of a £163m loan to Open Door Homes (subsidiary of the Barnet Group) to purchase 500 affordable homes from the open market, and P&R in February 2020 saw the approval of a £43.3m loan for Open Door homes to purchase 156 affordable homes from the council's general fund. These figures were based on advised property values at the time of seeking P&R approval, however, the additional working-capital element was not requested.

1.4.17 P&R are asked to approve two additional working capital allocations for £7m and £1.7m respectively for the 500 and 156 property acquisitions along with the reprofiling of their delivery, whereby this working capital is required in the earlier years of operation when these properties are expected to be loss-making. The business cases and financial models have been re-considered in arriving at these figures and are confirmed to be still viable. This addition will be funded by borrowing and will attract the loan mark up in line with the loan agreement.

1.4.18 Highways capital works: The council sometimes undertakes significant repairs to highways which by their nature extend the useful life of the asset. As such the works are eligible to be treated as capital investment. The value of these works is £2.1m each year. As the number of large scale projects decreases the budgetary provision will need to revert to revenue from capital. This was factored into the approved revenue MTFS and this addition provides for the capital element of the phased transition. This addition will be funded by borrowing and is linked to the contingency allocation within this report

Total additions

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

Addition	2020-21	2021-22	2022-23	2023-24	Total
	£000	**£000**	**£000**	**£000**	**£000**
Housing acquisitions Open Door	-8,300	0	0	15,300	**7,000**
Transfer of properties to ODH	1,700	0	0	0	**1,700**
Highways Additions	550	1100	600	0	**2,250**
Total	**-6,050**	**1,100**	**600**	**15,300**	**10,950**

Area Committee funding

1.4.20 A local decision was approved by P&R in July 2015 to limit spend by Area Committees to capital works.

1.4.21 Urgency Committee on 27 April 2020 delegated authority to the Chief Executive in consultation with the Chairman of the Policy & Resources Committee any decisions within the remit of that committee that need to be taken in response to the Coronavirus pandemic or other related matters, or in response to directions given by HM Government, London Strategic Coordination Group and London Local Authority Gold. In the event of the Chairman's absence, the Committee Vice-Chairman shall be consulted. Any and all such decisions shall be reported back to Committee for post-decision scrutiny.

1.4.22 Under this recommendation, P&R are asked to approve the decision to allow the use of Area Committee Funding to support revenue spend to assist services during this period of crisis.

Live Unlimited

1.4.23 Officers are recommending to P&R Committee that the council continues to support Live Unlimited despite the pressures the council is currently facing. Live Unlimited provides support to Barnet's looked after children and young care leavers by providing access to hobbies, training, learning opportunities, sport and leisure activities.

1.4.24 Funding and support consists of the cost of 1 part time post with an initial £5k start-up grant at the time of the charity's launch in February 2018, with IT and office space provided. In its inaugural year the charity was supported as one of the Mayor's chosen charities by former Mayor Councillor Reuben Thompstone. Current funding is borne by the Strategy and Communications budget and confirmed on an annual basis.

1.4.25 Live Unlimited is asking the council for agreement to continue to support Live Unlimited on the current basis (i.e. the same arrangements as now) for a 4 year period, starting with 2020/21 with each year's commitment confirmed through the budget process.

1.4.26 This is to:

- provide a robust base for business planning (including (crucially) a long term income generation plan)
- Support funding and building the charity's profile.

1.4.27 Experience to date has shown that some donors, particularly National Lottery and Children in Need, require proof of long term financial sustainability before they will provide funding. While Live Unlimited has been successful in securing some funding to date (particularly for its Give a dongle campaign during the COVID crisis) it is our view that by being able to provide evidence that the council is committed to support the charity for the next 3-5 years, we will be in a much stronger position to bid for alternative funds.

1.4.28 We regularly evaluate our schemes to make sure our mission of meeting the individual needs and aspirations of children in care and care leavers is being fulfilled while also meeting the criteria of large trusts and foundations. This funding will enable us to continue to provide good outcomes for this very vulnerable group while at the same time working with a variety of funders to ensure their funding criteria is being met.

1.5 2021-25 Budget Setting

Economic Context

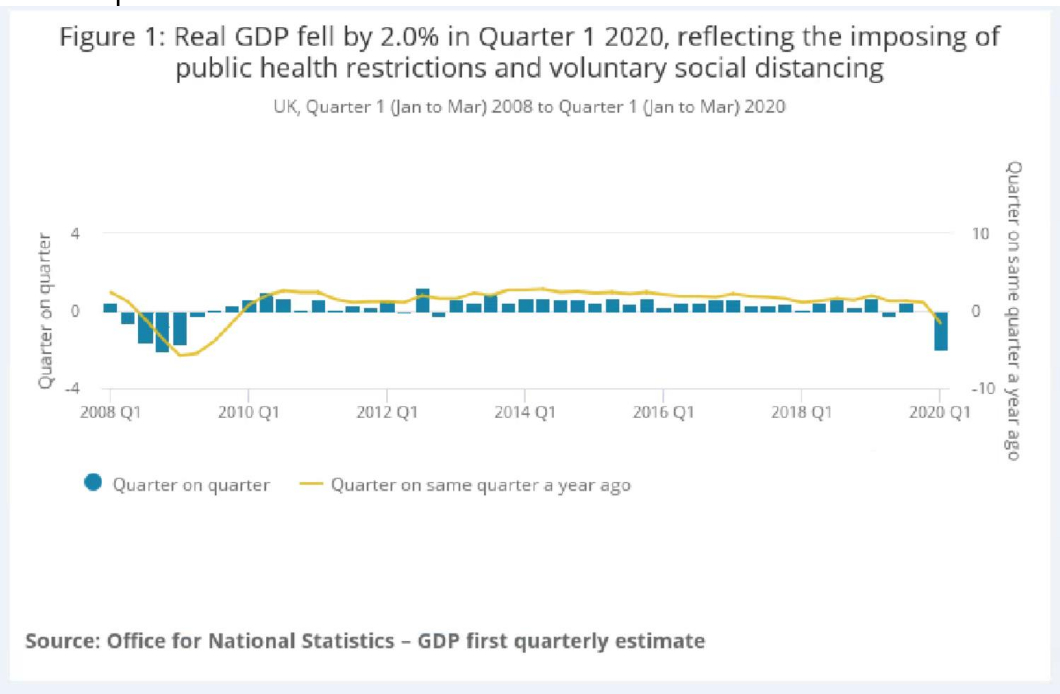
1.5.1 The world economy has fundamentally changed since the council set its budget and MTFS in March 2020. This section of the report sets out the context, potential impact and amendments required to inform the financial strategy of the organisation.

1.5.2 The coronavirus pandemic is expected to have a significant long-term impact on the UK public sector finances. These effects arise from both the introduction of public health measures and from government support to businesses and individuals across the country.

1.5.3 According to the Office for National; Statistics (ONS), UK gross domestic product (GDP) fell by 2.0% in Quarter 1 (January to March) 2020, the largest quarterly fall since the final three months of 2008 (during the financial crisis).

1.5.4 This is the first quarterly ONS GDP release that captures some of the direct effects of the coronavirus pandemic and the subsequent lockdown (which came into effect on 23 March 2020). There were especially sharp falls in sectors directly affected by major restrictions in March such as accommodation (negative 14.6%) and travel agents (negative 23.6%). Subsequent Government intervention was put in place to support these businesses.

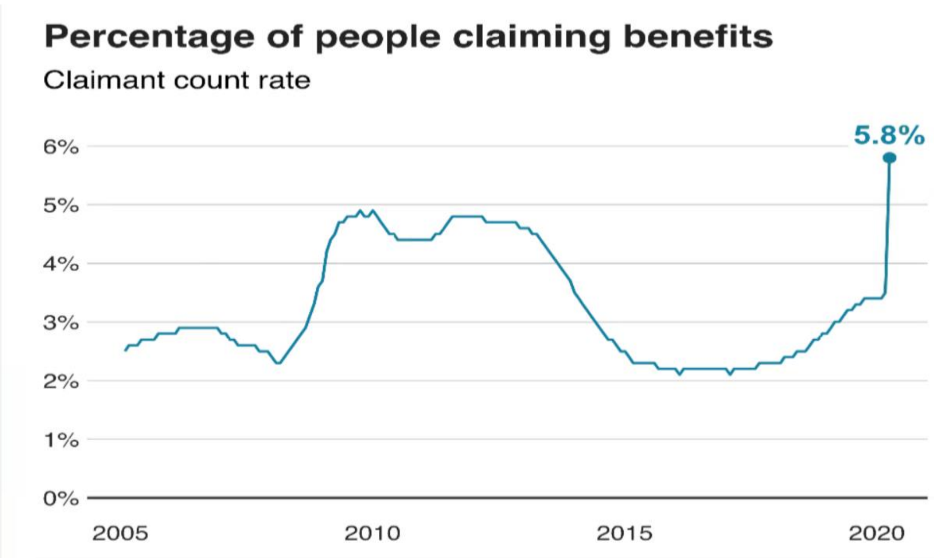
1.5.5 The chart below shows the quarter on quarter fall in GDP and the sharp impact that the pandemic has had.



1.5.6 The number of people claiming unemployment benefit in the UK rose to 2.1 million in April (the first full month of the coronavirus lockdown). This represents an increase of 856,500 people (ONS).

1.5.7 Before the lockdown began, employment had hit a record high and for January to March 2020 the estimated UK unemployment rate for all people was 3.9%.

1.5.8 The graph below shows the spike in the number of people claiming benefits in the first quarter of 2020:



1.5.9 A study commissioned with our WLA partners from the Oxford Economics Study has indicated that unemployment in Barnet is likely to go above 10% in Barnet as a result of Covid19 (compared to 4.5% at Dec 19). This will have an impact on demand pressures and income but is difficult to quantify at present.

1.5.10 As a result of the jump in borrowing, total public sector debt rose to £1,888bn at the end of April - £118.4bn higher than April 2019.

1.5.11 It means the deficit - the difference between spending and tax income - was larger last month than forecast for the whole year at the time of the Budget. The long-term impact of this could include increasing tax receipts, stimulating the economic growth or reducing expenditure.

Funding Reform

1.5.12 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;
- 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, known as the 'Fair Funding Review'; and
- addressing total levels of expenditure across all Government areas.

1.5.13 The Fair Funding review was intended to set a new baseline funding allocation for local authorities based on up-to-date needs and resources but was initially delayed in September 2019 with a consultation then set to take place this summer.

1.5.14 The government has confirmed a further delay to the Fair Funding Review for councils, due to the disruption caused by coronavirus. MHCLG have delayed the review to allow councils to focus on meeting the immediate public health challenge posed by the pandemic.

1.5.15 The government has stated that it will continue to work with councils on the best approach to the next financial year, including how to treat accumulated business rates growth and the approach to the 2021/22 local government finance settlement.

1.5.16 MHCLG has also delayed the implementation of the 75% business rates retention scheme for 2021/22. If the delay in the implementation of the 75% business rates retention scheme hadn't occurred, the potential impact of the business rates reset would have been in the order of £2m for Barnet had it been implemented for 2020/21. This is ignoring any changes resulting from changing needs assessment.

1.5.17 The balance between incentive and needs-based funding is delicate. In Barnet, the council has lost Business Rates income to the benefit of a higher overall yield within Council Tax and New Homes Bonus. Any changes to this system has the potential to be a risk or an opportunity therefore accurate and timely modelling is essential.

Business Rates Revaluations

1.5.18 The proposed revaluation of business rates expected to take place in 2021 will no longer take place. Legislation had been introduced to bring the next revaluation forward by one year from 2022 to 2021.

1.5.19 The government has said that it remains committed to frequent revaluations to ensure that business rates receive bills that more accurately reflect up-to-date property rental values but, following the recent economic impacts of the coronavirus pandemic, the revaluation has been put on hold to ensure businesses have more certainty during this difficult time.

Assistance requested from Government:

1.5.20 Whilst the funding reforms discussed above have not yet been delivered, there are a number of strategic issues which the council intends on putting forward to central government on behalf of our residents and the sector more widely. The key points are as follows:

- Full funding of all Covid19 related costs. Government funding already received roughly covers the additional costs expected to be incurred by the Council as a result of Covid-19. The ask of government for 2020/21 is for additional funding to flow through to Councils to support lost income – in Barnet's instance, a further £21m – roughly equivalent to the same amount of funding already allocated. If this funding was not received, it would deplete the Council's "risk reserves", leaving limited reserves available to manage any risks that emerge in the short term;

- There is an even greater concern for the setting of budgets for 2021/22 across Councils, many of whom will use any available contingencies and reserves to offset the current year impact of Covid-19. In early March when the budget and MTFS was set, there was a £12m budget gap for 2021/22, with the likely additional loss of income (parking, new homes bonus, leisure) this gap is likely now to be nearly £20m. The ask of government for 2021/22 is:
    - an increase in core funding for Councils across the country, with the distribution focused on population and on adult social care costs;
    - greater flexibilities that the government could consider, for example flexibility in use of Right to Buy receipts, local use of Strategic Infrastructure Fund, more local flexibility on Social Care precept increases over future years;
    - Other areas for consideration include local autonomy over all council tax discounts, contributions to TFL for concessionary fares, pan-borough municipal bond and time-limited freedom to borrow for revenue funding.

- It is vitally important that Councils know what the overall funding envelope for 2021/22 is very soon, so the ask is for funding certainty for future years to be provided soon after the summer; and
- Finally, the Covid response has forced Health and Social Care to work in an integrated fashion more than any previous incentive or crisis. Much of this improved joint working and funding flow must remain in the future to support the seamless system upon which many residents rely.

Underpinning Financial Strategy

1.5.21 The level of reserves previously retained for financial resilience ensured that the council was not put into immediate acute financial distress following this unprecedented financial shock and the statements can equally be applied to funding the required rebuilding of services as previously applied to transforming services. The existing Financial Strategy statements are as follows:

- 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 we have 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 our Corporate Plan objectives and that we 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.

Setting the 2021-2025 Budget

1.5.22 The MTFS presented to Council in March 2020 displayed a balanced position for 2020/21, with a £36.830m gap anticipated for 2021-2025. At that point the expectation was that colleagues from across the council would review options to deliver savings or generate income to meet the remainder of this gap through working collaboratively across services to deliver the council's Corporate Priorities. Recommendations to bridge this gap were expected to be presented to future Policy & Resources Committee meetings to recommend to Full Council.

1.5.23 This has since been overtaken by events beyond the council's control and the MTFS has fundamentally changed following the Covid-19 pandemic. Some likely impacts can be estimated at this point, but others depend on variables which are still unknown.

1.5.24 We will need to build a MTFS which will include finding ways to adapt to the post Covid-19 ways of working including taking opportunities to embrace the level of change that has happened during the period of disruption. This can be delivered by reviewing our investment in borough infrastructure, through factoring in our learning into future versions of our growth strategy and by harnessing the skills and innovation of our workforce and community.

1.5.25 The revised process for budget setting will be aligned to the council's Covid-19 Recovery Plan. This recovery planning process includes 5 phases. The remodelling of the MTFS will be aligned to the boroughs recovery plan and ensure that the Long-Term Change phase delivers a balanced budget that allows for the investment needed to allow the borough to once again thrive.

1.5.26 The process for balancing the MTFS will be shaped around the councils four key priorities:

- Thriving
  Within this priority, investment will focus on how we deliver housing & development, town centres, employment & skills, infrastructure and support climate change initiatives.
  Long-term considerations: Building upon and continuing to reframe relationships with the community, businesses and the voluntary and community sector; understanding long-term impacts on development, land use and economy.

- Family Friendly
  Within this priority, investment will focus on education, corporate parenting, help & protection services and parks.
  Long-term considerations: Continuing to transform operating models to meet community needs; identifying opportunities to reduce exclusion, improve educational outcomes and promote skills development through wider use of technology.

- Healthy

This priority focuses on promoting independence, boosting physical activity, tackling domestic abuse, poverty & homelessness reduction and integrated health & social care.
Long-term considerations: O-going support for homeless and other vulnerable members of community; determining future of essential supplies hub; poverty reduction.

- Clean, Safe and Well Run
  Within this priority the focus is StreetScene, customer services, enforcement, safer neighbourhoods and the protecting and generation of income.
  Long-term considerations: Delivering long-term financial sustainability while recognising that council revenues may not return to pre-Covid-19 levels.

1.5.27 All of these workstreams will be delivered in line with the principles of the council's The Way We Work Phase II programme. Specifically, this involves maintaining a dynamic, skilled and flexible workforce through greater/different use of technology and other means; building on improved relationships with the VCS; greater use of insight and an increased emphasis on prevention.

1.5.28 The recovery planning process will be co-ordinated on a central basis by a core programme team. Each workstream is being led by a member of the core programme team or a member of the wider recovery group, drawn from relevant service areas. The split into workstreams will allow for the wide-ranging nature of the recovery process, while the core team will help to ensure alignment, integration and consistency of approaches.

<u>New MTFS risks identified</u>

1.5.29 The existing MTFS contained a number of risks, some of which are impacting on the council's position, some which remain risks and others whose potential impact is now deemed lower than when the budget was drafted. In addition to these there are a number of new risks that have emerged as a result of Covid-19. These are detailed below and work will be undertaken to mitigate these risks in the revised MTFS.

New Homes Bonus

1.5.30 At present it is unclear if and for how long the New Homes Bonus will continue in future years. The MTFS presented to March 2020 Council assumes that it will either continue or be replaced in value by an alternative mechanism.

1.5.31 The impact of the pandemic on the construction sector is currently unknown and the assumptions applied in the modelling present a worst case scenario for planning. The time period for the construction sector to 'catch-up' on delays is uncertain and therefore 3 and 5 years have been used for the purposes of modelling. Critical to modelling the impact of a recession will be realistic assumptions about the extent that construction sector new home completions are delayed.

1.5.32 Modelling suggests that potentially the recession could substantially impact forecast growth-related income over the MTFS period. The modelling suggests a reduction in New Homes Bonus as shown below based on a 3 and 5 year recessionary impact:

New Homes Bonus Income	2020-21	2021-22	2022-23	2023-24
Baseline growth model	£9,993,423	£11,236,573	£11,102,224	£13,687,597
3-year recessionary impact	£9,993,423	£8,435,386	£7,005,319	£10,265,867
5-year recessionary impact	£9,993,423	£8,435,386	£6,333,236	£7,985,019

1.5.33 The Planning Service will undertake the annual survey of completions and commencements in summer 2020, and therefore by early Autumn 2020 the baseline data about site commencements and completions can be updated with the new information.

Community Infrastructure Levy

1.5.34 Subdued development within the borough owing to economic factors will result in less CIL and s106 receipts for the council. This investment is critical in funding our capital programme, ensuring the infrastructure and assets that residents value are in place. Less receipts may lead to an increase in borrowing costs or viability issues for future projects.

LIP Funding

1.5.35 The TFL allocation of LIP Funding has not yet been confirmed; the initial local implementation funding (LIP) that was previously announced has been stopped as a result of COVID. It is not yet clear what the revised allocation will be, but it will be used to input social distancing measures and to fund some previous committed works.

1.5.36 Capital LIP works are still ongoing however this service is running at a risk as these works may not be fully funded. TFL claims need to be made on invoices in line with TFL financial guidance but, given the current conditions, these invoices may not be available until the end of the year or may not be received due to companies potentially not reopening.

1.5.37 The LIP core fee is still expected to be paid to RE in order to keep cash flow to suppliers in line with the Department for Transport guidelines which may not be reclaimable from TFL. Discussions are ongoing between RE, LBB and TFL to determine the level of LIP funding that will be allocated, and what this will be for. As a result of COVID there is a significant risk TFL funding won't be available to cover these fees which would result in a pressure against managed budgets totalling £1.111m.

PWLB Borrowing

1.5.38 The Government has launched a consultation regarding the PWLB and its future lending terms. This is primarily related to Local Authorities borrowing to purchase investment property to obtain rental income, rather than for local regeneration. The Government proposes to “develop a targeted intervention to stop this activity while protecting the crucial work that local government does on service delivery, housing, and regeneration”. The Government also intends to lower the PWLB borrowing rate (subject to market conditions) once a new system is introduced that addresses what it terms as the “debt-for-yield" issue. There is a risk that the council’s financial strategy could be impacted by the proposed changes although it should be noted that it is likely the current capital programme would compliant with the changes currently being consulted upon.

School Transport

1.5.39 As part of support measures that TFL have agreed with the Government, TFL have been asked to suspend free travel for children under 18. Under the Education Act 1996, local authorities are required to provide free transport for all pupils of compulsory school age if their nearest suitable school is:

- beyond 2 miles for under-8s
- beyond 3 miles for those aged between 8 and 16

1.5.40 TFL have expressed a view that any changes would come into effect at the start of the new academic year (September 2020). Officers have estimated an additional pressure of £3.4m as shown below:

- £1.7m: children with an Education and Health Care Plan (EHCP): families with a child with an EHCP could apply for/claim travel assistance on the basis that walking or taking public transport would be unsafe for their child/children. In addition, families on low incomes with a child on an EHCP could apply for support and might meet the criteria for travel assistance; and

- £1.7m: children who don’t have an EHCP. The estimated costs is based on the assumption that every child travelling over the statutory distance would have an automatic entitlement to travel support. In general, the council does not offer school places beyond the 2 / 3 mile statutory distance unless the parent has requested the school as a preference (in the majority of cases where children travel further out to access school, their parents have selected the school as their top choice). Even though the school was a choice of the parent, if free travel is withdrawn, we would have to assume responsibility for travel costs for these children as the parents would not have known this when they expressed their school choices. The estimate is based on Secondary Transfer and new Reception data for 2020/21.

REASONS FOR RECOMMENDATIONS

1.5.41 The council's MTFS sets out the estimated overall financial position of the council over a period of time. This report recommends the noting of actions officers are taking to address the issues resulting from the Covid-19 pandemic and the revised process for budget setting which will be aligned to the council's Covid Recovery Plan.

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

1.5.43 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.

ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

1.5.44 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.

1.5.45 The alternative option to reducing the capital programme would be to make revenue reductions in order to fund the cost of borrowing.

POST DECISION IMPLEMENTATION

1.5.46 Following approval of these recommendations, the budget changes will be processed in the financial accounting system.

IMPLICATIONS OF DECISION

Corporate Priorities and Performance

1.5.47 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 limited resources on, and our **approach** for how we will deliver this.

1.5.48 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; and
- safe and strong communities where people get along well

1.5.49 The approach for delivering on this is underpinned by four strands; ensuring residents get a fair deal, maximising on opportunities, sharing responsibilities with the community and partners, and working effectively and efficiently.

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

1.5.50 The report considers strategic financial matters and presents the current financial position of the council of the Covid-19 pandemic. It also presents the revised process for budget setting which will be aligned to the council's Covid Recovery Plan.

1.5.51 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.

Social Value

1.5.52 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.

Legal and Constitutional References

1.5.53 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.

1.5.54 Under Section 114 of the Local Government Finance Act 1988, the chief finance officer (S151 Officer) of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

1.5.55 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.

1.5.56 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.

1.5.57 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".

Risk Management

1.5.58 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.

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

Equalities and Diversity

1.5.60 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:

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

- 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.

1.5.62 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:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- 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;
  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.

1.5.63 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.

1.5.64 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:

- Tackle prejudice, and
- Promote understanding.

1.5.65 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

1.5.66 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.

1.5.67 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

Corporate Parenting

1.5.68 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.

1.5.69 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.

Consultation and Engagement

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

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

1.5.71 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.

1.5.72 Consultation will take place on individual proposals linked to projects as they are developed, and the outcome of the consultation will need to feed into Committees as decision are taken.

1.5.73 The council will perform budget consultation during December 2019 through to January 2020. This consultation will cover any proposals to increase council tax together with seeking views on the council's budget overall.

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

Insight

1.5.75 None in the context of this report.

Background Papers

Committee	Item & Agenda	Link
Full Council 3 March 2020	Item 12.2 Business Planning – Medium Term, Financial Strategy 2020-25, Budget Management 2019/20 and Budget for 2020/21	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=9956&Ver=4
Policy & Resources 19 February 2020	Item 7 Business Planning – Medium Term, Financial Strategy 2020-25, Budget Management 2019/20 and Budget for 2020/21	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9853&Ver=4
Policy & Resources 6 January 2020	Item 7 Business Planning 2020-25 and Budget Management 2019/20	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10084&Ver=4
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