

Policy and Resources Committee

24 September 2020

Title	Business Planning 2021 to 2025 and Budget Management 2020/21
Report of	Chairman of Policy and Resources Committee
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix A – Medium Term Financial Strategy (MTFS) Appendix B – Capital Programme Appendix C – Corporate Risk Register
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Summary

The council has refreshed its MTFS as part of the annual budget setting process taking into account assumptions relating to Covid-19. As part of this process the council has also reviewed its in-year and ongoing financial pressures to calculate the likely gap that will need to be addressed across the financial years 2021 to 2025. The report discusses the process which will take place for 2021/22 and future years in order to achieve a balanced budget.

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.

Officers Recommendations

That the Committee:

1. Note the financial strategy of the organisation agreed by Full Council, as set out in paragraph 1.3.1;
2. Note the level of uncertainty in Local Government funding, service demand and income as set out in section 1.1;
3. Note the current MTFs attached as Appendix A and key components summarised in paragraph 1.3.7. The MTFs sets out the likely budget changes over the period 2021/22 to 2024/25, including assumptions around inflation, changes to levies, pressures, savings and grant funding. It is the model around which the Council's financial strategy is based;
4. Approve the proposed allocation of savings targets to Theme Committees for 2021/22 as set out in paragraph 1.3.32 and require officers to finalise proposals to meet these targets;
5. Delegate to Theme Committees the identification and consideration of additional savings required for 2020/21 paragraph 1.3.30 and in paragraph 1.3.36 for 2021/22;
6. Approve and note as required the virements and commitments from the Contingency budget in paragraph 1.4.4 to 1.4.12
7. Approve and note as required the virements between services set out in paragraphs 1.4.11 to 1.4.13;
8. Approve the proposed debt write-offs in paragraph 1.4.14 related to Housing Benefit Overpayments;
9. Note the current forecast balances of reserves as set out in section 1.5;
10. Approve the amended capital programme (including additions) as set out in paragraph 1.6.2;
11. Approve the changes to the existing Capital Programme in relation to slippage as set out in Appendix B and paragraph 1.6.5;
12. Approve the changes to the existing Capital Programme in relation to additions in paragraphs 1.6.6 to 1.6.22 and deletions and virements as set out in paragraph 1.6.23 in accordance with the virement rules; and
13. Note the Q1 20/21 Corporate Risk Register in Appendix C.

1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

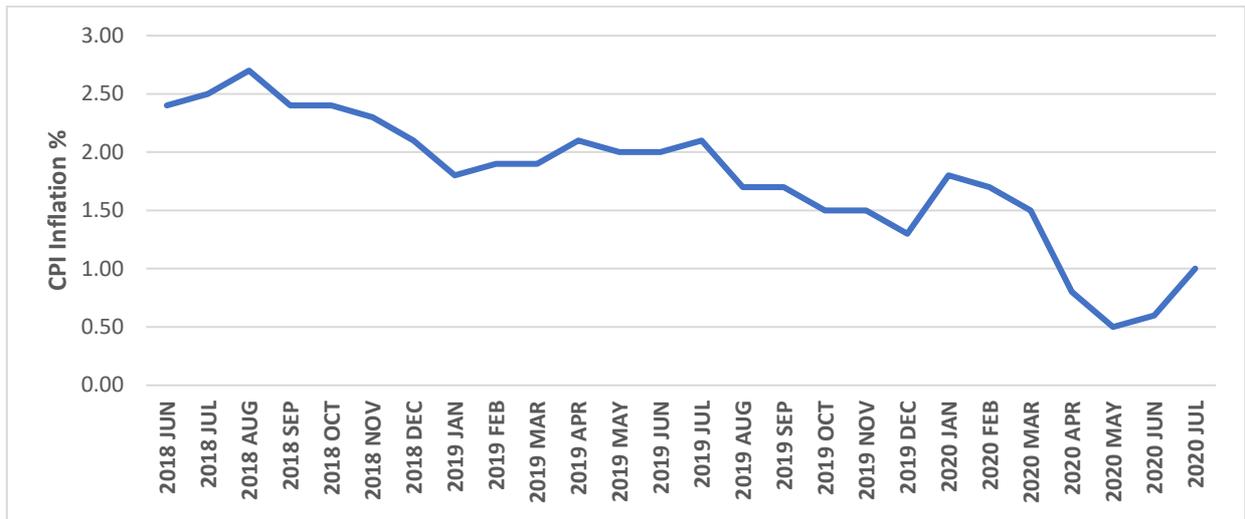
- 1.1.1 In June 2020, Policy & Resources Committee were presented with an estimated financial impact of Covid-19 and summary of announced funding to date. The report also set out how Covid-19 is anticipated to have an adverse impact on the council's budget particularly over what had been set in March 2020.
- 1.1.2 Council set its 2020/21 budget and MTFs in March 2020, however the evolving impact of the Covid-19 pandemic has meant a lot of those assumptions superseded. The budget report and MTFs gap is always built around a series of known variables and assumptions. This year, more than ever, the assumptions are more difficult to quantify, and the extent of Government's support is still not known.
- 1.1.3 In July 2020, the Chancellor of the Exchequer announced measures to stimulate the economy as lockdown measures were gradually relaxed. Whilst there were no new announcements related to local government funding, the reported economic indicators e.g. growth were adverse. These were followed by further updates elsewhere in Government which set out revised forecasts for growth, inflation and employment levels over the short-medium term. Again, these indicated a worse position compared to a year ago.
- 1.1.4 The Government's multi-year Spending Review (SR), expected to be announced in Autumn 2020 is likely to reflect a medium-term outlook for the public sector that takes into account the effects of Covid-19 and success of stimulus measures. Regardless of this, local government is hopeful the full Spending Review will address outstanding matters on funding ahead of the provisional finance settlement for 2021/22 in December 2020.
- 1.1.5 The MTFs for 2021/22 to 2024/25 has been refreshed with revised service pressures, estimates for funding from Business Rates, Council Tax and other grants as well as other centrally held items. The revised MTFs budget and total saving's requirement is now £61.285m. Services have been working to identify savings to meet this target and to date, a total of £38.435m of savings have been proposed. These proposals are in the early stage of development and will be presented to Theme Committees in November for formal approval or alternatives to balance the budget gap. As at September, there is a shortfall in savings offered of £22.850m. This is set out in further detail in paragraph 1.3.2 onwards. Proposals to meet this gap will be brought to theme committees over the Autumn for further discussion and approval.
- 1.1.6 The 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 £5.246m of contingency funding towards cost pressures and other occurrences. The council is expecting to receive a further £0.353m for the Reopening High Streets Safely Funds in response to Covid-19 which will be added to the contingency budget and this brings the available balance to £5.599m. However, this fund of £0.353m is expected to be fully allocated out during the year. A further £0.794m has been distributed and there is a request for approval a further £2.371m in paragraph 1.4.5. A number of debt write-offs related to historic Housing Benefit Overpayments are also set out for approval to Full Council in paragraph 1.4.14.

- 1.1.7 The lockdown measures implemented in response to Covid-19 meant that a number of capital schemes across the region slowed down and as a result there is slippage in the Capital Programme. Following the June 2020 Policy & Resources Committee report, the officers have further reviewed the Capital Programme for the HRA and GF and now propose to re-profile £77.830m from 2020/21 into future years. This is discussed further in paragraph 1.6.3. However, officers have also completed work to identify additions needed to the Capital Programme and these total £70.089m (of which £23.239m is in 2020/21). The breakdown of this is discussed from paragraph 1.6.6 onwards. Finally, further changes to the Capital Programme for a small number of virements and deletions are set out in paragraph 1.6.23. The capital programme is summarised with these changes in Appendix B.
- 1.1.8 The council's revenue outturn for 2019/20, reported to Committee in June 2020, was better than expected and so earmarked reserves brought-forward into 2020/21 are higher than previously anticipated. However, part of the reason for higher reserves balances was due to c£8m of Covid-19 grant funding received at the end of March 2020. This position contributes to the council's overall resilience against unexpected, short-term pressures. A forecast covering the MTF period of reserve balances has been completed, whilst balances are projected to decrease, this is in line with the whole of local government. Notwithstanding Covid-19, the council has made good progress in meeting its financial strategy to maintain its targeted reserve levels. The overall financial strategy is resulting in positive outcomes e.g. not having to use earmarked reserves to balance the budget in 2020/21 and so means what earmarked reserves are available can be set aside to mitigate short-term pressures or the effects of uneven cashflows.
- 1.1.9 The council has established a robust culture and process for managing risks which was acknowledged in the annual audit in 2019. The early effects of Covid-19 and recovery plan have been reflected in the Q1 risk register. The onset of Covid-19 has resulted in increased residual risk scores and also identified new Covid-19 related risks. These are set out in the corporate risk register appended to this report.

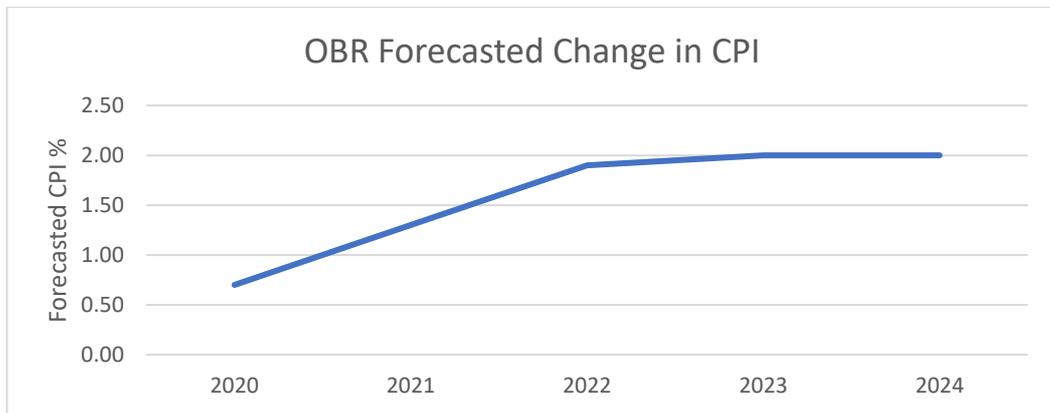
1.2 Strategic Context

HM Treasury Summer Economic Update

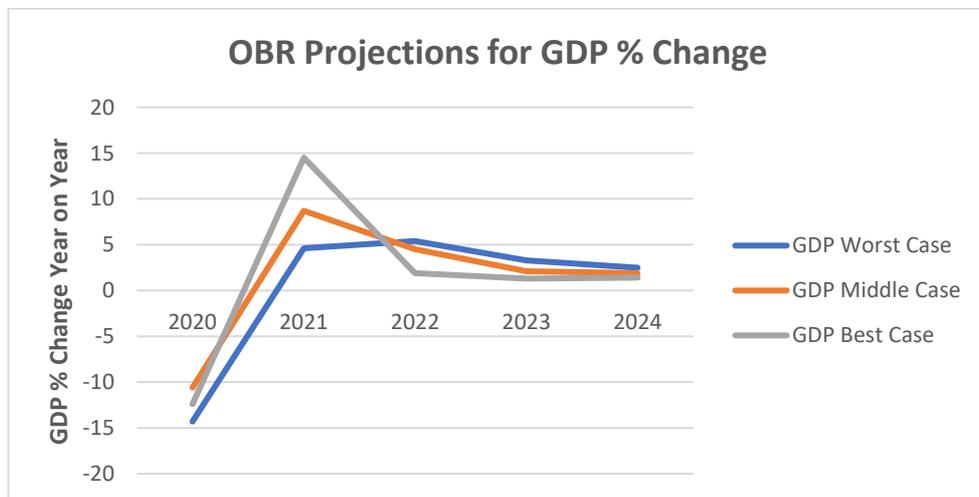
- 1.2.1 The Chancellor of the Exchequer delivered a Summer Economic Update in early July 2020, primarily to address the national economic recovery measures from the Covid-19 pandemic.
- 1.2.2 The Chancellor's update noted the fall in GDP in April by 25% when compared to February. Projections at the time by the OBR and the Bank of England went onto estimate that unemployment levels could peak at 10%.
- 1.2.3 Due to the lockdown measures, CPI inflation reached its lowest rate since March 2016. The Chancellor's economic recovery measures were anticipated to lead to an increase of inflation back to previous levels. The graph below shows the change in CPI (from the ONS) for the past two years, inflation for July 2020 was recorded at 1.00%, an increase of 0.4% over June 2020:



1.2.4 Shortly after the Chancellor’s update, the OBR produced their July 2020 Fiscal Sustainability Report and included forecasts on inflation for the next four years as depicted below (the Committee should note that in the current climate of uncertainty, such projections are open to significant change):



1.2.5 The OBR had also set out in their July 2020 report, three scenarios with projections on the UK’s GDP – the measure of the size and health of the economy. All three scenarios forecast a similar recovery point by 2024 but not before material reductions in national growth, illustrated below:



Office of National Statistics' (ONS) August 2020 Update

- 1.2.6 On 12 August 2020, the ONS reported that between April to June 2020, the UK's GDP did fall by an estimated 20.4%. This was the second quarter in a row which recorded a fall in GDP.
- 1.2.7 There have been notable falls of output across areas impacted by lockdown restrictions e.g. services, production and construction but the majority of the GDP fall has been due to reduced household expenditure ("private consumption").
- 1.2.8 It should be noted that the ONS acknowledged a small improvement toward the end of June which coincided with the start of lockdown measures easing. This is a climate of unprecedented uncertainty, further progress on economic recovery and forecasts are expected as part of the Autumn Budget and Spending Review announcement.

2020 Spending Review

- 1.2.9 The Government's Spending Review will set spending limits and include policy decisions for the public sector for the next several years. This is expected to be announced by Autumn 2020 and had originally been scheduled for 2019 but was deferred in place of a one-year Spending Round announcement.
- 1.2.10 It is too early to speculate on what details the Autumn 2020 Spending Review may include but there are a number of long-standing issues that remain unresolved. These include:
- Future of the New Homes Bonus grant scheme;
 - Long-term funding arrangements for Social Care (and the Public Health Grant);
 - Arrangements for Council Tax and future of the Social Care Precept;
 - Timing and details for the Fair Funding Review and ongoing Business Rates reforms.
- 1.2.11 Finally, the general health of the economy has both direct and indirect impacts on the Council's MTFS. The Spending Review is expected to consider the latest economic performance and projections of e.g. GDP, borrowing, taxation levels and employment rates and so this will help to determine what the general outlook for Local Government funding will be over the short-medium term.

1.3 Medium Term Financial Strategy, Savings and Pressures

Overarching Strategy

- 1.3.1 The March 2020 budget setting report approved at Full Council included an overarching financial strategy. This strategy assumes that financial challenges from funding reductions and increasing service demands are likely to continue and therefore a focus on resilience and sustainability is important. The financial strategy means:
- 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 was identified as £15m for the 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

MTFS Summary

1.3.2 The Committee is asked to note that allocations of MTFS savings targets and proposals for 2021/22 and beyond have been updated. For 2021/22 to 2024/25, savings targets and proposals to meet these have been set on defined Outcomes and Workstreams.

1.3.3 The setting of the council's budget according to defined Outcomes and Workstreams aligns the Council's Covid-19 Recovery framework (Restore, Reinvent and Retain) and with the new Corporate Plan. The Outcomes listed below were presented to the Committee in June 2020:

- **Outcome 1 Thriving:** Within this priority, investment will focus delivery of housing & development, town centres, employment & skills, infrastructure and support climate change initiatives;
- **Outcome 2 Family Friendly:** Within this priority, investment will focus on education, corporate parenting, help & protection services and parks;
- **Outcome 3 Healthy:** This priority focuses on promoting independence, boosting physical activity, tackling domestic abuse, poverty & homelessness reduction and integrated health & social care;
- **Outcome 4 Clean, Safe and Well Run:** Within this priority the focus is Street Scene, customer services, enforcement, safer neighbourhoods and the protecting and generation of income.

1.3.4 These Outcomes will be delivered in line with the principles of two Workstreams, **The Way We Work Phase II** programme and **Prevention**. 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.

1.3.5 Since June 2020, existing budgets for services have been mapped to the Outcomes and Workstreams above and savings targets apportioned accordingly. Similarly, the pressures

and savings included in the MTFS for 2021/22 to 2024/25 at March 2020 have been mapped the relevant Outcome and Workstream.

MTFS Summary Budget Gap

1.3.6 Since March 2020 the MTFS budget gap for 2021/22 to 2024/25 has been further revised to take account of:

- Emerging service and changes to original estimates of pressures which cannot be avoided;
- Updated assumptions related to funding. This includes the option announced by MHCLG earlier in the summer to spread Collection Fund deficits over three years. The detail behind this facility is still being worked by MHCLG;
- Changes to other centrally held budgets for pressures and council wide costs.

1.3.7 The estimated budget gap for 2021/22 to 2024/25 reported in March 2020 was £36.830m, this has now been revised to £61.285m. The allocation of service pressures has been “front-loaded” in earlier years and so this means a higher savings requirement accordingly. The detail behind the revised MTFS is included in Appendix A but is summarised below:

Ref		21/22 £'m	22/23 £'m	23/24 £'m	24/25 £'m
	March 2020: Estimated Budget Gap	(12.336)	(19.413)	(22.123)	(36.830)
A	Base Expenditure Budget	309.235	336.189	356.195	369.359
	Cost Drivers	8.237	7.642	6.704	8.261
	Service Expenses	24.693	14.213	11.596	11.373
	Grossed Up Grant Income	0.300	3.700	(0.300)	(0.300)
	Total Forecast Expenditure	342.465	361.743	374.194	388.693
B	Formula Funding Changes	62.352	64.157	65.323	68.780
	Council Tax	196.662	204.648	213.521	223.362
	Other Grant Funding	56.179	53.925	51.925	51.925
	Total Forecasted Funding	315.193	322.731	330.769	344.067
	Revised Budget Gap				
	Cumulative Budget Gap	(27.271)	(39.012)	(43.425)	(44.625)
	Savings Identified (£17.572m March 2020)	6.276	5.548	4.835	0.913
	Sub-Total	(20.995)	(33.464)	(38.590)	(43.712)
	Incremental Revised Gap	(27.271)	(18.017)	(9.961)	(6.035)
	Total Budget Gap		(61.285)		

1.3.8 The assumptions relating to the key items of forecasted expenditure (Ref A), are discussed below:

Expenditure Item	Description	Comment
Cost Driver	Pay Inflation	<p>This was allocated to 2020/21 budgets at 2.00% whilst national negotiations were ongoing to alleviate pressures on the services pending the final agreed pay award.</p> <p>This is now agreed at 2.75% for 2020/21 and modelled at 2.00% for future years in the MTFS</p>
Cost Driver	Non-Pay Inflation	<p>This was allocated based on 20/21 net non-pay budgets at a CPI rate of 1.9% at the time of setting the 20/21 budget.</p> <p>The latest estimates of net non-pay inflation have been set on CPI projections from the OBR as at July 2020.</p>
Cost Driver	Levy Costs	<p>There is an expectation that future waste disposal costs will increase from general population growth and NLWA operating costs e.g. following capital investment for new waste disposal facilities.</p> <p>Therefore, amounts are being set aside over the MTFS period to fund this financial pressure</p>
Service Expenses	Contingency for General risks	<p>The purpose of the contingency budget is discussed further below in Section 1.4. The amounts included in the MTFS are based on the views of s151 Officer is what is a prudent level of contingency to hold e.g. as a means to mitigate failure to deliver savings or income generation proposals and emerging issues such as Covid-19 pressures.</p>
Service Expenses	Service Pressures and Growth - MTFS	<p>These are amounts submitted by services to fund unavoidable pressures that would lead to overspends or mitigate savings or income generation proposals. These are discussed further in paragraph 1.3.9.</p>

Growth for Service Pressures

1.3.9 The pandemic has not only created immediate uncertainty in relation to budgeted income and service demand levels for 2020/21 but also on the long-term impacts of each of these i.e. whether activity levels will return to pre-Covid-19 levels or not in the medium-term. Services are asked to identify base budget pressures that would require growth to their budget in the MTFS period. Approved pressures are then reflected in the overall budget gap that drives the savings target. The MTFS position approved in March 2020 included £33.851m of growth for pressures, broken down as follows:

Breakdown of Service Pressures in MTFS March 2020	2021/22 £'m	2022/23 £'m	2023/24 £'m	2024/25 £'m	Total £'m
Housing General Fund - Temporary Accommodation	0.755	0.500	0.000	0.000	1.255
Increase in cyclical repairs	0.150	0.000	0.000	0.000	0.150
Housing & Growth Committee	0.905	0.500	0.000	0.000	1.405
Highways decapitalisation	1.050	0.000	0.000	0.000	1.050
Growth due to number of households	0.100	0.100	0.100	0.100	0.400
Food Waste Service	0.000	0.358	0.000	0.000	0.358
Environment Committee	1.150	0.458	0.100	0.100	1.808
Transitions cases from Children's Services to Adults	2.081	2.135	2.190	2.246	8.652
Increase in complexity of Adult Social Care Packages	3.243	3.278	3.314	3.352	13.185
Adults & Safeguarding Committee	5.324	5.412	5.503	5.598	21.838
Demographics and complexity (placements)	1.400	1.400	1.400	1.400	5.600
Special Guardianship Orders	0.200	0.200	0.200	0.200	0.800
Unaccompanied Asylum Seeker Children moving into Care Leaving Services	0.300	0.300	0.300	0.300	1.200
Placements for 18-25 year olds	0.300	0.300	0.300	0.300	1.200
Children, Education & Safeguarding	2.200	2.200	2.200	2.200	8.800
Total Pressures Approved	9.579	8.570	7.803	7.898	33.851

1.3.10 Since March 2020, revisions to pressures have been identified. This has increased the total service pressures included in the budget gap from £33.851m to £39.629m. The net increased pressures since March 2020 for 2020/21 are as follows:

- Housing & Growth £1.664m: primarily caused by pressures within estates, principally around the expansion of the Oakleigh Road Depot.
- Policy & Resources: £0.922m: due to additional capacity requirements in Growth & Corporate Services in supporting strategic priorities of £0.631m and recharge income shortfalls totalling £0.291m.
- Environment: £9.178m of which parking income pressures are £6.117m, waste transfer site pressures £1.072m, Highways DLO costs of £0.785m and highways costs of £0.500m.
- Adults Services: reduction in pressures over the MTFS period of which £2.590m is in 2020/21.

1.3.11 The pressures reflected in the latest budget gap are based on the latest estimates and understanding of Services. The challenge has been distinguishing between what is a "base-budget" pressure and what is a consequence of Covid-19 that may disappear before the end of the MTFS period. An example of this is within the parking service where pressures totalling in excess of £6m are included in the budget gap including a loss of income of £2.600m for 2020/21.

Invest to Save

1.3.12 To aid services to identify ongoing, sustainable savings proposals, amounts from earmarked reserves (transformation reserve) have been set aside to finance one-off costs associated with savings proposals. These could include research or professional fees incurred to scope a savings proposal or unavoidable one-off costs incurred in the implementation of a saving's proposal such as software costs.

1.3.13 Similarly, assumptions have been made for key items of income and these are discussed below.

Business Rates, Revenue Support Grant and Other Grant Funding

1.3.14 For setting the budget for Business Rates, the assumptions at this stage include an uplift to the council's Baseline funding by CPI of 2.00%. However, this retained income from Business Rates has been reduced by the estimated loss on the Collection Fund for Business Rates due to Covid-19. MHCLG announced in July 2020 that to assist local authorities manage the adverse impact of Covid-19, it would be permit authorities to spread deficits from the collection of Business Rates over three years. This facility has been applied in the MTFS.

1.3.15 Based on the last Spending Review in 2015, Revenue Support Grant (RSG) was originally intended to be phased out by 2020. However, the 2019 Spending Review was replaced with a one-year Spending Round announcement for 2020/21 and RSG allocations for 2019/20 were uplifted by CPI for 2020/21. The delay to the 2019 Spending Review subsequently meant that the Fair Funding Review and Business Rates Reforms would also be deferred from implementation in 2020/21. Until there is more certainty on the timing and contents of the Fair Funding Review and Business Rates Reforms, the 2020/21 RSG allocation has been assumed in the MTFS.

1.3.16 The delay in the 2019 Spending Review has created further uncertainty on the future allocation of several other grants. The MTFS includes the following assumptions:

Grant	2020/21 Allocation (£'m)	Current assumption for future years
PFI Credit	2.235	Frozen*
New Homes Bonus	10.149	Reduction - loss of earlier years payment and no additional recurrent future payment
Housing and CT Benefit Admin	1.821	Reduction - based on average levels from previous years
Public Health	17.477	Frozen*
London Crime Prevention Fund	0.145	Ceases after 2020/21
Flexible Homelessness Support Grant	4.258	Frozen*
Social Care (ASC and CSC)	7.843	Increase in 2021/22 only
ASC Grant / IBCF	9.339	Frozen*
Independent Living Fund	1.340	Frozen*

i.e. no reduction or uplift for inflation assumed over 2020/21 allocations at this stage.

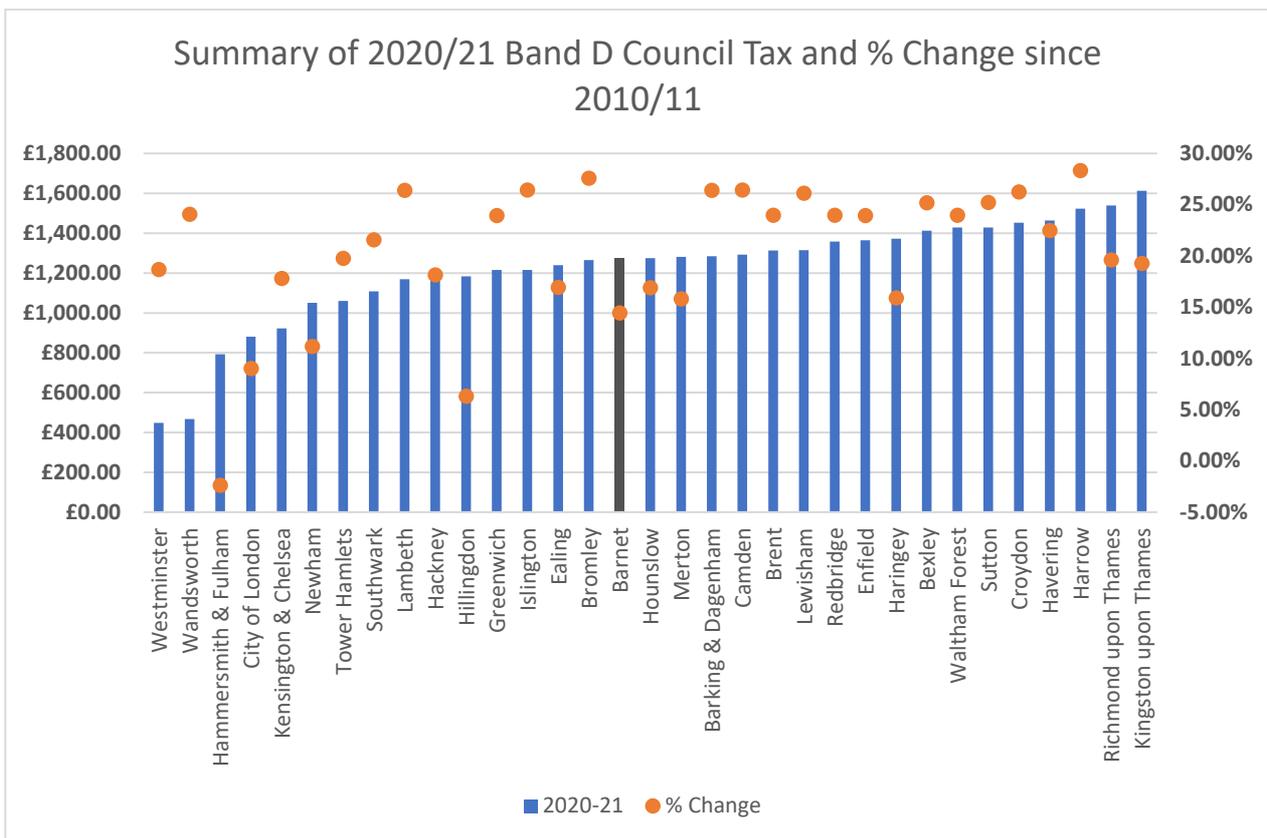
Council Tax

1.3.17 The council needs to ensure that it has sufficient funding to meet its statutory and mandatory 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. To estimate future funding from Council Tax, the council needs to apply and model assumptions on the:

- Rate of Council Tax measured at Band D;
- Change in Number of Dwellings i.e. tax-base measure at Band D. This in turn is dependent on two further variables:

- i. Growth in the tax-base from new dwellings or dwellings brought back into use
- ii. Collection Rate

- 1.3.18 The referendum limits by which the rate of Council Tax can increase are usually proposed in December as a part of the provisional finance settlement for the upcoming year. For 2020/21, Council approved an increase to the general element of Council Tax by 1.99% without the need for a local referendum and a further 2.00% as part of the Social Care Precept for adult's and children's social care. At this stage, it is reasonable to model increases for the MTFS period using these same percentage rates until MHCLG clarify limits for 2021/22.
- 1.3.19 The council has a large tax-base of dwellings and this has been developed as part of the Council's strategy and commitment to promote housing growth in the Borough. A benefit of this is that a large portion of the council's core funding is from Council Tax rather than from retained Business Rates or Revenue Support Grant i.e. the Settlement Funding Assessment (SFA). This has enabled the council to build resilience and self-sufficiency compared to those local authorities that are more heavily reliant on the SFA or other sources of income.
- 1.3.20 However, the Committee is asked to note that based on the 2020/21 approved tax-base, every 1% increase to current Band D, generates approximately £1.85m in Council Tax income. Therefore, if the existing referendum limits e.g. for the Social Care Precept did reduce for 2021/22, £1.85m of projected funding in the MTFS would also reduce.
- 1.3.21 The impact of Covid-19 has resulted in uncertainties on the level of the council's tax-base over the MTFS period. At this stage, it is reasonable to assume that the rate of growth in the number of dwellings will be lower than in previous years due to the effects of the lockdown on construction and planning applications.
- 1.3.22 Also, for now a prudent view has been taken that the increase in the number working age residents claiming Council Tax Support will "dampen" growth in the tax-base for 2021/22 but will recover back to pre- Covid-19 levels by the end of the MTFS period.
- 1.3.23 The position for 2021/22 will be clearer by mid-Autumn as work commences on statutory returns to MHCLG on the tax-base which forms the basis of internal approval by Council on the 2021/22 tax-base for billing and budget setting.
- 1.3.24 Finally, the graph below shows the rates and changes in Band D Council Tax excluding the GLA Precept since 2010/11 across London. In 2020/21, Band D Council Tax in the London Borough of Barnet was approved at £1,273.77 and whilst this is marginally higher than average for London (£1,217.82), the Council has had the 5th lowest cumulative increase in Band D since 2010/11 at 14.42%:



Underlying MTFS Risks

1.3.25 The MTFS includes estimates and assumptions for funding and expenditure. This means there is a risk that budgeted funding and expenditure levels could change if these assumptions or other variables e.g. Government policy change. Furthermore, new risks could emerge e.g. as a result of Covid-19. A selection of the risks within the MTFS are discussed below:

New Homes Bonus

1.3.26 Based on previous Government announcements, the future of the New Homes Bonus scheme is unclear and particularly arrangements for 2021/22. The MTFS currently assumes that funding from the scheme will reduce in 2021/22 and onwards. There is the possibility though that the reduced funding could be re-purposed into a new scheme that rewards growth in housing levels but with stricter criteria.

Housing Growth

1.3.27 The growth in housing levels across the borough is a key variable within the MTFS for modelling Council Tax income and New Homes Bonus grant allocations. Covid-19 has impacted the construction sector but the full effects are currently unknown. The MTFS has assumed for now lower growth than in previous years for housing levels for modelling future Council Tax income levels certain. The risk of a recession would also likely impact the construction sector and delay the completion of new homes

1.3.28 The Planning Service will complete an annual survey of completions and commencements by early Autumn 2020, the result will be used to compare assumptions in the MTFs.

Savings Update: 2020/21 Delivery

1.3.29 In March 2020, Council approved a revenue budget for 2020/21 that included the planned delivery of £17.311m of savings. In June 2020, Policy & Resources Committee were advised that due to the Covid-19 pandemic, a number of savings across the MTFs period including 2020/21 have been now identified undeliverable or possibly delayed. There is a risk therefore that where delivery of savings slip that these will have implications for delivering savings in 2021/22 and beyond. The table below summarises the value of savings that are expected to be achieved against the savings target by department as at Period 4.

Service Area	Savings Target 2020/21 £'m	Savings on Track as at 31/07/2020 £'m	(Shortfall) /Surplus £'m
Adults & Health	5.741	3.499	(2.242)
Children and Family Services	2.719	2.382	(0.337)
Environment	4.150	1.855	(2.295)
Growth and Corporate Services	3.874	2.804	(1.070)
Assurance	0.247	0.247	0.000
Finance	0.580	0.500	(0.080)
Total	17.311	11.287	(6.024)

1.3.30 Officers are considering what actions could be taken to maximise delivery of savings during 2020/21, given the constraint on this arising from the response to the pandemic. 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

Savings Update: 2021/22 to 2024/24 Revised Target and Position

1.3.31 As at September 2020, the budget gap reflects £7m of efficiencies identified by the Finance department and proposed growth to services for pressures of £39.629m. The table below shows how the budget gap equates to savings requirements for each Outcome and Workstream:

Outcomes/Workstreams	Saving's Target £'m				Total Savings Required
	2021/22	2022/23	2023/24	2024/25	
Outcome 1: Thriving	3.944	2.605	1.440	0.872	8.861
Outcome 2: Family Friendly	5.807	3.836	2.121	1.285	13.049
Outcome 3: Healthy	9.496	6.274	3.469	2.102	21.341
Outcome 4: Clean, Safe & Well Run	6.191	4.090	2.261	1.370	13.913
Workstream A: The Way We Work II	1.400	0.925	0.511	0.310	3.147

Workstream B: Prevention	0.434	0.287	0.158	0.096	0.975
Total for the Year	27.272	18.017	9.961	6.035	61.285
Cumulative Total	27.272	45.289	55.250	61.285	

1.3.32 In March 2020, the MTFS included £17.572m of proposed savings for 2021/22 to 2024/25, however following subsequent reviews undertaken by officers it is proposed to revise this list of savings down by £1.516m to £16.056m. It is proposed that Theme Committees will determine the final position of these in November 2020.

1.3.33 Services have continued to work to identify savings proposals to meet the budget gap and separate to the above have identified a further £22.379m for 2021/22 to 2024/25. However, as part of prudent financial management it is necessary to make an allowance in case of non-delivery. This is an ongoing basis as we head towards setting the budget in March 2021. Any savings which are not expected to be delivered following work by officers, will be considered by Theme Committees in November 2020 as part of the council's budget setting process. Equally, if after further due diligence, the saving is deemed to be deliverable it will be re-presented as such.

1.3.34 Taking into account the revised areas of expenditure and income that derive the budget gap, emerging service pressures and latest position on identified savings, a further £22.850m is needed to balance the MTFS. Of this, £17.592m of savings are required to balance the budget for 2021/22 i.e.

MTFS Summary	2021/22 £'m	2022/23 £'m	2023/24 £'m	2024/25 £'m	Total £'m
Budget Gap	(27.272)	(18.017)	(9.961)	(6.035)	(61.285)
Previously Identified Savings	6.276	5.548	4.835	0.913	17.572
Changes to Original Savings	(1.795)	(1.375)	0.170	1.484	(1.516)
Sub-Total Previously Identified Savings	4.481	4.173	5.005	2.397	16.056
Additional Savings Identified (Post-March 2020)	5.199	5.861	6.633	4.686	22.379
Total Savings Identified	9.680	10.034	11.638	7.083	38.435
Balanced Budget: (Shortfall)/Surplus	(17.592)	(7.983)	1.677	1.048	(22.850)

1.3.35 For 2021/22 the breakdown of the position above by Outcome and Workstream is summarised below. Officers will continue to work to identify additional savings proposals or reductions to pressures where possible to close and balance this budget gap. Updated positions will be presented to Theme committees in November 2020:

Outcome & Workstream	2021/22 MTFS Progress		
	Saving's Target	Saving's Identified	(Shortfall) / Surplus
Outcome 1: Thriving	3.943	(1.129)	(2.814)
Outcome 2: Family Friendly	5.807	(3.223)	(2.584)
Outcome 3: Healthy	9.496	(1.631)	(7.865)
Outcome 4: Clean, Safe & Well Run	6.191	(1.980)	(4.211)
Workstream A: The Way We Work II	1.400	(1.207)	(0.193)

Workstream B: Prevention	0.434	(0.510)	0.076
Total	27.271	(9.680)	(17.592)

1.4 Budget and Financial Management 2020/21

1.4.1 There are a number of decisions relating to in year budget management 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.

Contingency Budget

1.4.2 The contingency budget is a useful tool in the effective financial management of the council and a means to mitigation some risks in the MTFS. 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 from earmarked reserves to fund pressures as it enables the council to 'live within its means' both in the short and longer term. Council financial regulations also should 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.

1.4.3 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.

1.4.4 At the start of 2020/21, the council had budgeted for £5.246m of contingency funding towards cost pressures and other occurrences. The council then forecasted the receipt of a further £0.353m for the Reopening High Streets Safely Funds in response to Covid-19 which brought the total the balance available to £5.599m. Based on the posted virements and commitments below, a balance of £2.433m is forecasted to remain in Contingency:

- To date, £0.794m has been distributed (£0.250m for the Crisis Fund, £0.500m for Highways Maintenance works and £0.044m for administration support);
- A further £2.371m is committed (0.353m to be allocated for re-opening high streets; £0.225m to fund pressures in OD; £0.814m for pay inflation discussed further below; up to £0.500m for the Year 6/7 contract review; £0.075m and £0.114m to fund pension costs related to redundancies and £0.291m to offset unachievable income)

Contingency budget 2020/21	Total (£)
Contingency Budget Brought Forward	921,238
2020/21 MTFS	4,325,325
Reopening High Streets Safely Fund	352,546
Contingency Available	5,599,109
Posted in 2020/21	
Crisis Fund	(250,000)
Highways decapitalisation costs	(500,000)
Commercial Finance Administration	(44,383)
Total Posted	(794,383)

Total Contingency Remaining	4,804,726
Commitments Yet to be Posted	
Reopening High Streets Safely Fund	(352,546)
Organisation Development Pressures Funding	(225,000)
Pay inflation budget increase to 2.75%	(814,117)
Year 6/7 contract review	(500,000)
Environment Agency - Grant Spend	(75,000)
Strain on the Pension Fund - Prior year Environment redundancies	(113,622)
Strategy and Comms Unachievable Income from Recharges to other services	(291,000)
Total Commitments	(2,371,285)
Total remaining	2,433,441

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 and funding from Government in respect of Covid-19 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.

Pay Inflation

1.4.7 In June 2020, the committee was advised that the budget approved in March 2020 included an assumption of a 2.00% pay award that resulted in £2.490m being allocated to General Fund services as part of their 2020/21 budgets. However, discussions were still ongoing with Trade Unions on revised pay award of 2.75% for 2020/21 which would cost an additional £0.814m and approval was sought at the time to allocate this from the Contingency budget.

1.4.8 In late August 2020, the final 2020/21 pay award was agreed between the National Joint Council and Trade Unions at 2.75% and so services will be allocated the additional amount for their pay budget for 2020/21.

Budget Virements

1.4.9 The constitution requires that revenue virements 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.

1.4.10 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.

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

Service	Description	Total (£)
Growth and Corporate Services	Unachievable Income	291,000

Finance – Central Expenses	Unachievable Income	(291,000)
Assurance	Additional Pay Inflation (0.75%)	44,839
Children's Family Services	Additional Pay Inflation (0.75%)	297,968
Adults and Health	Additional Pay Inflation (0.75%)	163,631
Growth and Corporate Services	Additional Pay Inflation (0.75%)	49,495
Environment	Additional Pay Inflation (0.75%)	193,448
Finance	Additional Pay Inflation (0.75%)	64,735
Finance – Central Expenses	Additional Pay Inflation (0.75%)	(814,117)

1.4.12 Policy & Resources Committee are asked to note the following virements from contingency that are less than £250k:

Service	Description	Total (£)
Finance (OD)	Organisational Development Pressures	225,000
Finance – Central Expenses	Organisational Development Pressures	(225,000)
Environment	Strain on Pension Fund costs	113,622
Finance – Central Expenses	Strain on Pension Fund costs	(113,622)
Environment	Environment Agency grant	75,000
Finance – Central Expenses	Environment Agency grant	(75,000)
Growth & Corporate Services	Funding for administration costs	44,383
Finance – Central Expenses	Funding for administration costs	(44,383)

1.4.13 Policy & Resources Committee are also asked to approve the following virements between services above £250k:

Service	Description	Total (£)
Growth & Corporate Services	Transfer of staffing and cost recharge for the Pension Fund to Finance	1,170,000
Finance	Transfer of staffing and cost recharge for the Pension Fund to Finance	(1,170,000)
Assurance	Transfer of Insurance Premium budget to Assurance	421,120
Finance	Transfer of Insurance Premium budget to Assurance	(421,120)
Community Safety	Removal of Public Health Investment	424,000
Public Health	Reversal of investment in Community Safety	(424,000)

Housing Benefit Overpayments and Write-Offs

1.4.14 Debt write offs over £5k are presented for approval. There are debts totalling £324,589.53 relating to Housing Benefit overpayments which are listed in the table below and are recommended for write off. The individual debts are all over £5,000 and cover the financial years from 2013 to 2020. There is a provision for bad debts for Housing Benefit Overpayments of £25m. The first table 1 provides a breakdown of these overpayments by year. The second table provides a breakdown by reason for overpayment.

1.4.15 Some debts relate to 2013 because the Council continue to pursue outstanding debt irrespective of age until there is no realistic/economic possibility of payment. All customer contact details have been checked to try to prompt contact from the debtor in addition to the necessary recovery notices.

1.4.16 The Local Authority Error figure of £214,945.22 received full Housing Benefit subsidy therefore there is no additional cost to the council for this.

Housing Benefit overpayments in excess of £5,000 by year

Year Debt Raised	Total Debt	
2013	£	27,104.90
2014	£	17,041.01
2015	£	37,538.81
2016	£	37,600.58
2017	£	36,815.47
2018	£	61,701.87
2019	£	82,953.78
2020	£	23,833.11
Total	£	324,589.53

Breakdown of overpayment write-off reason codes

Reason	Value
LA Error	£214,945.22
Individual Voluntary Arrangement	£30,630.23
Debt Relief Order	£30,920.22
Deceased	£48,093.86
Total	£324,589.53

1.5 Earmarked Reserves

1.5.1 The council's total earmarked reserves are forecasted to be £53.501m at the end of 2020/21. This would be £5.419m lower than the brought forward balance from 2019/20.

1.5.2 There are some items which have been forecasted as at month 3 to be a one-off drawdown (assumption) in year which will reduce the 2019/20 brought forward reserves level to the above stated amount at the end of 2020/21.

1.5.3 The table below shows the 2020/21 Month 3 forecasted drawdown amounts against the relevant type of reserves:

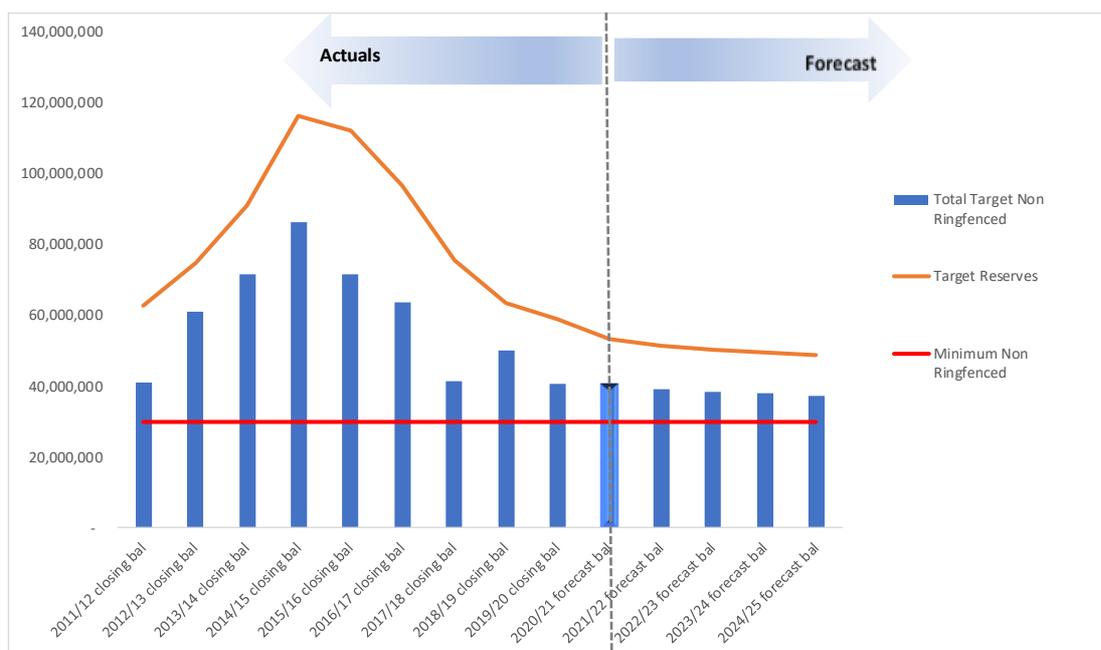
Forecasted Drawdown at M3	£
Transformation/Implications of MTFS Reserve	(540,000)
Homelessness support	(250,000)
Tree Planting project	(581,000)
Strategic Contract Realignment - ongoing review	(42,129)
Corporate Anti-Fraud Team Reserve (CAFT)	(50,000)
Barnet CIL	(15,038,000)
Community Budgets and Troubled Families	(900,000)
Total	(17,401,129)

1.5.4 The review of the MTFS detailed in section 1.3 outlines actions officers are taking to ensure that the council balances incoming and outgoing resources and maintains an adequate level of reserves. The table below displays what would happen if no action was taken to balance the council's MTFS. The council's reserves level currently appears to be in a good position, with the crucial £30m 'red line' for Non Ringfenced Revenue Reserves currently being maintained to 2024/25:

	2019/20 Closing Balance	2020/21 Forecast Balance	2021/22 Forecast Balance	2022/23 Forecast Balance	2023/24 Forecast Balance	2024/25 Forecast Balance
	£'000	£'000	£'000	£'000	£'000	£000
Capital - CIL	7,418,779	2,380,779	2,380,779	2,380,779	2,380,779	2,380,779
Revenue implications of capital	1,440,750	1,440,750	720,375	0	0	0
Capital	8,859,528	3,821,528	3,101,154	2,380,779	2,380,779	2,380,779
Revenue						
Financial Resilience	32,280,788	31,180,788	31,180,788	31,180,788	31,180,788	31,180,788
Tree Planting Reserve	1,262,672	681,672	0	0	0	0
Transformation	3,044,417	2,504,417	1,878,313	1,252,208	626,104	0
Corporate Plan Initiatives	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Revenue - Service Specific	4,223,820	4,063,411	4,063,411	4,063,411	4,063,411	4,063,411
Non Ringfenced Revenue Reserves	40,811,697	40,430,288	39,122,511	38,496,407	37,870,303	37,244,199
Ringfenced						
DSG	1,808,143	1,808,143	1,808,143	1,808,143	1,808,143	1,808,143
Housing Benefits	4,867,467	4,867,467	4,867,467	4,867,467	4,867,467	4,867,467
Public Health	1,187,611	1,187,611	1,187,611	1,187,611	1,187,611	1,187,611
Special Parking Account	1,385,817	1,385,817	1,385,817	1,385,817	1,385,817	1,385,817
Total Ringfenced	9,249,038	9,249,038	9,249,038	9,249,038	9,249,038	9,249,038
Total Earmarked Reserves	58,920,263	53,500,854	51,472,703	50,126,223	49,500,119	48,874,015

1.5.5 Although several of the reserves appear to maintain a steady balance (e.g. CIL, Public Health, Special parking Account & Housing Benefits Reserves) there will be movements in and out throughout the year. The assumption is that income will offset expenditure in each year e.g. the CIL reserve, will have forecasted receipts and expenditure in the region of £10m each year. However, some developers are taking advantage of the new government provisions that allow for payments to be deferred for 6 months so it depends on how many take advantage of this, or don't start their developments at all, which may impact on the overall income forecast.

1.5.6 The council's reserves have been decreasing consistently since 2014/15 and this reduction is broadly in line with what the sector as a whole has experienced. The following graph shows the forward forecast with the 'do nothing' position (which sets out the challenge which is being addressed through the budget setting process) and the council's target reserves position (dotted line). Once savings proposals have been identified and approved by Theme Committees the reserves forecast will be amended accordingly if need be. The targeted reserves balance remains above £40m for 2024/25.



1.6 Capital

1.6.1 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.

1.6.2 The Capital Programme, incorporating changes approved from Committee's June 2020 Committee and the changes described in the following sections, would total £1.140bn as summarised in the below table:

Theme Committee	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	7,351	3,754	3,860	3,970	2,974	21,909
Brent Cross	169,717	138,284	16,577	761		325,339
Children, Education & Safeguarding	23,298	25,411	539			49,248
Community Leadership and Libraries	219					219
Environment	34,888	12,920	1,523	1,243		50,574
Housing and Growth Committee	131,190	104,846	43,650	51,622	6,000	337,308
Policy & Resources	12,282	12,102	600	600	600	26,184
Total - General Fund	378,945	297,317	66,749	58,196	9,574	810,781
Housing Revenue Account	68,977	99,634	63,060	48,244	48,809	328,724
Total - all services	447,922	396,952	129,809	106,440	58,383	1,139,505

Changes to the Capital Programme - Slippage

1.6.3 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. Over estimating capital expenditure can cause unintended consequences, such as incurring unnecessary financing costs, reducing service budgets to fund borrowing, or the lapsing of funding opportunities.

1.6.4 As a result of this work it has been identified that a total of £77.83m needs to be slipped out of the 2020/21 financial year into future periods. Whilst this value is significant, it improves the accuracy of the programme and supports stronger financial management.

1.6.5 The breakdown of slippage by Committee is shown below:

Theme Committee	Net Slippage & Accelerated spend
£000	£000
Adults and Safeguarding	
Brent Cross	(11,078)
Children, Education & Safeguarding	2,120
Community Leadership and Libraries	
Environment	(817)
Housing and Growth Committee	(21,699)
Policy & Resources	(11,502)
Housing Revenue Account	(34,854)
Total:	(77,830)

Changes to the Capital Programme - Additions

- 1.6.6 Investing in IT: A Capital addition of £0.7m is required to make improvements to the Mosaic social care system. The project will expand reporting capacity and capability and the electronic exchange of clinical information. This will improve the speed, quality, safety and cost of patient care. The system developments will be funded through borrowing.
- 1.6.7 Disabled Facilities Grant (DFG): An addition of £13.52m is required in the Disabled Facilities Grant Programme over the next 5 years. This includes £2.542m Grant received in 2020/21 and estimates for future years. The DFG is a central government ring fenced grant allocation and including the budget for this and future years will ensure the council meets its statutory duties and prescribed timescales under the Housing Grants, Construction and Regeneration Act 1996. The Disabled Facilities budget has also been transferred under Adults and Safeguarding to reflect the council's operational structure.
- 1.6.8 Education Capital Grants: The Department for Education (DfE) has provided additional grant funding to support the Pupil Referral Unit and other Education programmes. Additional sources of funding within S106 allocations and Basic Needs Grant that must be used for education projects have also been identified:
- Monkfrith - £0.114m (2020/21): This will fund an upgrade of IT equipment and remedial works on the floor of Monkfrith Primary School. This will be funded through Basic Needs Grant.
 - Grammar School Project - £0.161m (2020/21): This addition relates to additional funding awarded to the existing Grammar School project from the DfE, to fund the VAT element of project expenditure.
 - Modernisation Programme - £1.027m (2021/22): This addition relates to improvements in the condition and modernisation of the Council's primary and secondary schools. The DfE has increased the schools conditioning Grant allocations, to fund these enhancements.
 - Alternative Provision (Pupil Referral Unit) - £11.850m (2021/22): This project will provide a new Pupil Referral Unit, replacing the existing buildings and takes into consideration key stakeholder requirements. The council is now ready to enter a

contract to begin developing. This will be funded through additional DfE Grant (£8.5m), S106 Receipts (£1m) and Basic Needs (£2.35m).

1.6.9 Asset Management (0.493m): The current Asset management fund requires additional budget to carry out work across various properties in the Barnet estate. These additions are funded through borrowing.

- East Barnet Library – £0.033m. This project aims to provide an operational site where an Essential Supplies Hub can operate, to provide food and supplies to the food banks within the Borough. The budget addition will provide a purpose-built entrance and car-park enhancements to allow delivery vehicles access to the site.
- Kosher Kitchen Roof Replacement - £0.07m. The Kosher Kitchen requires £0.07m to repair the current defective roof, which has caused damage to the internal building fabric. There is also defective flooring, plasterwork, and decorative repairs. The works will enhance the wellbeing of children by creating a safer environment for them to eat.
- Burnt Oak/ Watling Street Improvements - £0.044m. The additional budget is required to secure and improve the area, to eliminate anti-social behaviour. Three areas of the site require new fencing and clearance, with alleyways gated off and hazardous waste materials removed. This will in turn improve community safety for the public and local businesses.
- Library Boiler Works - £0.346m. The £0.346m addition is needed for the Asset Management Fund to revise the boiler arrangements in two sites, Mill Hill and Chipping Barnet. This includes tendering the works, awarding the contract and supervising works, to ensure they are in line with current requirements. The boilers will be of the condensing modular type to maximise energy use. The replacement boilers will ensure operational needs of buildings are met to retain public services.

1.6.10 Estates Asset Management Fund: LBB Estates requires a rolling capital facility every year, to be able to carry out urgent planned works to the managed estate of 92 buildings, and other urgent essential works as they arise. An addition of £2.46m is required (£0.06m in 2020/21 and £0.6m in each of the years from 2021/22 to 2024/25). This is adequate to cover the replacement of major building components and prevent the unplanned closure of buildings. This will be financed through Borrowing.

1.6.11 Drainage Schemes: The council has received £0.078m levy funding from Thames Regional Flood and Coastal Committee (TRFCC) for the design and build of trash screens at three locations in Barnet. These will alleviate the flood risk to properties and infrastructure and ensure the council delivers its responsibility under the Flood and Water Management Act, 2010, as a Lead Local Flood Authority.

1.6.12 Mill Corner Drainage Schemes: An additional £1.0m capital funding is required to enable the construction of new drainage assets to take the highway drainage away from 1 Mill Corner. The Council will be compliant with a Court injunction and will be able to design a new drainage system in agreement with the owners of 1 Mill Corner. This will be financed through borrowing.

1.6.13 Finance IT: The finance department requires a £0.035m addition, to make improvements to the financial system. This includes the extraction of information to aid statutory reporting,

creating ongoing efficiencies together with meeting audit requirements. This will be funded through borrowing.

1.6.14 Covid-19 Social Distancing Projects: An addition of £0.416m for three integrated workstreams to support social distancing inside the public realm, supporting active travel. This is funded from TfL (£0.074m) and DfT (£0.342m) Grant income.

1.6.15 Controlled Parking Zones Review: Development and expansion of Parking and Moving Traffic controls (MTCs) across the borough requires £0.27m that will be funded from S106 receipts. This encompasses new locations for Controlled parking zones (CPZs) and a review of footway and casual parking, including dynamic, demand led pricing for high street areas. Given the nature of this item, it will be treated as revenue spend rather than added to the capital programme.

1.6.16 Exor System Replacement: The Council's current asset management system, Exor, will not be supported by the system's supplier after December 2021. It was agreed at Urgency Committee in April 2020 to replace the system, to ensure effective storage of data critical to the borough's Highway service. These matters were presented and approved at the Councils Environment Committee of 30 June 2020. Phase 1 required £0.304m, which was agreed at Urgency Committee in April, to implement DfT Street management solution, which went live in April.

Phase 2 now requires £0.756m to procure the replacement of the Exor Asset Management System, through the Crown Commercial Services (CCS) G-Cloud11 Framework, with a go live date of April 2021. This will be funded through borrowing.

1.6.17 Mixed Tenure Housing (Tranche 1): In September 2018, the ARG Committee approved that the Barnet Group review the design and business cases for Mixed tenure housing sites. This included due diligence and taking proposals to Planning Committee. An addition of £1.277m is needed to bring forward the development of 3 mixed tenure housing sites; Moxon Street, Whitings Hill and in addition Market Place which will be added to the programme subject to approval from the Housing & Growth Committee. These will be funded from S106 receipts.

The programme will provide revenue and income generation, including annual homelessness dividend, savings through wheelchair accommodation, avoidance of Temporary Accommodation costs and increased rent receipts to the HRA.

1.6.18 Development Portfolio: An addition of £5m (£3m 2020/21 and £2m in 2021/22) is required to take forward 5 LBB sites to planning. This includes due diligence on each site to ensure they are successfully marketed, with housing development partners procured. The sites are Northway / Fairway & Watling Car Park, Trinity Church, Bunns Lane Car Park and Mill Hill Golf Club, as a land assembly project.

This will create an opportunity to generate revenue return and Capital receipts, along with socio-economic benefits for the residents of Barnet. The scheme will be fully funded through Capital Receipts

1.6.19 Out of Borough Acquisitions: In 2019/20, the General Fund out-of-Borough Housing budget was overspent by £0.034m. As there is no budget in subsequent years, the programme

requires additional budget to be approved to fund this overspend. Project costs were funded from council borrowing in 2019/20.

1.6.20 Brent Cross Land Acquisitions: The Council and Brent Cross South (BXS) are in the process of securing the land needed to deliver the first phases of the BXS development. Additions of £29.488m (£12.752m 2020/21, £14.953m 2021/22, £1.022m 2022/23, £0.761m 2023/24) are required to acquire are a mix of residential and commercial premises. These are funded by Brent Cross South JVLP, via external developer contributions, through the Project and CPO Indemnity Agreement completed on 30 March 2020. The council will be provided with the funds before the acquisitions are made.

1.6.21 HRA Fire and Structural Repairs: The HRA requires additions of £1.108m for repairs to two blocks of flats managed by Barnet Homes. Significant fires in 2018/19 caused damage throughout the properties, requiring electrical installations, entry door system replacements and water mains and heating systems works. Structural repairs were not covered by insurance monies. The repairs will be funded through borrowing.

Total Additions

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

Additions	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000	£000
Investing in IT	-	702	-	-	-	-	702
Disabled Facilities Grants Programme	-	2,289	2,644	2,750	2,860	2,974	13,517
Monkfrith	-	114	-	-	-	-	114
Grammar school projects	-	161	-	-	-	-	161
Modernisation - Primary & Secondary	-	-	1,027	-	-	-	1,027
Alternative Provision	-	-	11,850	-	-	-	11,850
Asset Management	-	493	-	-	-	-	493
Estate 5 years Asset Management Fund	-	60	600	600	600	600	2,460
Drainage Schemes	-	78	-	-	-	-	78
Mill Corner Drainage Scheme	-	1,000	-	-	-	-	1,000
Finance IT	-	35	-	-	-	-	35
COVID19 Social Distancing Projects	-	416	-	-	-	-	416
Controlled Parking Zones Review	-	270	-	-	-	-	270
EXOR system	-	602	333	125	-	-	1,060
Mixed tenure housing programme (Tranche 1)	-	160	1,117	-	-	-	1,277
Development Portfolio	-	3,000	2,000	-	-	-	5,000
Out of borough acquisition	34	-	-	-	-	-	34
BXS Land Acquisitions	-	12,752	14,953	1,022	761	-	29,488
HRA Fire and Structural repairs	-	1,108	-	-	-	-	1,108
Total	34	23,239	34,524	4,497	4,221	3,574	70,089

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

Theme Committee	Net Slippage & Accelerated spend	Deletions	Budget Virement	Additions
£000	£000	£000	£000	£000
Adults and Safeguarding		(300)	253	14,219
Brent Cross	(11,078)			29,488
Children, Education & Safeguarding	2,120	(310)		13,152
Community Leadership and Libraries				
Environment	(817)			2,824
Housing and Growth Committee	(21,699)	(1,155)	(253)	6,311
Policy & Resources	(11,502)	(645)		2,988
Housing Revenue Account	(34,854)	(561)		1,108
Total:	(77,830)	(2,971)		70,089

1.6.24 The capital programme shown in section 1.6.2 is funded from the following sources. Of the total additions of £70.089m, only £6.8m is to be financed from borrowing:

Theme Committee	Grants	S106	Capital Receipts	RCCO/ MRA	CIL	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	15,770	530	90		4,440	1,079	21,909
Brent Cross	307,522		900			16,917	325,339
Children, Education & Safeguarding	41,622	2,357	715		497	4,057	49,248
Community Leadership and Libraries			55			164	219
Environment	555	4,702	2,405	440	11,955	30,518	50,574
Housing and Growth Committee	3,657	11,535	16,125	491	16,149	289,351	337,308
Policy & Resources	50		4,214			21,920	26,184
Total - General Fund	369,176	19,124	24,504	931	33,041	364,005	810,781
Housing Revenue Account	12,740		7,552	119,381		189,052	328,724
Total - all services	381,916	19,124	32,056	120,312	33,041	553,057	1,139,505

Borrowing

1.6.25 £553.057m of the total capital programme will be funded from borrowing of which £242.24m is on-lent-to Opendoor Homes for the acquisition or delivery of new housing.

1.6.26 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 loan):

1.6.27 Based on the current value of the borrowing requirement, there will be an additional MRP charge of £5.506m 2020/21. This is within the budget allowed for in the MTFs.

Capital Receipts

1.6.28 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.

1.6.29 £32.06m of the above capital programme is planned to be funded by capital receipts. Current receipts are standing at £26.26m with £18.31m being HRA receipts and the remaining £7.95m are General Fund receipts.

Of the £32.06m, £7.552m will be funded from HRA capital receipt (RTB Receipts). HRA funding will also finance Open Door New Build Housing, £7.209m of which is shown in the above table under Housing and Growth Committee. Current HRA capital receipt balances

plus future estimates suggest that there will be enough HRA capital receipts to fund the relevant projects.

The remaining £17.34m is expected to come from General Fund capital receipts, with £12.408m needed in 2020/21. The council has received £7.95m from General Fund disposals, with £17.73m capital receipts forecast this financial year.

1.6.30 If the forecast is correct and there is a surplus of Capital Receipts in year, this will replace the need for borrowing to fund other projects across the programme. This will then reduce finance costs in future years.

Capital Grants & Contributions

1.6.31 The current capital programme funding forecast shows £381.91m will be funded from Capital Grants. S106 and CIL are standing at £19.12m and £33.041m respectively.

1.6.32 Capital grants are mainly received from central government departments (such as the Brent Cross grant from MHCLG) or other partners or funding agencies (such Transport for London, Education Funding Authority).

1.6.33 S106 contributions are a developer contribution towards infrastructure; confined to specific area and to be used within specific timeframe.

1.6.34 Community Infrastructure Levy (CIL) funds are developer contribution towards infrastructure; can be used borough wide but still has time restrictions on use.

1.6.35 Current capital programme forecasts plus future estimates suggest that there will be enough S106 contributions to fund the relevant projects.

1.6.36 The Brought forward CIL receipts are £7.4m with an additional £10m forecast in 2020/21. Based on the current forecasts for CIL funded projects, there will be a surplus of £2.5m in 2020/21. However, there is uncertainty based on future year forecast and CIL receipts will be reviewed periodically.

1.7 Risks Register

1.7.1 The council has an established approach to risk management, which is set out in the risk management framework. The strategic and service/joint risks are reviewed on a quarterly basis to ensure risks remain relevant and controls/mitigations in place to manage the risks remain effective.

1.7.2 The annual audit of the risk management framework was carried out in Q4 19/20 and concluded that the council has *"a strong risk management culture in place...in which risk owners and champions understand and fulfil their responsibilities relating to risk management"*.

1.7.3 The strategic and service/joint risks were reviewed in Q1 20/21 and updated to reflect changes in response to Covid-19 and recovery planning. This initially resulted in the residual risk score increasing for 28 risks and identification of 44 new Covid-19 risks (total 319 risks). 28 risks were scored at a 'high-level' (15+), including five strategic risks on the economy, funding uncertainty and sustainability (of finances; environment; and

VCS). These are set out in the corporate risk register, each quarter, the strategic and 'high-level' (15+) service/joint risks are combined to form the corporate risk register. Please refer to Appendix C.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The MTFFS sets out the estimated overall financial position of the council over a period of time. This report recommends the noting of progress towards a balanced budget for 2021/22 onwards whilst taking into account assumptions on Covid-19. This ensures that Councillors and the public are informed of this work, supporting good governance.
- 2.2 Ongoing budget maintenance in the form of virements and the allocation of contingency funds support strong financial management.
- 2.3 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 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.
- 3.2 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 Following approval of these recommendations, the budget changes will be processed in the financial accounting system and reflected against service areas for 2021/22.

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 limited 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 residents get a fair deal, maximising on opportunities, sharing responsibilities with the community and partners, and working effectively and efficiently

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

5.2.1 The report considers strategic financial matters and refreshes the current position of the council's MTFS. Action will now be taking place to identify savings and ensure they go through the appropriate governance process to set a legal budget in March 2021.

5.2.2 The proposed changes to the capital programme reduce the cost of borrowing and therefore support the council's revenue budget.

5.2.3 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 are 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 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.

5.4.3 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.

5.4.4 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.

5.4.5 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”.

5.5 Risk Management

5.5.1 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. 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.

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

5.6 Equalities and Diversity

5.6.1 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:

5.6.2 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.

5.6.3 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.

5.6.4 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.

5.6.5 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.

5.6.6 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

5.6.7 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.

5.6.8 Progress against the performance measures we use is published on our website www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity

5.7 Corporate Parenting

5.7.1 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.

5.7.2 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.

5.8 Consultation and Engagement

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

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

5.8.2 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.

5.8.3 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.

5.8.4 The council will perform budget consultation during December 2020 through to January 2021. This consultation will cover any proposals to increase council tax together with seeking views on the council's budget overall.

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

5.9 Insight

5.9.1 None in the context of this report.

6. BACKGROUND PAPERS

Committee	Item & Agenda	Link
Policy & Resources 17 June 2020	Item 8 Outturn 2019/20; Budget 2020/21 and Business Planning 2021 - 2025	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10197
Urgency Committee 27 April 2020	Item 7 Approval of Emergency Decision and Delegation to Chief Officers	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=716&MId=10375
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