	Council **2nd March 2021**
Title	**Business Planning – Corporate Plan, Budget for 2021/22, and Medium Term Financial Strategy 2021-25**
Report of	Chairman of the Policy and Resources Committee
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix A: Corporate Plan Appendix B: Medium-Term Financial Strategy Appendix C: Council Tax Resolution Appendix D1: Detailed Revenue Budgets, Savings and Income Generation, Pressures and Council Tax Summary Appendix D2: Theme Committee Summary Appendix E: Summary of Savings Proposals Appendix F1-F5: Fees and Charges Appendix F6: Fees and Charge Parking Charges for Green Spaces Appendix F7: Adults Fees and Charges Consultation Report Appendix G: Consultation Report Appendix H: Cumulative Equalities Impact Analysis Appendix I: Risk Register Appendix J1 Proposed Capital Programme Appendix J2 Capital Strategy Appendix K1 Treasury Management Strategy Statement Appendix K2 TMSS: Mid-Year Review Report 2020/21 Appendix L Reserves & Balances Appendix M Debt Management Policy
Officer Contact Details	Anisa Darr – Director of Resources (S151 Officer) Anisa.Darr@barnet.gov.uk

	Ben Jay – Assistant Director Finance (Deputy S151 Officer) Ben.Jay@barnet.gov.uk

Summary

This report sets out the proposed budget for 2021/22 and the council's Medium-Term Financial Strategy (MTFS) which include the assumptions for 2021-25 with regards to council tax, other funding, expenditure forecasts and the savings and income generation plans necessary to set a balanced budget. This helps to ensure resources are aligned to the strategic outcomes set out in the council's revised Corporate Plan which is also included this report.

The 2021-25 MTFS reports a total savings requirement of £48.910m with savings identified of £34.802m, leaving a savings gap of £14.108m to be identified. Consultation on the budget and the contents of the December Policy and Resources committee paper took place between 21 December 2020 and 18 January 2021. The results from the consultation are included in this report to inform decision making. The recommendations contained within this report have considered the views expressed.

This report is the final stage of the annual business planning cycle and is a key part of the budget setting process for 2021/22 onwards. It discusses the key headlines on a local and national level with regards to the Covid-19 pandemic, council's response, state of the economy and other service specific issues.

The revised Capital Programme for 2021-25 is also included in this report and sets out the changes to previous assumptions and new projects for approval.

Officers Recommendations

That Council:

In respect of the Corporate Plan (included as Appendix A)

1. Approve the Corporate Plan attached at Appendix A.

In respect of the Budget and Council Tax for 2021/22 and the Medium-Term Financial Strategy 2021-25, that Council:

2. Approve the Medium-Term Financial Strategy attached as Appendix B and the detailed revenue budgets in Appendix D1, including the proposed savings and funding for pressures in 2021/22;

3. Approve that the budget for 2021/22 is prepared on the basis of an increase of 1.99% for the general element Council Tax in 2021/22 as discussed in paragraph 1.5.14 to 1.5.18;

4. Approve that the budget for 2021/22 is prepared on the basis of an increase of 3.00% for the Social Care Precept, to help fund social care paragraph 1.5.18 to 1.5.19;

5. Approve the resolutions relating to Council Tax contained within Appendix C Council Tax Resolutions;

6. Approve, on the advice of the Chief Finance Officer, that it determines that the council's basic amount of Council Tax for 2021/22 as set out in Council Tax resolution Appendix C 2(iv) is not excessive in accordance with the principles approved under section 52ZB and 52ZC of the Local Government Finance Act 1992, set out in the Referendums relating to Council Tax increases (Principles)(England) Report 2021/22.

7. Approve in accordance with Section 38(2) of the Local Government Finance Act 1992 the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 6 above within a period of 21 days following the Council's decision;

8. Note the use of the Local Council Tax Support Grant in 2021/22 as set in paragraphs 1.5.21 to 1.5.22;

9. Notes within Section 1.8 that the financial position in 2020/21 remains stable despite the pressures on the council arising from the pandemic, and that an overall breakeven position is currently anticipated for this year (after making some targeted contributions to reserves).

10. Consider the issues that have emerged from the consultation discussed in Appendix G when making their decisions. The committee make the decisions below also being mindful of the equalities impact assessments including the cumulative equalities impact assessments;

In respect of Debt Write-offs requested relating to the current financial year that Council:

11. Approves the debt write-offs for Council Tax and Business Rates in paragraphs 1.9.2 to 1.9.7, Housing Benefit Overpayments in paragraphs 1.9.8 to 1.9.9, HRA and GF Tenant Rents in paragraphs 1.9.10 to 1.19.18 and Sundry Debt in paragraphs 1.19.19 to 1.19.20;

In respect of proposed capital expenditure, the Capital Strategy, and the policy on Minimum Revenue Provision (MRP) that Council:

12. Approves the Capital Programme as set out in Appendix J1 and set out in paragraph 1.11.2, and that the Chief Officers be authorised to take all necessary actions for implementation;

13. Approves the changes to the existing Capital Programme in relation to slippage discussed in paragraphs 1.11.3 to 1.11.6, additions discussed in paragraphs 1.11.7 to 1.11.22 and summarised in Appendix J1;

14. Approves delegation to Chief Financial Officer to adjust capital programme and financing in 2021/22 in line with the 2020/21 outturn position;

15. Approves the Capital Strategy as set out in Appendix J2;

16. Approves the change in MRP policy for 2020/21 as discussed in section 1.12;

17. Notes, subject to approval of the change in the MRP policy, the S151 Officer's intention to make an additional Voluntary Revenue Provision (VRP) in 2020/21 as outlined in paragraphs 1.12.10 to 1.12.13;

In respect of the Treasury Management Strategy that Council:

18. Approves the Treasury Management Strategy for 2021/22 as set out in Section 1.13 and Appendix K1 and the Mid-Year Review Report for 2020/21 in Appendix K2;

In respect of the Housing Revenue Account (HRA) and proposed tenant rent increases that Council:

19. Approve the following in relation to the Housing Revenue Account:
    a) The proposed rent be increased by CPI+1% for council dwellings as set out in paragraphs 1.14.4 to 1.14.6 to take effect from 1 April 2021;
    b) The proposed increases to service charges for council dwellings as set out in paragraphs 1.14.11 to 1.14.13 to take effect from 1 April 2021; and,
    c) The proposed rent increase of 1.5% for council garages as set out in paragraphs 1.14.11 to 1.14.13 to take effect from 1 April 2021.

20. Approve the proposed temporary accommodation rents be increased in line with the Local Housing Allowance (LHA) rate as in paragraphs 1.14.7 to 1.14.10 to take effect from 1 April 2021;

In respect of the Dedicated Schools Grant (DSG) that Council:

21. Approve the Gross Schools Budget of £379.223m for 2021/22 as per paragraphs 1.5.42 to 1.5.52;

22. Approve Post 16 Funding of £5.209m as per paragraph 1.5.45;

23. Recommend to Council that any changes to the Schools Budget reasonably required as a result of the final 2021/22 DSG and Post-16 settlement are delegated for decisions to the Strategic Director – Children & Young People in consultation with the Director of Finance;

In respect of general Fees and Charges and other matters that Council:

24. Agree the fees and charges as detailed in Appendix F1 to F5 and approves the proposed parking charges for green spaces in Appendix F6 and discussed in paragraph 1.4.12;

25. Agree the Adult Social Care Fees and Charges consultation report in Appendix F7 and discussed in paragraph 1.4.11;

26. Have regard to the summary equality impact assessment (EIA) and cumulative assessment set out in Section 5.6. Appendix H provides the cumulative impact and individual Delivery Unit assessments;

27. Approve of the revised reserves and balances policy as set out in Appendix L and indicative amounts as set out in paragraph 1.6.3 and the Director of Finance's assessment of adequacy of General Fund Balances in section 1.6.2. Council are also asked to approve the Director of Finance is authorised to adjust balances in 2020/21 after 2019/20 accounts are closed and the amount of balances carry forward required are known;

28. Approve the underlying Financial strategy of the Council as set out in the paragraph 1.5.1;

29. Agree the corporate risk register as set out in section 1.10 and Appendix I.

1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

1.1.1 The Council has revised its Corporate Plan, which is attached as Appendix A. This highlights the four key themes of Clean, Safe and Well-run; Family Friendly; Healthy and Thriving, with activities in Prevention and Equalities running across all priorities.

1.1.2 The Medium-Term Financial Strategy, covering 2021-25 (included as Appendix B), has been prepared alongside the Corporate Plan refresh. The budget for 2021/22, set out in more detail in the paragraphs below and the other appendices to this report, provides more detail on how the objectives of the Corporate Plan and the MTFS will be implemented in the coming year.

1.1.3 The current financial year has been challenging. Shortly after the approval of the 2020/21 budget and MTFS at March 2020 Full Council, government announced a national lockdown. Essential services were prioritised whilst the council responded to the

pandemic situation, which continued to evolve through the year. There has been unprecedented pressure across all parts of society and the economy as national and local government has responded to successive developments and new information. There has been exceptional pressure on council finances, largely mitigated by substantial government financial support.

1.1.4 It is clear that a number of key determinants of this council's budget – including demand for adult's and children's social care, and the level of income from on- and off-street parking – have been dramatically affected by the pandemic, and it is also clear that the new 'post-pandemic' trends are not yet well established.

1.1.5 This budget therefore recognises the uncertainties still presented by the pandemic, and addresses these in a way which ensures that services will be safely maintained in 2021/22, but which also allows for further changes to be made once ongoing changes to patterns of council income and expenditure are more certain.

1.1.6 This council has regularly monitored the financial effects of Covid using the latest available information to assess impacts the current year and estimated future years' implications.

1.1.7 This budget has been prepared both to ensure that the ongoing services and responsibilities of the council are resourced, and also to ensure that the ongoing work of responding to and recovering from the pandemic is also appropriately funded. The consideration of Covid-19 impacts runs through the budget proposals in different ways, including additional funding for service delivery, increased provisions for future risks, and consideration of the longer-term impact on business rates and council tax receipts. Key inclusions are:

- Non-ringfenced Government funding of £10.2m, assumed to be fully spent on Covid-19 costs in 2021/22;

- Local Council Tax Support Grant of £5.2m, providing scope to offer £1m additional funding to support families needing support with council tax, also offsetting £1.4m lost through slower than expected growth in house building (Council tax base) and a likely pressure of £4.9m arising from increased take up of local council tax support;

- Scope to recover lost income from fees and charges up to 30 June, worth up to £2.25m;

- Increased contingency provision to provide capacity to address unexpected cost pressures including the uncertain date for reopening leisure facilities and any recessionary impacts on local businesses and residents

- In year Covid-19 funding– current estimates indicate a carry forward from 2020//21 to 2021/22 of c £2m, which is targeted against disproportionate community impacts in the areas of mental health, tackling domestic violence and abuse, and employment support. (The value of the carry forward, which may be different, will be determined at the end of the year.)

1.1.8 Table 1, below, summarises the proposed Medium-Term Financial Strategy (MTFS) which includes proposals for savings that balances the budget for 2021/22. Over the

MTFS period to 2024/25, there is a savings requirement of £48.910m. Identified savings proposed for approval by Council amount to £34.802m. This leaves a gap in savings of £14.108m. The current uncertainty on local government funding beyond 2021/22 means that the majority of gap is estimated to fall within 2022/23. The MTFS and Business Planning process will need to commence early for 2022-2025 to address this. This is discussed in more detail section 1.5.

Table 1: Summary of 2021-25 MTFS Position

Summary of Medium-Term Financial Strategy	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Expenditure	342,607	351,207	370,267	390,747
Resources	(332,018)	(324,140)	(332,612)	(341,836)
Cumulative Savings Requirement	**10,590**	**27,067**	**37,655**	**48,910**
Saving Proposed for P&R Approval	(10,590)	(18,488)	(27,334)	(34,802)
Cumulative Savings Gap	**0**	**8,579**	**10,321**	**14,108**

1.1.9 The Government announced in the November 2020 Spending Round that for 2021/22 the level that it considers excessive for general Council Tax increases in 2021/22 is 2.00%. Therefore, if the council proposed to raise Council Tax by more than this limit, a local referendum would have to be held. Separately, the Government confirmed that for 2021/22, local authorities with social care responsibilities would be able to increase Council Tax by 3.00% without a local referendum for the Social Care Precept.

1.1.10 The proposed MTFS and budget for 2021/22 recommended for approval by Council has been prepared on the basis of a 1.99% increase for general Council Tax and 3.00% for the Social Care Precept. This is set out in further detail in appendices A, B and C1 and paragraph 1.5.15 to 1.5.17.

1.1.11 For 2021/22, there is a savings requirement of £10.590m (after including the proposed council tax increase as set out above) and this is being driven by the change in expenditure needs (an increase of £33.073m) compared with expected increased income of only £22.483m. This is discussed in more in detail in paragraph 1.5.3.

Table 2: Summary of Drivers for 2021/22 Savings Requirement

2021/22 Savings Requirement	Expenditure Needs £'000	Funding Changes £'000	Net Total £'000	Comment
Expenditure funded by One-Off Grants	11,225	0	**11,225**	Includes £10.2m of expenditure funded by one-off Covid-19 grant for 2021/22
Service Pressures	9,283	0	**9,283**	Final position after review of requests
Contingency for Risks	7,090	0	**7,090**	c£5m is for general risk management and c£2m for Covid-19 related risks
Pay and Non-Pay Inflation	4,947	0	**4,947**	Based on latest estimates for possible pay award and OBR CPI for non-pay
Other Expenditure	529	0	**529**	Includes the cost of the North London Waste Authority Levy, Pension Deficit and capital financing. These are offset by Concessionary Fares savings in 2021/22
Net Funding Changes	0	(22,483)	**(22,483)**	Net increase in funding for 2021/22 consists of a net increase of £15m from Grants, £9.7m from Council Tax and net reduction to Business Rates of £2.3m (including share of unfunded Collection Fund deficit)
Sub-Total	**33,073**	**(22,483)**	**10,590**	
Balanced By:				
Savings by Services	0	0	**(10,590)**	
Net Total	**33,073**	**(22,483)**	**0**	

1.1.12 The uncertainty from Covid-19 has meant that key Government announcements and plans have had to be deferred e.g. the multi-year Spending Review, consultation on New Homes Bonus. This in turn has meant that a multi-year finance settlement for local authorities in December 2020 was not possible. This increases the uncertainty for the council from 2022/23 onwards.

1.1.13 A consultation on the budget proposals within this report was held between 21 December 2020 and 18 January 2021. The consultation consisted of an online questionnaire and summary consultation document which was published in www.engage.barnet.gov.uk with paper copies available on request. The consultation was promoted through the council's resident's e-newsletter, Barnet First, council website and social media. Users of non-universal services were also invited to in the consultation through Community Barnet, Communities Together Network, Youth Board, Service area newsletters/circulars and super-user mailing lists.

1.1.14 There were 78 respondents to the consultation and of this there was a near even split of opinion on the budget proposals:

- 47% either directly supported the budget proposals (29%) or were neutral (18%).
- 4% were unsure;
- 49% disagreed with budget proposals.

1.1.15 Out of the 78 respondents to the consultation, 48 responded on the proposed Council Tax increase for 2021/22. 20 of these 48 respondents disagreed with a 1.99% increase for general Council Tax and 3.00% increase for the Social Care Precept, meaning that

out of the total consultation respondents, only 26% directly opposed increases to Council Tax in 2021/22.

1.1.16 The Chief Finance Officer is required to make a statement accompanying these budget proposals regarding the accuracy of the estimates and the adequacy of the reserves. The Section 151 Officer is of the view that the estimates are robust, that the process in which the budget was set was effective and that there is an effective budget management system in place. This is discussed in more detail section 1.7.

1.1.17 Section 1.6 sets out the position on reserves as at month 9 (December 2020). The council's earmarked reserves are forecast to total £50.380m at the end of 2020/21. Over the course of the MTFS period this is expected to reduce to £43.816m. This is within the prescribed level set out in the council's underlying Financial Strategy. During 2020/21, the Government has allocated a number of different grants to the council as part of financial assistance for Covid-19. These have been reported to FPCC committee during the year and the forecast of carried forward grants at the end of 2020/21 is estimated to be in the region of £5.875m. Separately, a further £68.371m is to be carried forward into 2021/22 received as Section 31 grants for support to businesses. All carried forward grant funding related to Covid-19 is expected to be spent in 2021/22.

1.1.18 The General Fund revenue forecast for 2020/21 at the end of Month 9 (December 2020) is estimated to be a breakeven position with a likely contribution to reserves estimated at £4m. This budget has been prepared taking account of both expenditure patterns arising during the 2020/21 financial year due to the pandemic, and also expected 'usual' patterns of spending. This is detailed further in paragraph 1.8.

1.1.19 Capital projects are considered within the council's overall medium to long term priorities. The council's revised Capital Programme stands at £1,240m and this includes additions of £91.207m, £60.712m of slippage from 2020/21 into future periods and deletions of £53.025m. This is set out in more detail in section 1.11 and Appendix J1.

1.1.20 This report also includes other areas of finance for Council's attention:

a. Dedicated Schools Grant – a report on Schools Funding for 2021/22 was presented to the Children, Education and Safeguarding committee on 25 January 2021, the proposed funding and budget for schools is discussed further in paragraphs 1.5.42 to 1.5.52;

b. The Annual Review of Council Dwelling Rents and Service Charges and Temporary Accommodation rents for 2021/22 was presented to Housing and Growth Committee on 25 January 2021, this set out proposed changes for HRA and GF tenant and garage rents as well as service charges. This is discussed further in paragraphs 1.14.1 to 1.14.15;

1.1.21 The council has an updated Corporate Plan which is discussed further below in section 1.2 and appended to this report as Appendix A. This plan sets out the priorities and vision for 2021-25 and the proposed budget for 2021/22 and MTFS has been developed to support the delivery of the priorities in the plan

1.2 Local Context - Council Priorities

1.2.1 The council's revised Corporate Plan for 2021-25 is included in Appendix A to this report. It sets out the four priorities and outcomes that the council will focus on over the next 4 years to realise its vision. These are:

- **Clean, safe and well-run:** investing in the environment to ensure streets are clean and anti-social behaviour is deal with so residents feel safe. Providing good quality, customer friendly services in all that that the council does;

- **Family friendly:** Creating a Family Friendly Barnet, enabling opportunities for children and young people to achieve their best;

- **Healthy:** a place with fantastic facilities for all ages, enabling people to live happy and healthy lives;

- **Thriving:** A place fit for the future, where all residents, businesses and visitors benefit from improved sustainable infrastructure & opportunity

1.2.2 This vision will be delivered using a preventative approach and considering equalities in all that the council does:

- **Prevention**: adopting preventative measures to help people remain healthy, happy and independent in all aspects of life

- **Equality**: a strong cohesive community, where diversity is celebrated, and everyone has equal opportunity regardless of their background

1.2.3 The priorities and actions identified to deliver these are inter-related and will require the council to work in an open, collaborative and more joined up way to achieve the desired outcomes. For instance, to successfully deliver the prevention agenda where Covid-19 has raised new challenges and demonstrated that different ways of working are required to deliver solutions. Equalities are also key to the delivery of this plan and has been considered throughout its development.

1.2.4 This revised Corporate Plan will be a live document and so will be continually reviewed for priorities and actions against need and delivery expectations. This review and reported progress will be completed annually over the life of the plan. The MTFS and Business Planning process will continue to be prepared alongside the Corporate Plan.

1.3 National Context

<u>Covid-19</u>

1.3.1 The onset of the Covid-19 pandemic in March 2020 in the UK has had a significant impact on all residents and businesses.

1.3.2 The uncertainty arising from Covid-19 has had an impact on national decision making. For instance, two key Government events, the Autumn Budget and multi-year Spending Review were postponed due to the risk of long-term decision making in the current climate whilst Covid-19 is ongoing.

1.3.3 These delays have impacted local councils, whilst the one-year Spending Round announcement in November 2020 announced in place of the Spending Review contained generally positive news, the uncertainty on funding beyond 2021/22 remains.

1.3.4 Despite these external uncertainties, the council has been resilient and has continued to respond to the evolving situation.

Spending Round 2020

1.3.5 A Spending Round (SR) announcement was made on 25 November 2020 for the Government's spending plans for 2021/22 only. The latest economic forecasts from the Office of Budget Responsibility (OBR) were included in this announcement.

Local Government Summary

Overall, the SR announcements for Local Government were positive for 2021/22. The headlines and further announcements made in the December 2020 Provisional Local Government Finance Settlement are discussed below in paragraph 1.3.12 to 1.3.14.

Additional Announcements

1.3.6 The SR contained the following additional announcements:

Pay and Employment

- Public Sector pay is estimated to have increase by c4% compared to 1% for private sector workers over the same period to September 2020. To ensure fairness and protect jobs, public sector pay is to be frozen from 2021/22 but this will exclude NHS staff (medics) and those earning less than £24k, who will receive an increase of c£250. Local Government pay is determined separately through joint national negotiations.

- National Living Wage (NLW): Recommendations from the Low Pay Commission will be implemented so the NLW for individuals aged 23 and over will increase by 2.2% from £8.72 to £8.91, from April 2021;

- National Minimum Wage will also increase from April 2021 by between 1.5% to 2.0%. Apprentices will receive an increase of 3.6%;

- The Department for Work and Pensions will receive funding of £2.9bn for the Restart Programme for 1m unemployed individuals to provide intensive support and £2bn for the Kickstart Scheme to deliver new, fully subsidised jobs for young people;

Public Spending

1.3.7 Core revenue budgets for Government departments will increase by £14.8bn or 3.8% in cash terms over 2020/21. This includes the budgets for:

- **Heath:** The Department for Health & Social Care will receive a cash increase of £6.6bn over 2020/21. The Government remains committed to delivering deliver 50k more nurses and an additional 50m general practice appointments a year.

- **Education:** An increase of £2.2bn in the school's budget from £47.6bn £49.8bn in 2021/22

- **Policing:** The SR included c£400m of additional funding to continue the recruitment of 20k extra police officers by 2023 in England and Wales. Note: Police and Crime Commissioners will have the flexibility to increase funding in 2021/22 with a £15 Council Tax referendum limit on a Band D property.

Economic Highlights

1.3.8 The underlying economic forecasts behind the SR20 suggests a challenging period beyond 2021 due to the uncertainty from e.g. rising unemployment and very high government borrowing levels. The OBR has modelled the three scenarios below, the central scenario assumes lower tax receipts and higher public spending compared to the last year:

Table 3: Summary of Office of Budget Responsibility Scenario of Assumptions

Scenario	Economic Recovery Period	CPI	Peak Unemployment Level*	Public Sector Net Debt as % of GDP**	Key Assumptions
Upside scenario	Late 2021	Falls to 0.8% by end of 2020 from 1.8% last year	5.1%	16.7%	"Lockdown succeeds in bringing the second wave of infections under control and the rapid rollout of effective vaccines enables output to return to its pre-virus level late next year"
Central Scenario	Late 2022		7.5%	19%	"Restrictive public health measures need to be kept in place until the spring and vaccines are rolled out more slowly, leading to a slower return to pre-virus levels of activity at the end of 2022"
Downside Scenario	Late 2024		11%	22%	"Lockdown must be extended, vaccines prove ineffective in keeping the virus in check, and a more substantial and lasting economic adjustment is required with economic activity only recovering to its pre-virus level at the end of 2024"

**will stabilise to c4.5% in the medium-term but still higher than pre-pandemic.*
***each scenario's forecast represents a "peacetime" peak at twice the amount reached during the financial crisis in 2009/10*

1.3.9 Following the SR20 announcement and assumptions above, additional lockdown measures on businesses and individuals were introduced in early December 2020 and

then again in early January 2021 to address a rising number of reported Covid-19 cases. Updates to the above are therefore expected as part of the Government's 2021 Budget announcement.

2020/21 Provisional Local Government Finance Settlement

1.3.10 The Provisional Local Government Settlement was announced on 17 December 2020 and this largely confirmed much of what had been released in the SR20. However, there were some additional announcements and changes to estimates and assumptions on funding announced in the SR20.

1.3.11 The table below summarises the announcements from SR20 and 21/22 provisional settlement for the council:

Table 4: Summary of Funding Allocations from SR20 and 21/22 Provisional Settlement

Type	Name	2021/21 £'000	Comment
Specific Grant	Improved Better Care Fund Grant	**9.339**	Ongoing funding
Specific Grant	Roll-forward of 2020/21 Social Care Grant	**7.843**	Ongoing funding
Specific Grant	Homelessness Prevention Grant	**5.667**	Ongoing funding
Specific Grant	New Social Care Grant	**0.763**	Ongoing funding
Non-Specific Grant	Covid-19 Funding	**10.225**	One-Off funding
Non-Specific Grant	Revenue Support Grant	**6.318**	Ongoing funding
Non-Specific Grant	Local Council Tax Support Grant	**5.184**	One-Off funding
Non-Specific Grant	Lower Tier Services Grant	**0.587**	One-Off funding

1.3.12 The following should be noted with regards to the provisional settlement for 2021/22:

- The one-off Covid-19 funding of £10.225m for 2021/22 is budgeted within the MTFS to be spent in full in 2021/22 on Covid-19 related expenditure;

- The New Homes Bonus grant is an ongoing grant but is anticipated to reduce and cease before the end of the MTFS period. Consultations are expected shortly on a replacement scheme for funding;

- The use of the Local Council Tax Support Grant is discussed further in paragraph 1.5.21 but will be offset lost council tax income arising from the slower than expected growth in the Council Tax base and higher than expected CTS claims as well as additional discretionary council tax support next year.

1.3.13 Three of the announcements from the SR20 and 2021/22 provisional finance settlement are for one-off grants, totalling £15.996m for 2021/22 only. Whilst this is welcomed for 2021/22, there is a risk to the council's funding beyond 2021/22 should these grants not be rolled forward or if equivalent funding is not made available and should the associated spending or cost pressures be required to continue.

1.3.14 The SR20 also announced the referendum limits to Council Tax for 2021/22, discussed below, and a 3-month extension to June 2021 of the MHCLG reimbursement scheme for local council losses in budgeted sales, fees and charges income.

Fair Funding Review and Business Rates Reset

1.3.15 The Government had previously announced its intentions to reform Local Government funding through a number of measures, set out in the table below:

Table 5: Summary of Anticipated Local Government Funding Reforms

Area of Reform	Objective	Current Status
Multi-Year Spending Review	To set spending limits across the public sector for more than one year. This will determine the available funding to Local Government.	The last full Spending Review was announced in 2015 and set plans for 2016/17 to 2019/20. A Spending Review for 2020/21 and beyond was expected by Autumn 2019 but this was deferred until Autumn 2020 and was replaced with a one-year Spending Round announcement for 2020/21. Similarly, in Autumn 2020, the planned Spending Review was deferred and replaced with a one-year Spending Round announcement for 2021/22 due to the ongoing uncertainty from the Covid-19 pandemic.
Review of Relative Needs and Resources ("Fair Funding Review")	This review will re-calculate each local authority's need for available funding and also consider what can be raised locally e.g. through Council Tax. This will determine a funding baseline for each local authority	The original plan was to implement final consultation findings by 2020/21 but this was then deferred until 2021/22;
Business Rates reforms	Once the available funding is determined and relative need for each authority calculated, it must be distributed via the Business Rates Retention system Proposals for reform included: ➢ increasing the proportion of rates retained; ➢ A reset baseline; ➢ more control over the money raised and incentives to grow and reinvest in local economies.	This, too, was initially intended to be implemented by 2020/21;
Social Care Funding	A Social Care Green Paper was originally announced in Spring 2017 to set out proposals for long-term funding arrangements of social care services and integration with health and other services	This paper has been delayed several times since but is still expected to be released in the future.

1.3.16 In early January 2021, MHCLG confirmed that due to the continuing situation with the Covid-19 pandemic, the Fair Funding Review would be delayed until 2022/23 at the

earliest. Similarly, the outcomes from the consultation of Business Rates that concluded in October 2020 and was due to be reviewed in Spring 2021 will also be deferred to a later date.

1.3.17 Separate to the above, the absence of a multi-year indicative finance settlement for local government creates uncertainty in planning for the MTFS e.g. for 2022/23 as there is little certainty on what level of funding will be available to the council.

1.3.18 The council's MTFS is revised annually and is prepared using the latest available information. The approach to preparing the MTFS includes setting aside a contingency budget to provide for any unanticipated costs. The overarching financial strategy discussed in paragraph 1.5.1 includes maintaining a minimal level of general fund balance and earmarked reserves to resilience and provide short-term funding for unexpected events.

January 2021 Economic Update

1.3.19 On 11 January 2021, the Government announced as a part of an Economic Update further measures to support businesses following the latest lockdown measures, including further support to retail, hospitality and leisure, additional discretionary funds to support businesses and funding to support the vaccine rollout.

1.3.20 The next full update on the state of the economy, response to Covid-19 and any further financial assistance will be contained in the Government's 2021 Budget which is expected to be announced on 3 March 2021.

Service specific national, regional and local context

London Business Rates Pooling

1.3.21 The council, along with the other participants of the London Business Rates Pool had expressed in October 2020 its interest to continue participation in the London Business Rates Pool for 2021/22, subject to an assessment of the final details and any decisions affecting pooling from Central Government.

1.3.22 Based on the latest modelling, the London business rates pool is expected to be discontinued as, without confirmed continuation of financial support to businesses by Government, the likely reduction in Business Rates receivable by participants of the pool in 2021/22 would mean that some members would be at a disadvantage overall, negating any collective advantage.

1.3.23 It has now been confirmed that the pool will discontinue for 2021/22.

Adult Social Care

1.3.24 The Adults and Safeguarding (A&S) Committee has responsibility for all matters relating to vulnerable adults, adult social care (ASC) and leisure services; and works with partners on the Health and Wellbeing Board (HWBB) to ensure that social care interventions are effectively and seamlessly joined up with Public Health and healthcare. The 2021/22 plan reflects both the Council's policy aims of safeguarding residents and supporting them to live independently; enabling residents to live healthy and active lives; and the Council's response to the Covid-19 pandemic for the services within the

committee's remit. The plan also sets out the key actions required to restore services in the recovery phase of the pandemic response. The areas of priority are:

- Recovery;
- Integrated Care;
- Promoting Independence;
- Prevention;
- Safeguarding and Statutory Services;
- Leisure

1.3.25 Even before the Covid-19 pandemic, the council had been working closely with NHS partners, jointly leading the development of the Barnet Integrated Care Partnership and providing integrated services across a range of client groups. This intensified with the onset of the pandemic, with an early change being the creation of an integrated discharge team bringing together staff from the council, Central London Community Health (CLCH), North Central London Clinical Commissioning Group (the CCG) and the Royal Free Group (Barnet Hospital), with council staff moving to 7 day, 8-8 operations.

1.3.26 The national discharge guidance came into effect in late March 20 and operated throughout the financial year. This included NHSE/I funding all care for all adults leaving hospital from 19 March to the end of August 2020 and new arrangements for discharge to assess from 1 September with packages funded for up to 6 weeks by the NHS to allow for the completion of assessments outside of the hospital. This includes people who would normally arrange and fund their own care.

1.3.27 Partners across health and social care in Barnet have regularly come together to jointly plan for the local system. There has also been additional work across the whole of North Central London, led by Barnet, to support resilience. This has resulted in, amongst other things, capacity planning, the mobilisation of additional rehabilitation beds, the block purchasing of care home beds, the development of new pathways – all focused on ensuring the right support for residents and supporting the NHS through the pandemic.

1.3.28 Adult social care led significant additional responsibilities throughout the pandemic, including leading the response to the shielded and the wider community of vulnerable people affected by Covid-19, alongside VSC partners. Throughout the pandemic, the council has also continued to carry out its full range of adult social care functions of assessing and meeting need, safeguarding, mental health act and mental capacity act duties.

1.3.29 This is all against the backdrop of existing national funding concerns for adult social care. For Barnet, in year savings delivery has been significantly impacted by Covid-19, with approximately £2m unable to be delivered. A large proportion of the savings strategy is based on delivering effective strengths-based working, which requires in depth face-to-face interactions between social care staff and people in need of care and support and their care providers. Covid-19 restrictions and other necessary safety measures have often prevented this. Savings or income based on increasing client contributions and reducing the costs of nursing care placements through acquiring block contracts have also been impacted by changes in demand or processes.

1.3.30 There has also been a significant disruption to leisure services as a result of Covid-19. The extent of the commercial impact and the recovery of the sector nationally is largely

uncertain. Projected increases in income from leisure services were based on increasing demand, which has been, and may continue to be, significantly impacted by closures, restrictions and changes in customer behaviour.

1.3.31 Officers have reviewed projections for overall growth in demographic demand and the necessary funding over the MTFS period, to reflect this. However, given the uncertainty about the future impact of Covid-19 on the adult social care budget, projections will be regularly reviewed.

1.3.32 The Association of Directors of Adults Social Services (ADASS) 2020 Budget Survey reported that only 4% of directors are 'fully confident' of meeting future medium-term savings targets. The survey also highlighted a number of key messages {1}

- ***Without significant financial intervention from the Government, the lives of people who use social care and their family carers will be seriously impacted in terms of their lives and wellbeing.*** There are huge additional financial pressures being faced by councils because of the Covid-19 pandemic. Nationally, planned savings of £608m to balance budgets and the loss of a minimum of £190m of planned income means that only 4% of directors are confident that their budgets are sufficient to meet their statutory duties. This puts at risk the assessment of individual needs, safeguarding adults and provision of care and support services to older and disabled people.

- ***The actual costs to local authorities and adult social care providers of the pandemic will far outstrip the Emergency Funding made available by the Government to-date.*** A report commissioned by the LGA and ADASS, and undertaken by industry experts LaingBuisson, calculated that the sector will face more than £6.6bn in extra costs, such as PPE, staffing and deep cleans, due to coronavirus, by the end of September 2020. To date, adult social care has had access to approximately half of the £3.2bn Emergency Funding to support the whole of local government's response to the pandemic, along with a £600m Infection Control Fund (£2.2bn total).

- ***The risk of already fragile care markets failing has significantly heightened as a result of the impacts of Covid-19.*** The increased costs faced by care providers, such as purchasing PPE at an inflated cost and a reduction in the occupancy of care homes in most areas has increased the likelihood of a significant number of providers, or a large provider, going out of business. This will be to the detriment of those people who need to access care and support services. 75% of Directors indicated that residential and nursing homes occupied by state-funded residents have seen a decline in the number of people accessing their services

- ***Only 4% of respondents are fully confident that their budget will be sufficient to meet their statutory duties this year, down from 35% in 2019/20.*** The diminishing confidence of Directors in meeting statutory duties is of great concern. Directors and elected councillors have to make difficult decisions to balance the books. This means considering the number of people receiving services, the level and quality of those services and the price that is paid to care providers. The ability of local authorities to ensure that people have access to social work, care and support and safeguarding services will directly impact on the ability of individuals to lead the lives they want to lead.

1.3.33 As cited by the Adult Social Care Funding Briefing Paper to the House of Commons, the number of adults aged 85 or over, the age group most likely to need care, is rising faster than the overall population. The overall UK adult population grew by 8% between 2007 and 2017, while the number aged 85 or over rose by 25% in the same period. At the same time, services for working-age adults account for 58% of the current demographic pressures on adult social care budgets. {2}

1.3.34 National financial pressures are reflected in Barnet, where there are increased cost-pressures year on year due to an increase in the numbers of new individuals receiving care, reduced numbers of people leaving / stopping care (therefore longer overall care episodes), increasing complexity of care needs and cost pressures from inflation and market constraints. Barnet has one of the highest populations of older people in London, with comparatively high numbers of those over 85. Between 2020 and 2035, the number of older people (aged 65+) in Barnet with learning disabilities is projected to increase from around 1,200 to nearly 1,800, a rise of 47%.[1{3}] It is also estimated that there are 4,294 people with dementia living in Barnet and by 2035 this figure is expected to increase to 6,806, which is an increase of 58.5%.[4. Again, the future impact on demographics of the current pandemic remains uncertain.

1.3.35 Benchmarking updated based on (recently published) 2019/20 figures shows that Barnet was the 16th lowest spending authority on adult social care out of 152 England authorities per head of the population (unchanged from 2018/19). This makes it likely that finding further savings are even more difficult to identify and deliver.

1.3.36 As referenced in the Adults and Safeguarding Quarter 2 (Q2) 202021 Delivery Plan Performance Report to this Committee in November, Barnet also achieves outcomes in adult social care better than or equal to comparator local authorities (LAs). This shows that overall value for money is good.

Children's Social Care and Education

1.3.37 Contacts from education to the Multi-Agency Safeguarding Hub (MASH) have been lower during the Covid-19 pandemic. Between April to September 2020, contacts from education settings were 53% lower than the volume received in the same period in the previous year (1184 in 2019 compared to 631). There was an expected upturn in contacts to the MASH from education in September 2020 when children returned to school but this was lower than expected and the volume was 15% lower than the previous year. The low volume of contacts was addressed with education providers resulting in a 13% increase in contacts from schools to the MASH during October and the numbers continued to rise to levels to closer to average volumes of education contacts until the January 2021 lockdown which has again significantly reduced the volume of contacts from schools. Further analysis is being carried out looking at trends in children in need and children in need of protection.

1.3.38 The numbers of children in care have been relatively stable during the Covid-19 pandemic. In March 2020, 322 children were in care and this reduced slightly to 315 in

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{1} https://www.adass.org.uk/media/7973/no-embargo-adass-budget-survey-report.pdf

{2} https://researchbriefings.files.parliament.uk/documents/CBP-7903/CBP-7903.pdf

[3] Source: POPPI & PANSI national datasets

[4] As above

January 2021. At the same time the number of Unaccompanied Asylum-Seeking Children (UASC) increased from 64 to 72 and the number of care leavers increased from 320 to 359. Children's placements have cost more this year and it is anticipated that this will continue into next year. The council is working across London to increase the sufficiency of provision.

1.3.39 The vision for the Children, Education and Safeguarding Committee, which is set out in the Children and Young People's Plan, is to make Barnet the most family friendly borough in London– where children, young people, and their families are safe and healthy, are informed and responsible, and feel listened to. At the core of this is a resilience-based model of practice which involves identifying issues early and supporting families to build their resilience, underpinned by high quality social work.

1.3.40 Barnet's safeguarding arrangements for vulnerable children and young people will be effective and robust, with greater interface between services to provide a cohesive approach. The council strives for schools in the borough to remain among the best in the country, with enough early years and school places for all and children achieving the best they can, with attainment and progress of pupils in the top 10% nationally, and the progress of the most disadvantaged and vulnerable pupils accelerated.

1.3.41 The challenging financial climate in which the Service is operating requires a focus on ensuring that resources are deployed effectively to deliver the key outcomes and priorities for the Committee. It is critical that any savings that are proposed are not going to impact on the improvement to the quality of children's services, which could undermine the progress that has been and continues to be made.

1.3.42 The Children's, Education & Safeguarding Committee is also responsible for education services. The Dedicated School Grant (DSG) is ringfenced to fund education in schools within the borough. It is split into four blocks: schools block, high needs block, central schools services block and early years block. There are regulations and statutory guidance prescribing how the funding can be used to ensure a minimum funding guarantee to schools. Not all the council's education responsibilities can be funded from the DSG and if there is a shortfall in funding in the DSG, the council can decide to use funding from its general fund to meet this shortfall. There is increasing pressure on high needs block ("High Needs") budgets across the country, as a result of demographic growth, the increasing complexity of needs and the impact of the government's special educational needs reforms (in particular extending educational provision for pupils with special educational needs from 0 to 18-year olds to 0 to 25-year olds).

1.3.43 Future trends:

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

- Projections suggest that by 2025, the population of children and young people in Colindale will be the highest of any ward, although the wards with the highest proportions of young people aged 0-19 years old in 2025 are projected to be: Golders Green (32%), Edgeware (30%) and Burnt Oak (29%);

- The overall number of children and young people with SEN statements or Education, Health and Care Plans rose by 26% between 2014 and 2017 and is expected to rise by a further 20% between 2017 and 2025;

- Increased demand on mental health and wellbeing services due to Covid-19 with a 25% increase already seen in anxiety related presentations to Barnet Integrated Clinical Service (BICS) and KOOTH online counselling service for young people;

- Children have missed a significant part of their education which will impact on their social and emotional development as well as educational outcomes;

- Increase in young people that are not in education, employment and training as young people have been disproportionately affected by the impact of the pandemic on employment.

Housing and Growth

Temporary Accommodation

1.3.44 The overall number of households in Temporary Accommodation (TA) significantly increased during the first national lockdown, peaking at 2,654 in June 2020. This increase was experienced despite the Government's ban on evictions and was largely due to the "Everyone In" directive which saw Barnet accommodate over 200 single people who were assessed as either sleeping rough or at genuine risk thereof. Since June 2020, the number of households in TA has steadily reduced with 2,499 households in TA at the end of December 2020. This reduction has largely been achieved through the work of Barnet Homes in finding suitable longer-term accommodation for households in TA, whilst also delivering a high number of homelessness prevention outcomes.

1.3.45 Barnet Homes have secured over £3m of additional funding from the Government to support the work with people sleeping rough. More details of this can be found in the most recent update to the Housing and Growth committee here; https://barnet.moderngov.co.uk/documents/s62896/Recovery%20Planning%20-%20Thriving.pdf

Homelessness

1.3.46 Overall homelessness demand has fallen slightly over the first 3 quarters of the year due mainly to the governments ban on evictions. Barnet Homes have recorded 2,446 homelessness related approaches between March to December 2020 compared to 2,608 for the same period in 2019/20. Whilst approaches from households in the private rented sector have reduced, there have been increases from single people and those being affected by relationship breakdowns when living with family or friends.

1.3.47 It is reasonably likely that there is an increased number of private tenants in rent arrears in Barnet, however, is not possible to accurately gauge the extent of those rent arrears. Equally it is not currently possible to gauge what steps landlords will seek to take given the current economic situation more broadly. The court system is experiencing large

backlogs and therefore non-urgent cases will take some time to process through the system.

Future impacts of worsening economy homelessness

1.3.48 It is expected that households approaching Barnet Homes due to potential homelessness will increase during 2021/22 as the economic impacts of the pandemic are increasingly felt throughout society. Early intervention is the key to preventing homelessness and Barnet Homes will continue to closely monitor demand and, along with the council, ensure proportionate responses. There are range of initiatives already in place and planned for 2021 to support residents and businesses through the challenging period, which can be found in the most recent update to the Housing and Growth committee here; https://barnet.moderngov.co.uk/documents/s62896/Recovery%20Planning%20-%20Thriving.pdf.

Longer-Term Plans

1.3.49 The council has demonstrated commitment to growth and development through adoption of the Growth Strategy at Housing and Growth Committee on 27th January 2020. The strategy sets out five key themes and 20 objectives to ensure that we build a great place to live in, work in, study in, and visit; a Barnet that is fit for the future.

1.3.50 The Council's guiding principles will secure healthy, resilient and cohesive communities through sustainable development, by increasing housing supply, investing in our economy, and delivering infrastructure to address the needs of a changing population; whilst capitalising on the development to maximise the benefit for residents and help the council meet savings.

1.3.51 The Council's Local Plan was approved for Regulation 18 consultation at Policy and Resources Committee on 6th January 2020 providing the policy framework and site allocations for future growth and development in Barnet, and committing to a housing delivery target of 46,000 homes by 2036 based on the Council's own assessment of housing need for the borough; translating into an annual target of 3,060 homes. The Plan is expected to begin Regulation 19 consultation by Summer 2021 following reflection upon the implications of Covid-19, changes to planning rules and use classes, and the shifts in the local economy.

1.3.52 The London Plan currently provides a housing target for Barnet of 2,349 new homes per annum (2015 London Plan). However, the New London Plan (at adoption stage) is revising that target marginally to 35,500 new homes (equating to 2,364 per annum).

1.3.53 There were very strong concerns following publication of the MHCLG housing target for "Barnet using the Government's standard methodology, with subsequent revisions potentially indicating a further revised target of about 5,744 new homes. However, the announcement on 16th December 2020 included agreement that the new London Plan will be approved with the current figures, and therefore the 2,364 target will apply for the next 5 years. This will allow time for the revised methodology and its implications for London-wide targets to be reviewed and the share of delivery across London Boroughs to be carefully considered.

1.3.54 The Government's Housing Delivery Test (HDT) provides a measure of housing delivery based on the preceding three financial years. Despite a high overall level of delivery, published figures in 2020 showed Barnet met 90% of the target, meaning that a Housing Delivery Action Plan (HDAP) was still required to be published, but no 'buffer' was required in the housing trajectory. The next HDT results are expected to be published in February 2021 and this will cover the period 2017-18, 2018-19, and 2019-20. It is forecast that the figures are likely to show the borough has not met the expected target and may again need to reinstate a buffer when considering deliverability of sites.

1.3.55 Barnet's HDAP provided analysis of barriers to delivery and identified actions to reduce the risk of further under-delivery against targets. The Growth Strategy Delivery Plan built on these and is being reviewed for March 2021 to ensure that all reasonable steps the council can take to improve housing delivery are taken. This is especially important in light of the additional challenges and shifts in focus and priority that have been required due to the impact of Covid-19 on the council, the local economy, and in relation to housing delivery, especially construction.

1.3.56 The MTFS includes estimated income from future development. This will enable the delivery plans and proposals in recently approved strategies and plans to better support and help deliver planned growth. The recent deal agreed in respect of Brent Cross Retail Park is included in the service's plans for the future with expected costs of £2.056m offset by modelled income to the same value.

North London Waste Authority (NLWA)

1.3.57 The existing energy from waste facility at Edmonton EcoPark has been operating for over 50 years and is coming to the end of its life. The building of the new energy recovery facility and associated works are known as the North London Heat and Power Project (NLHPP). Further information can be found at www.northlondonheatandpower.london. The NLWA levy costs are projected to increase significantly in future years as a result of the NLHPP. Therefore, in order to avoid the shock of sudden large increases in future years, the council has included a growth for this cost pressure in its medium-term financial strategy. This will be kept under review to ensure adequate resources are aligned to meet this pressure.

1.4 Barnet's approach to the financial challenge

1.4.1 Over the past decade, the council has successfully met the challenges facing Local Government e.g. through rising demands on services, slowed economic growth and austerity measures. During this period, the council has had to identify savings of c£193m to deliver a balanced budget whilst protecting frontline services as far as possible.

1.4.2 Throughout this time, the council has been open to new ways of delivery and working closely with partners from the public, private and voluntary sector. This continued approach is vital to ensuring that the council is well placed meet current and future challenges and continues to be a successful London borough.

1.4.3 Since March 2020, the Covid-19 pandemic has presented a new challenge for the council. The initial priority was to ensure delivery of essential services and to prioritise support to the most vulnerable residents in the borough whilst also co-ordinating

responses to pandemic with partners from the NHS, Metropolitan Police, Government and voluntary organisations. The financial impact of pandemic in 2020/21 has been significant but these costs to date have been largely funded by the Government and so there is no expected impact on the council's underlying funding. Details of the Covid-19 funding allocated to the council in 2020/21 has been reported to the Finance, Performance, and Contracts Committee.

1.4.4 The scale of the ongoing financial challenges e.g. the estimated savings requirement of £55.170m to 2024/25, separate from the Covid-19 pandemic means the way that services are delivered will continue to change. The revised Barnet Plan included in this report for approval sets out the priorities and outcomes for the council and approach to achieving these.

Theme Committee Savings

1.4.5 To address the budget gap identified between 2021-25, Theme Committees have previously been asked to consider a programme of savings across this period. Each Theme committee were presented with savings to be delivered from their respective areas in November 2020 for consideration and referral to P&R Committee in December 2020.

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

1.4.7 The savings identified by Theme Committee portfolios are as below (see paragraph 1.5.2 to 1.5.4 for further details on what has driven the need for these savings):

Table 6: Proposed Savings by Theme Committee

Theme Committee	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/24 £'000	Total £'000
Adults & Safeguarding	(2,026)	(1,137)	(967)	(555)	(4,685)
Children, Education & Safeguarding	(2,775)	(2,478)	(2,239)	(1,672)	(9,164)
Community Leadership Libraries	(200)	(150)	0	0	(350)
Environment	(1,475)	(995)	(2,057)	(2,031)	(6,558)
Housing & Growth	(3,155)	(1,509)	(2,104)	(2,535)	(9,303)
Policy & Resources	(859)	(1,529)	(1,227)	(675)	(4,290)
Public Health	(100)	(100)	(252)	0	(452)
Total	**(10,590)**	**(7,898)**	**(8,846)**	**(7,468)**	**(34,802)**

1.4.8 Public Health MTFS savings include assumed use of the Public Health grant to fund delivery of services with prevention outcomes as stipulated in the grant conditions. There are also assumed MTFS savings from the Dedicated Schools Grant that are also being reviewed.

1.4.9 The detailed savings plans are included at Appendix E.

Fees and Charges

1.4.10 In November 2020, Theme Committees considered the level of Fees & Charges within their portfolios and referred these to P&R Committee in December 2020 which were

approved. A full schedule of fees and charges for 2021/22 is set out in Appendix F1 to F5 for noting.

1.4.11 Adult Social Care completed a four-week consultation with residents about changes to the Council's fairer contribution rates for those that contribute to the cost of their care. The proposal is to increase the hourly charge of homecare services from £17.00 to £18.39 to reflect the average rate paid by Barnet Council under its new contract with homecare providers. The consultation findings are set out in detail in Appendix F-7. This proposal forms an important part of the Council's medium-term financial strategy (MTFS) for adult social care. Based on the findings from this consultation, summarised below, it is recommended that this proposal is implemented:

- Out of the 22 responses received, 6 people (28%) reported that they anticipated this change to have a positive impact compared to 3 (14%) who reported that the impact would be negative. 10 people (45%) reported that these changes would lead to no change in the lives of themselves and their families.

- 8 people (36%) tended to support the proposal, with 5 people (23%) neither supporting nor opposing it. 9 people (41%) opposed the proposal, 6 of whom (27%) opposed it strongly.

1.4.12 Since Environment Committee on 25 November 2020, fees and charges relating to parking in green spaces have been proposed by the service. These will be presented to Environment Committee on 11 March 2021 for their formal review but in order to implement by 1 April 2021 are included here for P&R Committee's approval under the revised Constitution. The proposed charges for 2021/22 are included in Appendix F6.

Budget Sign-Off

1.4.13 To promote and re-enforce good financial management and to satisfy an internal audit recommendation, Budget Holders, Directors and Executive Directors are asked to sign to acknowledge receipt of their budgets and to certify that they understand their responsibility to work within those budgets and deliver the associated savings, as set out in the council's financial regulations.

1.4.14 The finance team will provide budget holders with a document detailing their future year budgets with an explanation of how this has moved from the current year.

1.5 Financial Strategy

Overarching Strategy

1.5.1 The council's overarching financial 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 2021/22, as in previous years this was identified as £15m for the general fund balance and £30m for earmarked non-ringfenced revenue reserves in respect of "normal" council activity. Additional provisions have been set aside on the advice of the Section 151 Officer to ensure that future costs from the Covid-19 pandemic can be properly funded, to the extent that they are known;
- 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;
- The council will ensure there is 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 the Corporate Plan objectives and that it will actively disinvest where this is not the case;
- The council will understand the implications of growth and ensure that both the reward and the increased costs to services are recognised, and;
- The council will act lawfully and protect the integrity of regulations, ring fences and accounting rules.

2021-2025 Medium-Term Financial Strategy (MTFS)

Overall Savings Requirement and Gap

1.5.2 The proposed MTFS referred by P&R Committee for approval by Full Council has a balanced budget for 2021/22 with an overall savings requirement to 2024/25 of £48.910m. Based on savings proposed for approval to date of £34.802m, there is a savings gap of £14.108m across the MTFS period:

Table 7: Summary of Proposed MTFS Position 2021-2025

Summary of Medium-Term Financial Strategy	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Expenditure	342,607	351,207	370,267	390,747
Resources	(332,018)	(324,140)	(332,612)	(341,836)
Cumulative Savings Requirement	**10,590**	**27,067**	**37,655**	**48,910**
Saving Proposed for P&R Approval	(10,590)	(18,488)	(27,334)	(34,802)
Cumulative Savings Gap	**0**	**8,579**	**10,321**	**14,108**

2021/22 MTFS Savings Requirement Summary

1.5.3 For the 2021/22 MTFS Savings Requirement, the announcements from the November 20 SR and provisional settlement from December 20 have been reviewed and included into the revised MTFS. The table below shows how the 2021/22 Savings Requirement of £10.590m has been calculated:

Table 8: 2021/22 Savings Requirement - Summary of Changes over 2020/21

MTFS Saving's Requirement Breakdown	2021/22 Savings Requirement Increase/(Decrease) over 2020/21 £'000	Comment
Expenditure funded by Covid-19 Grant	10,225	This is expenditure over and above that already factored in, associated with new funding announced below
Service Pressures	9,283	These are broken down in paragraph 1.5.7
Contingency for Risks	7,090	To mitigate against general risks and for Covid-19 related pressures e.g. loss of leisure income
Council Tax Discretionary Payment	1,000	Funded by the one-off Local Council Tax Support Grant for 2021/22, this will assist claimants in hardship in with Council Tax 2021/22
Concessionary Fares saving	(2,130)	The saving in 21/22 to the council calculated by London Councils
Sub-Total: Service Expenses	**25,467**	
Non-Pay Inflation	3,272	Estimated CPI based on OBR rates
Pay Inflation	1,674	Estimated at 1.00% for 2021/22
North London Waste Authority Levy	1,500	The cost of the levy is anticipated to increase as new facilities are completed and so an amount is included in the MTFS in preparation for this.
Capital Financing Costs	659	To fund the revenue implications from the capital programme
Pension Deficit Cost	500	The estimate cost to the General Fund for Employer's pension contribution in respect of the pension deficit
Sub-Total: Cost Drivers	**7,606**	
Total Expenditure Estimates	**33,073**	
Estimated Changes to Funding from Local Taxation:		
Council Tax Income - General Element	(7,734)	Reflects projected increase of Council Tax Rate of 1.99% and calculated tax-base for 21/22
Council Tax Income - Social Care Precept	(2,038)	Reflects projected increase of Social Care Precept Rate of 3.00% and calculated tax-base for 21/22
Sub-Total: Council Tax Income	**(9,771)**	
*Net Business Rates Income	2,296	Reduction over 2020/21 retained rates, includes share of unfunded Collection Fund Deficit
Total Changes from Council Tax and Business Rates	**7,475**	
Estimated Changes to Central Government Grant Funding:		
Covid-19 Grant	(10,225)	This is one-off £1.550bn funding for 2021/22 announced in the November 2020 SR. The allocation was confirmed in the December provisional settlement
Local Council Tax Support Grant	(5,184)	One-off allocation for 2021/22 to meet any reduction in council tax base from additional local council tax support costs
Social Care Grant	(763)	The share of new a grant for 21/22
Lower Tier Services Grant	(587)	This is a one-off grant for 21/22 and is to ensure that no authority will have less funding available in 2021/22 compared to 2020/21.
Homelessness Grant	(537)	This is a new grant which combines two existing grants (Flexible Homelessness Support grant and Homelessness Reduction grant) and has an increased allocation (£47m nationally) to assist authorities manage homelessness pressures and supporting those who at risk of homelessness
New Homes Bonus Grant	1,890	This is the loss in grant over 2020/21 payments due to the removal of "legacy" payments ahead of the removal of this funding stream.
Housing Benefit and Council Tax Administration Grant	254	The estimated loss of funding in 2021/22, actual allocations yet to be confirmed.
London Crime Prevention Fund	145	Loss in grant from 2020/21 which has now ceased.
Sub-Total Changes to Grant Funding	**(15,008)**	
Total Funding Changes	**(22,483)**	
2021/22 Savings Requirement	**10,590**	

1.5.4 The reason for the savings requirement is that anticipated service delivery costs are increasing by £10.590m more than anticipated increases in funding. The table below

analyses the MTFS through different categories of cost changes (attached to this report as Appendix B).

Table 9: Summary of Expenditure and Funding Changes over the MTFS Period

Driver for Savings Requirement	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Expenditure Changes					
Service Pressures	9,283	7,169	6,858	6,008	
Contingency	7,090	6,093	5,499	6,211	
Inflation	4,947	5,921	6,683	7,240	
Other Expenditure	529	641	21	1,021	
Expenditure from one-off	11,225	(11,225)	0	0	
Sub-Total Expenditure Changes	**33,073**	**8,599**	**19,060**	**20,480**	**81,212**
Funding Changes:					
Business Rates and Revenue Support Grant	2,296	(2,457)	(1,177)	(397)	
Council Tax	(9,771)	(7,915)	(9,295)	(10,827)	
Central Government Grants	(15,008)	18,250	2,000	2,000	
Sub-Total Funding Changes	**(22,483)**	**7,878**	**(8,472)**	**(9,224)**	**(32,302)**
Incremental Savings Requirement	**10,590**	**16,477**	**10,588**	**11,255**	
Cumulative Savings Requirement	**10,590**	**27,067**	**37,655**	**48,910**	**48,910**

Service Pressures

1.5.5 As per in previous budget setting processes, services were consulted on pressures that they expect to either carry forward into the new financial year or to emerge over the MTFS period. These included on-going un-funded 2020/21 pressures, forecasts for increases in demand or other pressures as they are identified.

1.5.6 In this latest MTFS process, due to the impact of the Covid-19 pandemic and measures in response to this, it has been challenging for services to distinguish whether an adverse impact is temporary for this financial year only, within the MTFS period or a more fundamental long-term impact. To address this, where services have anticipated a pressure in 2021/22, these were distinguished between those:

- that are ongoing in nature and require base budget growth or;
- where trends are uncertain these are temporarily funded for 2021/22 through earmarked reserves or other resources until a more informed decision can be made.

1.5.7 The table below lists the current services included within the MTFS:

Table 10: List of Pressures by Theme Committee within the MTFS

Pressures	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Transitions cases from Children's Services to Adults	484	1,304	1,194	1,460	**4,442**
Increasing Complexity and Demographic	250	1,556	1,990	1,990	**5,786**
Adults & Safeguarding Sub-Total	**734**	**2,860**	**3,184**	**3,450**	**10,228**
Demographics and complexity (placements and care leavers)	1,420	1,486	1,900	1,900	**6,706**
School Conditions Survey	325	0	0	0	**325**
18-25 Service Pressures due to increased placement demands	1,000	235	300	300	**1,385**
SEND and Ed Psych staffing to meet increased demand (via BELS)	385	0	0	0	**385**
Mental Health	200	0	0	0	**200**
Elective home education coordinator and Welfare benefit advisors	150	0	0	0	**150**
Apprenticeship Levy unachievable saving	130	0	0	0	**130**
Children, Education & Safeguarding Sub-Total	**3,610**	**1,720**	**2,200**	**2,200**	**9,730**
Waste Transfer Site	1,072	0	0	0	**1,072**
Highways Decapitalisation	500	391	600	0	**1,491**
Greenspaces	350	0	0	0	**350**
Street Lighting PFI Contract - re-establish ring-fence reserve (removed 2 years ago)	228	195	250	250	**923**
Winter Gritting	150	0	0	0	**150**
Public Rights of Way (PROW) activities	113	(12)	0	0	**101**
Highways Emergency Service	110	0	0	0	**110**
Growth due to number of households, increase in footfall and residential streets cleansing	108	84	108	108	408
Confirm Street Manager	68	(41)	0	0	**27**
Mortuary Service	60	0	0	0	**60**
Legal Charges	50	0	0	0	**50**
Food Waste Service	0	938	0	0	**938**
Tree Management	0	156	0	0	**156**
Environment Sub-Total	**2,809**	**1,712**	**958**	**358**	**5,837**
Unfunded structural estates pressures, principally around Oakleigh Road Depot	1,664	0	0	0	**1,664**
Increase in cyclical repairs	150	0	0	0	**150**
Housing General Fund - Temporary Accommodation	0	590	500	0	**1,090**
Growth required for Saving G&CS2	0	286	16	0	**302**
Housing and Growth Sub-Total	**1,814**	**876**	**516**	**0**	**3,206**
Additional staffing for Growth and Corporate Services to support strategic priorities	316	0	0	0	316
Policy & Resources Sub-Total	**316**	**0**	**0**	**0**	**316**
Total Growth for Pressures in MTFS	**9,283**	**7,169**	**6,858**	**6,008**	**29,318**

Contingency

1.5.8 The position on the contingency budget for 2020/21 and the reasons for why this is held is discussed further below in paragraph 1.8.3 to 1.8.6. The proposed MTFS allows for a growth for contingency of £7.090m in 2021/22, £6.093m in 2022/23, £5.499m in 2023/24

and £6.211m in 2024/25. These amounts reflect the inclusion of a risk factor around the savings proposals and income e.g. in light of the pandemic should it continue over a prolonged period. As the MTFS is reviewed in future periods, these amounts will be considered against the prevailing risks to delivery.

Key assumptions contained within the MTFS

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

Table 11: Key MTFS Assumptions

Item	2021/22	2022/23	2023/24	2024/25
Council Tax – General Element Rate Increase	1.99%	1.99%	1.99%	1.99%
Social Care Precept Rate Increase	3.00%	2.00%	2.00%	2.00%
Council Tax Base Growth (net of CTS claims)*	0.19%	0.10%	0.50%	1.00%
Expenditure Inflation (OBR CPI Projection)	1.30%	1.90%	2.00%	2.00%
Employee Pay Award**	1.00%	2.00%	2.00%	2.00%

**the current assumption is that CTS claims will increase and offset growth to the tax-base but by the end of the MTFS period will recover to pre Covid-19 levels. This will continue to be monitored*
*** Lower paid staff are likely to receive a greater pay award rate*

New Homes Bonus (NHB)

1.5.10 In the 2020/21 finance settlement from December 2019, the Government announced plans to consult upon the future of the New Homes Bonus scheme in Spring 2020. The onset of the pandemic delayed this and for 2021/22 the scheme continued.

1.5.11 However, NHB payments in 2021/22 will not attract legacy payments in following years. For 2021/22, this means authorities will receive three years' worth of payments (legacy payments for 2018/19 and 2019/20, as well as new one-off payments for 2021/22). The calculation methodology remains unchanged, with authorities needing to achieve tax base growth of greater than 0.4 per cent before they receive any NHB funding.

1.5.12 The Government announced in SR20 that consultation on reforms to the New Homes Bonus will commence shortly, with a view to implementing these in 2022/23. Therefore, 2021/22 is to be the final year under the current approach with the current grant expected to cease by the end of 2022/24.

1.5.13 A replacement scheme for NHB is expected to be implemented within the MTFS period but there are currently no details on what this might consist off or possible funding allocations to the council. In that context, a level of replacement funding has been assumed. This will be updated as more information becomes available. The table below summarises the assumptions on NHB and a replacement scheme in the MTFS:

Table 12: Modelled Loss of New Homes Bonus within MTFS Period over 2020/21

New Homes Bonus	2020/21 Budgeted £'000	2021/22 Allocation £'000	2022/23 Modelled £'000	2023/24 Modelled £'000	2024/25 Modelled £'000
Year 7	1,749				
Year 8	3,711	3,711			
Year 9	2,705	2,705			
Year 10	1,984				
Year 11		1,843			
Total Grant Allocation	**10,150**	**8,260**			
Assumed Replacement Grant			**6,260**	**4,260**	**2,260**

Council Tax

1.5.14 The council needs to ensure that it has adequate resources to meet its statutory obligations and priorities. Its approach is to deliver a budget that is affordable and with a prudent and realistic level of Council Tax over the period of the MTFS. The MTFS approved by Council in March 2020 included the assumption of a 3.99% increase in each year in order to support front line services.

1.5.15 The Government confirmed in the SR20 that local authorities would be able to increase the general element of Council by 1.99% without a local referendum. In addition to this, local authorities with social care responsibilities would be able to increase Council Tax by a further 3.00% for the Social Care Precept to fund social care expenditure without a referendum. In 2020/21, this precept was set at 2.00%. The additional 1.00% for the Social Care Precept equates to additional Council Tax funding of c£1.9m in 2021/22 if fully adopted.

1.5.16 The remainder of the MTFS for 2022/23 to 2024/25 assumes an increase for the general element of Council Tax of 1.99% and 2.00% for the Social Care Precept. If this flexibility is not allowed in future years' then the MTFS will need to be updated to reflect that scenario.

Council Tax Rate

1.5.17 For 2021/22, the Government confirmed that the level that it considers excessive for general Council Tax increases in 2021/22 is 2%. Should the Council wish to raise the level by that amount or above, a referendum of the local electorate must be held. For 2021/22, a 1.99% increase for the general element of Council Tax is proposed. Note: the increase of 1.99% is calculated on the total approved rate from 2020/21 i.e. £1,273.77.

1.5.18 In addition, the Government confirmed that local authorities with responsibility for social care could apply a Social Care Precept of 3.00% on top of the general element of Council Tax in 2021/22. For 2021/22, a 3.00% increase for the Social Care Precept is proposed.

1.5.19 For 2021/22, the total proposed increase to Council Tax for the London Borough of Barnet is 4.99%. Note: the increase of 3.00% is calculated on the total approved rate from 2020/21 i.e. £1,273.77

Table 13: London Borough of Barnet Proposed Council Tax Change - Band D

London Borough of Barnet	Band D (£)	% Change
Approved 2020/21	**1,273.77**	
1.99% General Increase	25.35	
3.00% Social Care Precept	38.21	
Proposed 2021/22	**1,337.33**	**4.99%**

2021/22 Local Council Tax Support Grant (LCTS)

1.5.20 The LCTS grant has been awarded to local authorities in recognition that the adverse economic impact from the Covid-19 pandemic will result in increased CTS claims and a reduction in the number of dwellings for which Council Tax income is due from. It is also recognised that the proposed increase to Council Tax will result in hardship for some households e.g. those in receipt in Council Tax Support.

1.5.21 The LCTS grant will be applied in 2021/22 to mitigate against the increased number of CTS claims and slowing of growth in the Council Tax base. Additionally, £1m will be held to fund Council Tax Discretionary Payment for those residents experiencing hardship in paying their 2021/22 Council Tax bills.

2021/22 Greater London Authority Precept

1.5.22 The provisional Greater London Authority (GLA) precept is proposed to increase by 9.51% over the approved 2020/21 approved precept. The GLA Precept funds services which fall under the responsibility of the Mayor of London to provide i.e.

- Policing;
- Non-Policing e.g. London Fire Brigade and transport services;

Table 14: Greater London Authority Proposed Council Tax Change - Band D

Greater London Authority	Band D (£)	% Change
Approved 2020/21	**332.07**	
Non-Police Precept	15.00	
Police Precept	16.59	
Proposed 2021/22	**363.66**	**9.51%**

1.5.23 Based on the proposed changes to Council Tax above for 2021/22 for the London Borough of Barnet and the GLA, the total estimated demand on the collection fund and Council Tax requirement is:

	Band D (£)	2021/22 Tax-base	2021/22 Billable Council Tax (£)
Barnet's Council Tax Requirement	1,337.33	148,093	198,050,148
Greater London Authority	363.66	148,093	53,855,755
Total Requirement for Council Tax			**251,905,903**

1.5.24 The table below summarises the proposed 2021/22 Council Tax Requirement and changes over 2020/21:

Table 15: Summary of Budget and Council Tax Requirement

Budget	2020/21 Original (£)	2020/21 Current (£)	2021/22 Proposed (£)
Total Service Expenditure	**309,235,431**	**309,534,939**	**332,017,220**
Contribution to / (from) Specific Reserves	0	0	0
Net Expenditure	**309,235,431**	**309,534,939**	**332,017,220**
Other Grants	(54,307,927)	(54,607,436)	(69,615,258)
Budget Requirement	**254,927,504**	**254,927,503**	**262,401,962**
Business Rates Retention	(40,553,935)	(40,553,935)	(38,302,644)
Business rates top-up	(19,810,294)	(19,810,294)	(19,731,211)
Business Rates Income	**(60,364,229)**	**(60,364,229)**	**(58,033,856)**
RSG	(6,283,212)	(6,283,212)	(6,317,958)
Barnet's Element of Council Tax Requirement	**188,280,063**	**188,280,062**	**198,050,148**
Greater London Authority – Precept	49,084,263	49,084,263	53,855,755
Total Council Tax Requirement	**237,364,326**	**237,364,325**	**251,905,903**
London Borough of Barnet - Band D (£)	1,273.77	1,273.77	1,337.33
GLA Precept - Band D (£)	332.07	332.07	363.66
TOTAL COUNCIL TAX (BAND D EQUIVALENT)	**1,605.84**	**1,605.84**	**1,700.99**

1.5.25 If the proposed increased in Council Tax rate is approved for 2021/22, 4.99% for the London Borough of Barnet and 9.51% for the GLA Precept, the Council Tax Rates for Barnet residents in each category of dwelling will be:

Table 16: Proposed 2021/22 Council Tax Rates

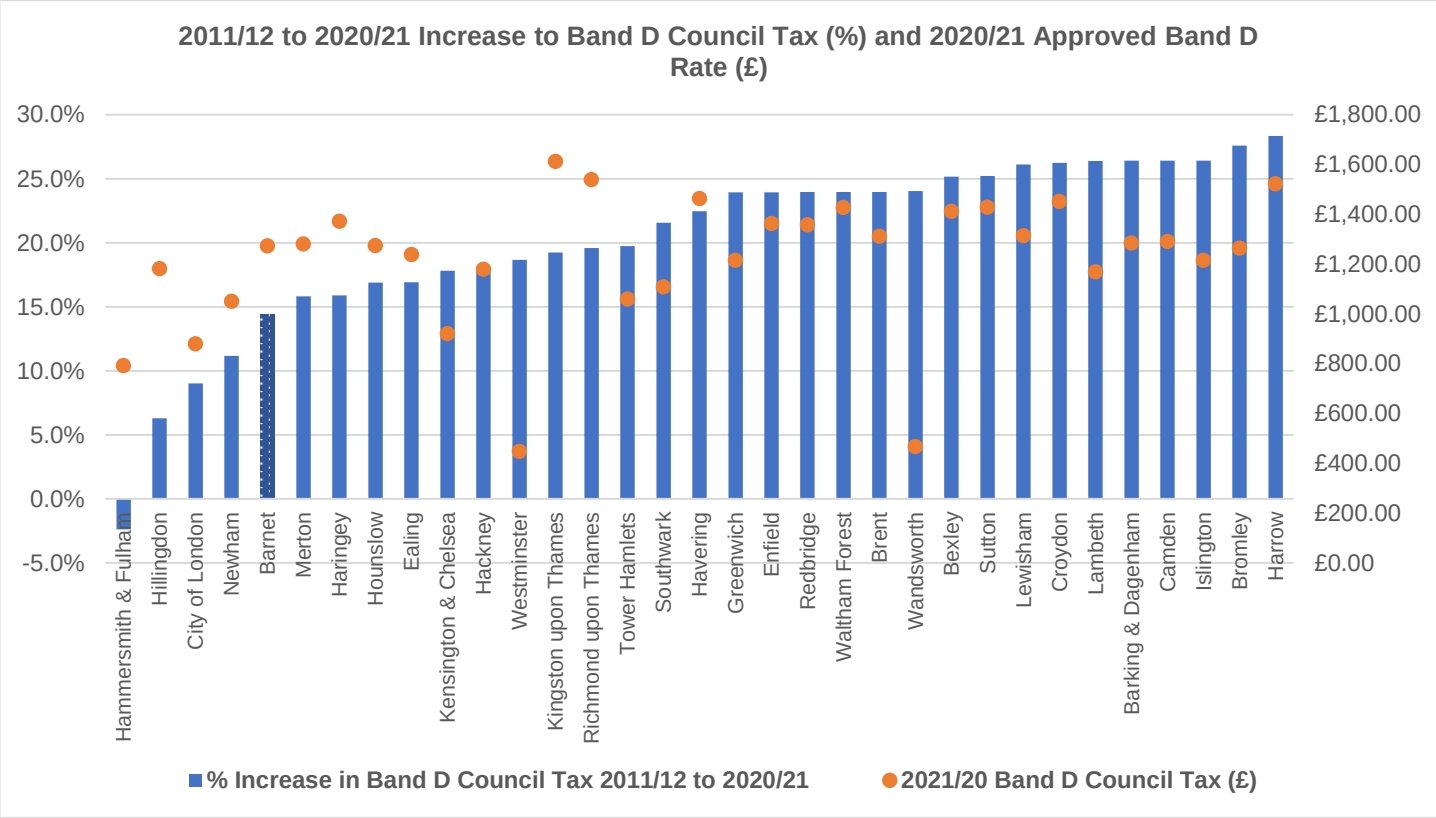
Council Tax Band	Barnet (£)	GLA (£)	Total (£)
A	891.55	242.44	**1,133.99**
B	1,040.15	282.85	**1,323.00**
C	1,188.74	323.25	**1,511.99**
D	1,337.33	363.66	**1,700.99**
E	1,634.51	444.47	**2,078.98**
F	1,931.70	525.29	**2,456.99**
G	2,228.88	606.10	**2,834.98**
H	2,674.66	727.32	**3,401.98**

1.5.26 Individual Council Tax bills will reflect occupancy status with discounts for low occupancy (one or no adults) and exemptions for specific circumstances. In addition, some residents will be eligible for Council Tax support.

Historic Council Tax in London

1.5.27 The graph below shows that over the past 10 years to 2020/21, Barnet has had the 5th lowest cumulative Council Tax increase together with an absolute Council Tax rate. The approved Band D Council Tax rate for Barnet for 2020/21 of £1,273.77 is below that of most other outer London Boroughs, the average for which in 2020/21 was £1,356.04.

Graph 1: Summary of Band D Council Tax Change (excluding the GLA Precept) in London since 2011/2



Council Tax Base (No. of Band D Equivalent Dwellings)

1.5.28 Calculating the council tax base is an important step towards setting the basic amount of Council Tax. The detailed council tax base schedule is included at Appendix D1. The Chief Finance Officer, under delegated powers, has determined the 2021/22 Council Tax Base to be 148,094 (Band D equivalents), the calculations are shown in the following table:

Table 17: 2021/22 Council Tax Base

Band D Equivalents:	**2020/21**	**2021/22**	**Change**	**%**
Total properties	**176,599**	**179,060**	**2,461**	**1.39%**
Exemptions, disabled relief, discounts and premiums	(14,896)	(15,448)	**(552)**	**3.71%**
Ministry of Defence Contributions	8.6	3.7	**(4.9)**	**-56.98%**
Reduction due to Council Tax Support Scheme	(13,776)	(14,774)	**(998)**	**7.24%**
Adjustments (projections):				
New properties	2,371	1,628	**(743)**	**-31.36%**
Exemptions (Students)	(242)	(120)	**123**	**-50.62%**
Non-collection @ 1.5%	(2,252)	(2,256)	**(4)**	**0.18%**
Total Council Tax Base	**147,813**	**148,094**	**281**	**0.19%**

Inflation Funding

1.5.29 Funding for Pay Inflation and Non-Pay inflation has been estimated and set aside centrally within the MTFS. In 2020/21, a pay award of 2.75% was confirmed in September. Within the MTFS, a possible future pay award has been assumed and modelled at 1.00% for 2021/22 and 2.00% for 2022/23 to 2024/25.

1.5.30 For Non-Pay Inflation, OBR projections for CPI as at July 2020 have been assumed and modelled. The revised OBR projects as at November 2020 are marginally lower. The lockdown measures to the pandemic on businesses, hospitality and leisure has slowed economic activity and growth and resulted in low CPI rates this year. It is expected that economic activity will recover, and so inflation will gradually increase again and so the, lower projections from the OBR in November 2020 have not been updated into the MTFS.

MTFS Risks

1.5.31 There are risks which, due to an assessment of probability, have not been factored into the current MTFS. They recognise a possible outcome and not necessarily the likely outcome. The council is aware of these risks and will monitor each individual risk carefully.

1.5.32 Separately, the single biggest risk currently facing the council is the ongoing impact of the Covid-19 pandemic and how this could materialise into direct and indirect risks and possibly costs for the Council. Examples of direct risks include the wider uncertainty on Social Care demand levels, realisation of fees and charges and collection of Council Tax. Indirect risks include those that impact the economy and resulting policy changes.

1.5.33 Also related to the impact of the pandemic, budget estimates in this report have been made for the expected values of receipts for council tax and business rates. These estimates have been prepared based on the latest information and taking into account external advice. However, there remains a risk that the expected levels of income for both council tax and business rates will not be achieved. This risk has been reviewed and is regarded as tolerable within the financial structure of the budget for 2021/22. It will be kept under review to inform budget planning across the whole of the planning period,

1.5.34 The council maintains a contingency budget and minimal level of general and earmarked reserves to deal with such unanticipated items. Should any such risks materialise, these resources are available as a short-term measure to deal with these events.

Ring-Fenced Funding

1.5.35 There are other key sources of funding sources for the council which are discussed as follows:

Better Care Fund (BCF)

1.5.36 The preliminary 2021/22 Barnet BCF allocation is £40.039m and is used to fund health services, social care services, and major adaptations through the Disabled Facilities Grant and to make investments into the development of integrated services. For 2021-22,

the Winter Pressures Grant allocation continues to be rolled into the Improved Better Care Fund and is no longer ringfenced for alleviating winter pressures.

1.5.37 In 2020/21 the Council was allocated £7.5m of the total core BCF funding towards the protection of social care which was an uplift of 5.3% on 2019/20. A confirmed 5.3% uplift will also be applied to the allocation in 2021/22.

1.5.38 The monies within Barnet's BCF form a pooled budget under Section 75 of the NHS Act 2006 overseen by the Barnet Health and Wellbeing Board. The section 75 agreement allows for resources to be easily transferred between health and social care budgets to meet the objectives of the pooled fund.

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

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

Dedicated Schools Budget (DSG)

National Context:

1.5.41 The Spending Round in 2019 confirmed an additional £2.6bn in schools funding for 2020/21, £4.8bn for 2021/22 and £7.1bn for 2022/23, compared to the funding level of 2019/20. As part of the overall increase, it was announced that an additional £700m of High Needs funding will be allocated to support children and young people with special educational needs and disabilities (SEND) in 2020/21. In addition to this, a further £1bn Covid-19 Catch-Up fund has been allocated to schools to be paid in 2020/21 and 2021/22.

1.5.42 Schools budgets are funded mainly via a ring-fenced Dedicated Schools Grant (DSG) with funding being allocated through four funding blocks as shown below:

- **Schools Block:** allocates funding for pupils in Reception to Year 11 in state-funded mainstream schools and academies;

- **Early Years Block:** funds early education entitlements for 2, 3 and 4-year-olds in private, voluntary and independent settings, maintained nursery schools and school nursery classes. The funding for 2-year olds is specifically for pupils from households with low incomes;

- **High Needs Block:** supports provision for vulnerable children and young people, mainly those with special educational needs and disabilities (SEND) from their early years to

age 25, enabling both local authorities and institutions to meet their statutory duties under the Children and Families Act 2014;

- **Central Services Block (CSSB):** The CSSB receives funding for central functions local authorities carry out on behalf of maintained schools and academies. It allocates funding for two purposes: ongoing responsibilities and historic commitments.

1.5.43 On 17th December 2020, the Department for Education (DfE) published the 2021/22 schools, central schools' services, high needs and early years funding allocations through the Dedicated Schools Grant (DSG). It should be noted that the school's blocks and high needs blocks now contain funding for the Teacher's Pay and Grant and the Teacher's Pension Employer Contribution Grant, which used to be paid separately.

1.5.44 Post 16 Funding for 6th Forms is not received as part of the DSG as per the table below. Final figures Post 16 funding for 2021/22 will not be known until July 2021 but is estimated to be £5.209m.

1.5.45 The indicative DSG budget for 2021/22 by block is set out in Table 1 below:

Table 18: DSG Allocations and the Indicative Schools Budget

DSG Allocations and the Indicative Schools Budget	Schools Block £m	High Needs Block £m	Early Years Block £m	Central Block £m	Total DSG £m
Budget Monitoring as at December 2019	145.370	49.676	29.877	2.141	**227.064**
Add: Academy Funding	120.263	0.000	0.000	0.000	**120.263**
Add: Funding for places at Academies	0.000	5.046	0.000	0.000	**5.046**
2019/20 Gross DSG as at December 2019	**265.633**	**54.722**	**29.877**	**2.141**	**352.373**
2020/21 Gross DSG Block as announced	**£m**	**£m**	**£m**	**£m**	**£m**
As at January 2021	141.156	54.568	30.189	2.193	**360.649**
Funding for Teacher's Pay & Pension Grants	12.554	0.833	0.000	0.000	**13.387**
Add: Funding for Academies	132.543	5.188	0.000	0.000	**5.188**
2021/22 DSG Income	**286.252**	**60.589**	**30.189**	**2.193**	**379.223**

1.5.46 The allocation for the Schools Block is based on October 2020 school census data. A minimum Funding Guarantee of +2.00% means that every Primary or Secondary school will receive at least this percentage increase per pupil through the formula in 2021/22 than it did in 2019/20. In addition, each primary school is guaranteed a minimum of £4,180 per pupil and each secondary school is guaranteed to receive at least £5,415 per pupil. These rates include the extra funding for Teachers Pay Grant and Teacher's

Pension Employer Contribution Grant set at £180 per primary aged pupil and £265 per secondary aged pupil.

1.5.47 **Schools Block** - The 2021/22 SB Income is based on the following rates:

- £4,814.89 Primary unit of funding based on 29,721 primary pupils October 2020 census)
- £6,304.32 Secondary unit of funding based on 21,849 secondary pupils October 2020 census)
- £5.412m of funding for Pupil Growth and Premises factors.
- **This totals £286.252m.**

1.5.48 **High Needs Block** - The provisional HNB income for Barnet has been calculated as follows:

- £54.775m - Actual High Needs NFF allocation
- £4.249m - based on a £5,184.93 per pupil with Area Cost Adjustment (ACA) weighted base rate * 820 (pupils in special schools/ academies based on the October 2020 census)
- £0.564m - Import/export adjustment for net 51 imported pupils
- £0.168m – Additional High Needs Funding
- **This totals £60.589m.**

1.5.49 The final import/export adjustment will be amended based on January 2021 school and Further Education providers' High Needs pupil census data.

1.5.50 **Early Years Block** – The EYB is estimated using early years numbers taken from the Early Years and Schools census in January 2020. An update to the 2020/21 EYB allocation will be made once the January 2021 Early Years and Schools census numbers are finalised. The proposed funding rates for 3 to 4-year and for disadvantaged 2-year olds will be released in January 2021.

1.5.51 **Central School Services Block** – The provisional 2021/22 CSSB for Barnet includes the following:

- £1.896m – allocation for ongoing responsibilities (includes retained duties, admissions, licensing and schools' forum administration)
- £0.297m – Historic commitments allocation
- **This totals £2.193m.**

Allocation of budgets to Schools, Settings and Institutions:

1.5.52 The DfE allocates funding to Local Authorities (LAs) using the National Funding Formula (NFF). LAs in turn distribute funding to Schools, Settings and Institutions on the basis of local formulations and agreements. In the case of the Schools Block, LAs are not compelled to follow the NFF for 2021-22 but Barnet's local formulation matches that of the NFF.

1.5.53 For the Early Years Block there is a strict NFF requirement to allocate at least 95% of the hourly funding rate to settings for 3 to 4-year olds; 2 year-old funding is paid out at 100% of the hourly funding rate. Barnet's formula matches these requirements.

1.5.54 For the High Needs Block there is LA discretion over place funding, top up and commissioning arrangements. For Barnet, these are published via the Local Offer which

is available on the Barnet website. The Local Offer helps children and young people with Special Educational Needs and/or Disabilities and their families find information and support across the Barnet local area.

Public Health Grant

1.5.55 Public Health (PH) Grant will continue to be ring-fenced beyond April 2021, until further notice. It is anticipated that PH Grant uplift received in 20/21 will be maintained in 2021/22 however this was still to be confirmed at January 2020. It is expected that this increase will continue to fund sexual health prevention interventions introduced in October 2019, Healthy Early Years and Healthy Schools Programme, Perinatal Mental Health and The National Diabetes Prevention Programme currently funded from the existing PH ringfenced reserves.

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

1.5.57 Council is asked to note the service is going through a major Public Health emergency and there is a potential knock-on effect that the Covid-19 pandemic will have by placing pressure on the PH Grant in future years to deal with longer-term consequences of obesity, sexually transmitted infections, prevention of suicide, substance misuse prevention and treatment.

1.5.58 In recent years, decreases in spend in core Public Health Grant, due to the national grant reduction, have been achieved via efficiencies and contract re-procurement. Furthermore, as part of MTFS, Public Health Grant is supporting preventative services across the Council: an investment in prevention and wellbeing contracts in adult social care (£1.639m in 2020/21) and investment in early help (£1.350m in 2020/21). Future MTFS savings planned beyond 2021 from the Grant will be invested in additional preventative services that will aim demand reduction across the Council.

1.5.59 Development of the new Health and Wellbeing Strategy and Barnet Plan Prevention workstream are underway and their guiding principles will seek to maximise the impact on population health outcomes through the use of the Public Health Grant and influencing system wide prevention across the whole Council and local NHS agenda.

1.6 Earmarked Reserves

1.6.1 As noted elsewhere in this report, the widespread effects of the Covid-19 pandemic have created additional risks and uncertainties for the council. Earmarked reserves are an effective way to mitigate against these sorts of short-term risks and to manage unbudgeted changes in funding or service demand. The council's underlying financial strategy includes principles that underpin this, including that

- 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, including to mitigate for adverse equality impacts, requirements but not to the point of the organisation being in distress;
- The council will ensure there is sufficient funding for on-going transformation and long-term changes;

1.6.2 As at Month 9, the council's forecasted closing level of earmarked revenue reserves is £50.830m. This is in addition to the general balance of £15m. It is expected that there will be no use of earmarked reserves in 2020/21 – in fact, the forecast is for a contribution to reserves to be made.

Table 19: General Fund Reserve Summary and Forecast

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Breakdown of Reserve	**As per 19/20 Statement of Accounts**	**Based on Current In-Year Estimates**	**Current Forecast Pending 20/21 Outturn**			
Financial Resilience	32,281	33,181	33,181	33,181	33,181	33,181
Transformation	3,044	2,463	1,847	1,232	616	0
Revenue - Service Specific	4,488	5,484	3,484	3,484	2,742	2,742
Non-Ringfenced Revenue Reserves	**39,813**	**41,128**	**38,512**	**37,896**	**36,538**	**35,922**
Dedicated Schools Grant (DSG)	1,808	1,808	1,308	808	308	0
Housing Benefits	4,867	4,867	4,867	4,867	4,867	4,867
Public Health	1,188	1,640	1,640	1,640	1,640	1,640
Special Parking Account	1,386	1,386	1,386	1,386	1,386	1,386
Ring-fenced Revenue Reserves	**9,249**	**9,702**	**9,202**	**8,702**	**8,202**	**7,894**
Total Revenue Reserves	**49,062**	**50,830**	**47,714**	**46,598**	**44,740**	**43,816**
Unapplied Revenue Grants						
Covid-19 Grants 2019/21	8,772	0	0	0	0	0
Covid-19 Grants 2020/21	0	5,875	0	0	0	0
Section 31 Business Rates Related Grants	0	68,371	0	0	0	0
Total Reserves: Revenue and Unapplied Grants	**57,834**	**125,076**	**47,714**	**46,598**	**44,740**	**43,816**
Capital Reserves	9,858	9,728	9,008	8,287	8,287	8,287
Total Reserves	**67,692**	**134,804**	**56,722**	**54,886**	**53,027**	**52,104**

Covid-19 and Section 31 Grants

1.6.3 An assessment has been made of the likely level of Covid-19 spending compared to the grant funding received. This is expected to mean that some funding will be carried forward at year end 2020/21 into the new year 2021/22, earmarked to the ongoing cost of the pandemic response.

1.6.4 Additionally, as reported to FPCC in December 2020, in 2020/21 there will be a timing difference between the receipt of some grants awarded and their use. This includes c£68m of section 31 grants linked to reliefs granted by the Government to businesses for Business Rates bills.

1.6.5 The Reserves and Balances policy attached to this report as Appendix L has been updated for the above to reflect a new type of reserve to categorise Covid-19 and Section 31 grants as "Unapplied Revenue Grants".

Community Infrastructure Levy

1.6.6 A separate report was presented to P&R Committee on 8th February 2021 following a review of the charging schedule for the Community Infrastructure Levy. The report sought the Committee's agreement to consult on a new Draft Community Infrastructure Levy (CIL) Charging Schedule to revise the Barnet CIL rate to £300 per square metre for residential development and introduce a flat rate for all other uses of £20 per square metre.

1.6.7 The proposed increase to the CIL rate will also increase the portion of CIL available for the Neighbourhood Portion, which is managed by the Area Committee's and is currently capped at £150,000 per area committee per annum. However, regulations allow for 15% of the CIL received per annum to be used to support town centres, area committees and local environmental improvements.

1.6.8 It is intended that local CIL will be spent on environment improvements and investment in town centres.

1.7 Robustness of the budget and assurance from Chief Finance Officer

1.7.1 In order to comply with Section 25 of the Local Government Act 2003; the Authority's Chief Financial Officer (the Director of Finance) is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.

1.7.2 This information enables a longer-term view of the overall position to be taken. It also reports on the Director of Finance's consideration of the affordability and prudence of capital investment proposals. The level of general balances to support the budget and appropriate earmarked reserves maintained by the Council in accordance with the agreed Council Policy on Earmarked Reserves are an integral part of its continued financial resilience. The council's reserves and balance policy is attached at Appendix L. Details of the council's in-year financial performance are reported to the Financial Performance and Contracts Committee on a regular basis.

1.7.3 The council is a large, complex organisation with a diversity of assets, interests, liabilities and other responsibilities. These require considerable on-going monitoring and review particularly in light of the challenging financial climate. With this in mind, the council has recognised the on-going need to identify risks and have measures in place to mitigate them should they occur.

1.7.4 The council's revenue related risks include:

- Ongoing impact of the pandemic;
- General operational risks relating to service delivery;
- risk of non-delivery of savings;
- funding related risks e.g. Fair Funding;
- interest rate risk;
- inflation risk;
- change in law risk;
- commercial values risk, e.g. income rental values;
- contract failure risk and step-in obligations for the council

1.7.5 The Council has undertaken a robust process to produce its MTFS in order to address the changing budget pressures and the risks mentioned above (as far as possible). The council's management team have considered regular budget updates, including analysis of the cost impact of the pandemic. Additionally, the Policy and Resources Committee have received regularly refreshed Business Planning reports.

1.7.6 While the Council Management Team and the Policy and Resources Committee meets to ensure the over-arching issues are robustly considered, a full schedule of meetings are arranged at various levels within the council to ensure all stakeholders fully understand the MTFS process and their savings proposals. Theme Committee meetings then consider the reports and recommendations produced. These Theme Committee recommendations are then reflected back through Policy and Resources Committee to ensure all aspects are captured.

1.7.7 These processes are necessary to ensure all budget proposals are:

- aligned to the Corporate Plan;
- fully evaluated for any legal, HR equality and procurement issues;
- assessed thoroughly to ensure if stakeholder consultations are needed and if so to ensure these are completed in time; and
- appropriately challenged to ensure they are feasible.

1.7.8 Risks related to pensions and treasury are specifically addressed and discussed separately in the Pension Funding Strategy and the Treasury Management Strategy Statement.

1.7.9 The 2020/21 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the finance department leads on:

- monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances, risks and opportunities are being suitably identified and mitigated; and
- continuing to protect reserves and balances in order to provide an adequate buffer for any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way.

1.7.10 A summary of selected key, strategic risks / weaknesses and mitigating actions are noted below:

Table 20: Summary of Selected Key Strategic Risks and Mitigations

Risk / Weakness	Implications	Risk	Mitigating actions	Relevance to Services
1. Ongoing financial impact of the Covid-19 pandemic				
The Covid-19 pandemic has required the council to review all activity and ensure a focus on the pandemic response. Financial impacts arising form the pandemic, including reduced income and increased costs, risk creating financial distress for the council.	Key financial impacts of the pandemic may not be identified sufficiently early to allow mitigating actions to be put in place. The council may fail in its legal duty not to spend more than it can afford.		1) The CFO, supported by the finance team, has reported monthly to Chief Officers on the latest cost estimates arising from the pandemic, and the associated funding announced by government. This has allowed regular scrutiny of the overall financial impact of the pandemic. 2) Financial reports have also been shared with councillors via the FPC Committee meetings, and the financial impact of the pandemic has been scrutinised by them. 3) Additionally, the CFO has regularly reported to Chief Officers on the risk of financial distress or crisis which could lead to a 's114' notice being issued. This report reviews various key factors which could lead to financial distress and provides an update on the latest position. The current situation is that the funding received from government to support the pandemic response is sufficient to ensure that a s114 notice is unlikely.	All
2. Review of Needs and Resources (Fair Funding Review and Spending Review)				
Implementation of Funding Reforms reforms has been further delayed by the pandemic. However, Government continues to plan to carry out a multi-year Spending Review, including a full reset of business rates retention baselines. This review could mean that London Borough of Barnet's share of funding is significantly reduced from 2021/22.	Decisions may be taken which have potentially adverse consequences for the council in later years. Uncertainty of the potential outcome creates difficulty in longer term planning.		1) Finance staff are involved in identifying the likely changes to be made and assessing the potential impact on the council. Likely key indicators such as deprivation, area cost adjustment and population growth are also currently being assessed 2) The council is actively working with other outer London councils to ensure that outer London is fairly considered	All
3. European Union Referendum result - impact on national economy				

Risk / Weakness	Implications	Risk	Mitigating actions	Relevance to Services
Impact of Brexit on the wider economy	The EU withdrawal has been monitored by officers to consider key risks potentially arising. The confirmation of a deal to support the withdrawal has mitigated some of those risks. The risks could affect both product and services costs and also labour supply, also possible slowdown of the economy which could lead to an increase in unemployment or a delay in business investment. Central government funding to departments could be hit with a consequential impact on local government funding. Expenditure budgets which are sensitive to economic downturns (e.g. welfare services and mental health services) could see increased demand.		1) Organisational financial planning and regular risk review. 2) Council policies to promote local business. 3) Council policies to increase employment.	
4. Localising Business Rates				
The increased exposure to changes in the level of business rates collected following the implementation of localising business rates will fall on Local Government. The related opportunity is that the council will gain by an increased share where business rates grow.	Potential adverse financial outcome for the council in future years In addition, with the increased level of locally retained income comes the likelihood that future new burdens will be distributed through this methodology. Variations in collection levels may mean that this funding might not cover the cost of implementing the requirements.		1) Continuing efforts to collaborate and interact with MHCLG, Valuation Office, London Councils, etc. 2) Implementation of local initiatives to maximise the identification and collection of business rates within Barnet 3) Robust responses to consultations.	All
5. Business Rates Appeals				
Reduction in ongoing funding and the impact of backdating of appeals. The localisation of Business Rates will	Adverse financial outcome(s) for the council in future years		1) Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals	All

Risk / Weakness	Implications	Risk	Mitigating actions	Relevance to Services
increase this risk for Local Authorities. The related opportunity is from consultations on dealing with Business Rates appeals process - checking and challenging might reduce the number of live appeals.				
6. Pension Fund Assets / Pension Fund Deficit				
Pension Fund assets failing to deliver returns in line with the anticipated returns underpinning valuation of Pension Fund Liabilities over the long-term.	The council's Pension Fund being under-funded resulting in an increase in the employer contribution rate and deficit funding that the Council pays into the fund.		1) The council has a deficit recovery plan in place to reduce the long-term costs of financing the pension deficit 2) Decisions have been made by the Pension Fund to move away from under performing funds	All
7. Reliance on Commercial Income				
Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents	A recession or other unexpected/uncontrollable event could leave the council exposed to under-funding or large losses in income.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
8. Inflation				
The council's expenditure (pay and non-pay) is subject to annual inflation based on indexation that is determined by national inflation rates. Inflation can affect agreed suppliers' contracts for other service expenditure	Sharp increases in inflation would result in higher for day to day expenditure and costs related to employment. Each 1% change in inflation adds around £3.0m to the Council's gross cost pressures (£1.8m net).		1) Monitoring actual inflation and forecast projection (e.g. at key milestones such as HM Treasury's Budget announcement) and modelling the impact of incremental increases on the Council's applicable expenditure. 2) Exploring all opportunities during the tendering process for all service contracts to minimise indexation clauses, negotiate for favourable fees etc. 3) Regular refresh of the council's MTFS	All
9. Delivery of Budgeted Savings				

Risk / Weakness	Implications	Risk	Mitigating actions	Relevance to Services
Agreed MTFS Savings are not fully achieved or slip into future years.	Potential for in-year overspends and funding gaps		1) Robust challenge of all proposed MTFS Savings during the business planning process (e.g. through Council Management Team) 2) In-year monitoring of agreed Savings	All
10. Planned Use of Capital Receipts				
Capital receipts are generated when an asset is disposed of and are source of financing capital expenditure. The council's Capital Programme currently relies on more capital receipts than it holds or that are in the pipeline from asset sales	Shortfalls in financing of capital expenditure, possibly resulting in higher borrowing costs.		1) In-depth analysis and challenge of capital project cash flow projections. 2) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets. 3) Scrutiny of the council's capital arrangements at the officer group Capital Strategy Board 4) Funding schemes by borrowing 5) Deletion of schemes from the Capital Programme	Specific Services
11. Interest Rate Changes				
Changes to the Bank Base Rate and the cost of borrowing	The council's Capital Programme relies heavily on borrowing over the next 5 years. Increases in interest rates have a direct impact on the revenue position of the authority.		The council has a number of options available to it to mitigate these risks. These include: 1) maximising the use of interest free sources of capital funding such as CIL and s106 2) ensuring its cash management and forecasting is accurate reducing the need to borrow 3) reducing debtors and therefore maximising the council's cash balances 4) Identification of competitive borrowing options	Specific Service
12. Demographic Changes				
Changing demographics across the borough lead to changes in demand for services.	Demographic changes have led to continuing pressures on budgets in demand areas of the council such as Adult Social Care, Children Social Care and Housing		The council is engaged in long term planning and transformational programmes to mitigate the action of demographic changes on budgets and services.	Specific Services
13. Debtors				
The amount of money the council assesses as income is overstated due to	Should debts owed to the council turn out to be uncollectable, they will be written off against the council's revenue budget. This can create overspends		1) The establishment of a corporate debt board 2) The increased focus on debt by the Financial Performance and Contracts Committee 3) Raising awareness of debt across the council	Specific Services

Risk / Weakness	Implications	Risk	Mitigating actions	Relevance to Services
an increase in bad debt	and also mean the council has to re-evaluate the amount of income it will collect in the future.			

View of Section 151 Officer

Robustness of estimates

1.7.11 The council is a going concern and the budget process is part of a continuous service planning and financial cycle. Therefore, knowledge and understanding of the previous and current national and local financial and economic environments are used to make informed assumptions and judgement about the future. This activity seeks to establish a robust budget which is appropriate and realistic having taken a practical assessment of risks.

1.7.12 The financial planning process has been managed at senior officer level through the Council Management Team meetings. This Executive level group has overseen the process for financial planning, including medium-term resource projections, the strategic context for the borough, and the quantification of new pressures on resources, and the identification of potential budget savings.

1.7.13 Consideration has been given to the known and possible future financial impacts of the pandemic to ensure that changes to the budget are made where this is appropriate.

1.7.14 Extensive consultation has taken place in respect of the budget proposals in general, and also in respect of specific planned changes. Consultation feedback has been taken into consideration as final proposals to the council have been formulated.

1.7.15 The Capital Programme presents the council with a significant challenge in terms of delivery and affordability. The cost of borrowing is accounted for based on the current plans however any overestimation in spend leads to overestimation of capital financing requirement and any under-achievement of its capital receipts expectations will require either an increase in borrowing, with associated revenue implications, or the deletion of schemes.

Robustness of Budget Setting Process

1.7.16 The process that has been undertaken to set the budget has included engagement of officers from service departments throughout the year, regular reporting of financial and service issues to Theme Committees, consultation with the public, along with due consideration of statutory duties, particularly in respect of equalities.

1.7.17 Following Policy & Resource's Committee's endorsement of the budget proposals in February 2021 officers have undertaken a readiness assessment of the council's ability to deliver the savings required for the MTFS with particular emphasis on 2021/22. Where there is a risk of non-achievement of savings, adequate mitigations have been put in

place in order to ensure a legal budget is set and that value for money is achieved from public funds.

1.7.18 For these reasons, it can be confirmed that the budget setting process has been robust.

Effectiveness of Budget Management

1.7.19 The council has robust arrangements for managing budgets and performance. Close attention will continue to be paid to the net cost arising from the pandemic response, implementation of agreed savings and monitoring of the Council's current position, with regular reporting to the Financial Performance and Contracts Committee.

1.7.20 The council has a legal responsibility to set a balanced budget which can include the planned use of its reserves. The council does not anticipate using reserves in order to fund recurrent expenditure in 2021/22. The council, however, maintain reserves for other, non-recurrent purposes such as the ongoing response to the pandemic, transformation work, expenditure linked to previous grant receipts or for unplanned one-off items.

1.7.21 The Section 151 Officer considers the current level of reserves sufficient to manage those items and is actively working to replenish some of the previous years' drawdowns.

1.8 Budget Management 2020/21

2020/21 Forecast Outturn - Month 9 Budget Monitoring

1.8.1 As at Month 9 (December 2020), the council is in a strong financial position despite the immediate impacts of Covid-19. The council is forecasting a likely breakeven position with a contribution to reserves in the region of £4m to deal with known pressures that may arise next year (e.g. higher than anticipated demand in Adults social care).

1.8.2 The budget for 2021/22 has been prepared taking account of both expenditure patterns arising during the 2020/21 financial year due to the pandemic, and also expected 'usual' patterns of spending.

Allocations from Contingency

1.8.3 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.

1.8.4 At the start of 2020/21, the council had budgeted for £5.246m of contingency funding towards cost pressures and other occurrences. Based on the posted virements and commitments listed below, a balance of £1.409m is forecasted to remain:

Table 21: Summary of 2020/21 Contingency Position

2020/21 Contingency Budget	£'000
Contingency Budget Brought-Forward	921
MTFS	4,325
Sub-Total: 2020/21 Opening Contingency Budget	**5,246**
Virements Posted to date	(3,337)
Commitments	(500)
Total 2020/21 Contingency Remaining	**1,409**

1.8.5 It is the Section 151 Officer's intention to allocate the remaining 2020/21 balance towards service pressures as the full implications and funding from Government in respect of Covid-19 pandemic become known (and subject to future Policy and Resources Committee approval).

1.8.6 In line with the delegation given at Urgency Committee on the 27th April 2020, any virements required directly in response to the Covid-19 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.

Budget Virements

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

1.8.8 Details of virements are discussed by Department rather than Theme Committee as the Scheme of Financial Delegation delegates the authority to expend the council's resources to Executive Directors of Departments.

1.8.9 Since December P&R Committee, there have been no virements from contingency above £250k.

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

Table 21: Summary of Virements for P&R to Note

Service	Description	Total (£'000)
Resources	Pensions Fund – Supporting Costs	101
Resources – Contingency	Pensions Fund – Supporting Costs	(101)

1.8.11 Within Appendix C1, a virement for 2021/22 was proposed for Policy & Resources Committee's approval which relates to the acquisition of the Brent Cross Retail Park in January 2021:

Table 22: Proposed virement for 2021/22

Service	Description	Total (£'000)
Resources – Central Expenses	Brent Cross Retail Park Financing Costs	2,056
Growth & Corporate Services	Brent Cross Retail Park Rental Income	(2,056)

1.9 Debt Write Off

1.9.1 The write-off of debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income and it removes uncollectable debt from the system. All businesses suffer from uncollectable debt and the council maintains a bad debt provision against which to charge any debt write offs. The council's debt management policy is attached to this report as Appendix M. The following were proposed to P&R Committee for approval for write-off in February 2021:

Revenues and Benefits

Council Tax

1.9.2 Irrecoverable council tax debts of £52,073.44 were requested for approval by P&R Committee for write off. These are individual debts all over £5,000 and cover the financial years from 2007/08 to 2019/20.

1.9.3 All the debts are in respect of closed accounts. Most are in respect of debtors who have absconded, including some who are known to be abroad. The table below provides a breakdown of the age profile of these debts with the total value for each year recommended for write-off.

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

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

Table 23: Breakdown of Council Tax Debts to be Written Off

Financial Year of Debt	Council Tax Liability	Court Costs Awarded	Total Debt Due
2007	£688.32	£0.00	£688.32
2008	£1,112.00	£97.00	£1,209.00
2009	£882.00	£97.00	£979.00
2010	£2,674.78	£291.00	£2,965.78
2011	£4,543.30	£291.00	£4,834.30
2012	£5,269.92	£194.00	£5,463.92
2013	£5,772.78	£582.00	£6,354.78
2014	£5,196.63	£485.00	£5,681.63
2015	£6,546.96	£485.00	£7,031.96
2016	£7,705.11	£873.00	£8,578.11
2017	£3,203.09	£291.00	£3,494.09
2018	£2,285.07	£97.00	£2,382.07
2019	£2,160.48	£250.00	£2,410.48
Total	**£48,040.44**	**£4,033.00**	**£52,073.44**

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

Table 24: Breakdown of Reason for Council Tax Debt Write-Offs

Reason for write off	Total Debt
Deceased	£0.00
Gone Away	£52,073.44
Total	**£52,073.44**

Business Rates

1.9.7 There were no write offs for Business Rates for P&R Committee to approve. Any agreed Business Rates Write-Offs will be completed at the end of Quarter 4 of 2020/21 due to business support grants.

Housing Benefits Overpayments

1.9.8 Sundry income relating to Housing Benefits Overpayments totalling £398,888.60 were recommended for approval by P&R Committee for write off. The individual debts are all over £5,000 and cover the financial years 2011/12 to 2019/20.

1.9.9 The proposed write off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income and it removes uncollectable debt from the system. All Overpayments listed have been classified in accordance with Housing Benefit Regulations 2006, Part 13, Regulation 100. All avenues of recovery that were economical and practical have been considered before this course of action. There are no further alternative options where the debtor cannot be traced despite attempts to do so.

Table 25: Breakdown by Financial Year for Housing Benefit Overpayments Debt for Write-Off

Financial Year of Debt	Total Debt
2011	£10,907.87
2012	£0.00
2013	£27,104.90
2014	£26,069.14
2015	£37,538.81
2016	£37,600.58
2017	£62,021.72
2018	£61,701.87
2019	£88,574.84
2020	£47,368.87
Total	**£398,888.60**

Table 26: Breakdown of Reason for Housing Benefit Overpayment Write-Offs

Reason for Write-Off Totals	Value
Local Authority Error*	£205,438.65
Bankruptcy	£25,206.25
Individual Voluntary Arrangement	£39,516.24
Debt Relief Order	£30,920.22
Deceased	£50,042.34
Appeals	£47,764.90
Total	**£398,888.60**

*Local Authority Error is made up of overpayments that arose from Local Authority delayed processing or Local Authority error whereby the person whom the payment was made could not have reasonably known they were being overpaid.

Tenant Rents

Tenant Arrears Write Offs – HRA

1.9.10 Tenant Arrears relating to HRA were recommended for write off to P&R Committee. At present there are no debts over £5,000 totalling being submitted for write off. In addition, P&R were asked to note individual debts under £5,000 totalling £181,563.10 covering the financial years 2006-2020 which were being written off.

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

- statute barred' where the Council is legally unable to recover any monies from the tenants as the time allowed by law for such recovery has passed;
- 'Unrecoverable' – one case which is due to vulnerability

1.9.12 Attempts to recover the monies owed by former tenants including following up on known contact details, referring cases to external expert agencies, such as search and debt

recovery agencies and working with other local authorities/ housing agencies and probate checks.

1.9.13 The table below details the breakdown of the write offs by year for balances less than £5,000 totalling £181,563.10 are:

Table 27: HRA Tenant Write-Offs less than £5k

Years	Total
2020	£1,835.89
2013	£14,618.54
2012	£84,692.05
2011	£33,232.79
2010	£20,587.52
2009	£12,539.60
2008	£9,030.76
2007	£4,514.39
2006	£511.56

Tenant Arrears Write Offs - General Fund

1.9.14 Tenant Arrears relating to the general fund were recommended for write off to P&R Committee. Individual debts over £5,000 totalling £325,971.33 covering the financial years 2011-2014 were recommended for write off. In addition, P&R were asked to note individual debts under £5,000 totalling £956,873.18 covering the financial years 2005-2019 which are being written off.

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

- ‘statute barred’ where the Council is legally unable to recover any monies from the tenants as the time allowed by law for such recovery has passed
- ‘deceased without estate’ which means that the subject has passed away and there is no estate to recover monies
- ‘unable to trace’ with no record of where the tenant is now residing
- ‘unrecoverable’ due to the tenant being homeless and was housed under the Severe Weather Emergency Protocol
- low level debts of £30 or under where the recovery of the monies is deemed uneconomical.
- ‘Unsuccessful from Agency’

1.9.16 Attempts to recover the monies owed by former tenants including following up on known contact details, referring cases to external expert agencies, such as search and debt recovery agencies and working with other local authorities/ housing agencies and probate checks. The write-off of these debts is in line with good accounting practice,

which requires that debit balances accurately reflect realisable income and it removes uncollectable debt from the system.

1.9.17 The breakdown of the write offs **less than £5,000 totalling £956,873.18** are as follows:

Table 28: GF Tenant Arrears Write-Offs less than £5k

Debt Category	2005	2008	2009	2010	2011	2012	2013	2014	2016	2017	2018	2019	Total
Deceased without Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	156.57	0.00	**156.57**
Statute Barrd	1,118.94	0.00	14,755.12	27,870.35	69,908.02	141,262.75	476,915.77	206,112.32	0.00	0.00	0.00	0.00	**937,943.27**
Unable to Trace	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	196.63	**196.63**
Uneconomical to Pursue	0.00	0.90	104.82	22.64	10.20	31.80	68.85	0.00	0.00	0.00	50.63	101.79	**391.63**
Unrecoverable - SWEP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	323.27	11,979.99	5,493.31	**17,796.57**
Unsuccessful from Agency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	388.51	0.00	0.00	0.00	**388.51**
Total	**1,118.94**	**0.90**	**14,859.94**	**27,892.99**	**69,918.22**	**141,294.55**	**476,984.62**	**206,112.32**	**388.51**	**323.27**	**12,187.19**	**5,791.73**	**956,873.18**

SWEP - Severe Weather Emergency Protocol

1.9.18 The breakdown of the write offs **greater than £5,000 totalling £325,971.33** are as follows:

Table 29: GF Tenant Arrears Write-offs over £5k

Years	Reason	Total
2011	Statute Barred	£21,816.55
2012	Statute Barred	£40,883.19
2013	Statute Barred	£168,626.01
2014	Statute Barred	£94,645.58
Total		**£325,971.33**

Sundry Debt

1.9.19 Sundry income totalling £84,998.35 were recommended for write off to P&R Committee. The individual debts are all over £5,000 and cover the financial years 2008/09 to 2018/19.

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

Table 23: Sundry Debt Write-offs over £5k

Financial Year of Debt	Total Debt Due	Reason for Write Off
2008/09	£5,115.16	Recovery action exhausted
2011/12	£9,287.50	Debtor absconded
2012/13	£16,579.61	Uneconomical to pursue
2013/14	£5,152.13	Insufficient funds in estate
2013/14	£7,016.17	Recovery action exhausted
2014/15	£17,095.84	Recovery action exhausted
2017/18	£13,200.00	Recovery action exhausted
2018/19	£5,934.13	Insufficient funds in estate
2019/20	£5,617.81	Liquidation/Bankruptcy

Total	£84,998.35	

1.10 Corporate Risk Register

1.10.1 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.

1.10.2 The strategic and service/joint risks were reviewed earlier in the year and updated to reflect changes, particularly in response to Covid-19 and recovery planning. 24 risks were scored at a 'high-level' (15+), several of these related to strategic risks on the economy, funding uncertainty, sustainability (of finances; the environment; and Voluntary and Community Sector) and pension administration. 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 the Appendix I for further details.

1.11 Capital Programme and Strategy

1.11.1 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.

1.11.2 The Capital Programme, incorporating changes approved at this Committee's December 2020 meeting and the changes described in the following sections, would total £1.240bn as summarised in the below table:

Table 31: Summary of Proposed Capital Programme

Theme Committee	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	6,289	4,799	4,060	4,130	2,974	22,252
Brent Cross	140,861	131,773	50,302	2,403	0	325,339
Children, Education & Safeguarding	14,347	33,073	3,114	180	0	50,715
Environment	34,527	18,134	7,643	7,483	6,370	74,157
Housing and Growth Committee	116,062	140,126	66,927	61,318	26,673	411,105
Policy & Resources	5,695	23,908	600	600	600	31,403
Total - General Fund	**317,781**	**351,813**	**132,647**	**76,114**	**36,617**	**914,972**
Housing Revenue Account	62,044	98,907	64,952	52,142	46,494	324,538
Total - all services	**379,825**	**450,720**	**197,598**	**128,256**	**83,111**	**1,239,510**

Changes to the Capital Programme

Slippage

1.11.3 Throughout the last quarter, 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.

1.11.4 As a result of this work it has been identified that a total of £60.712m 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.

1.11.5 As the council approaches year end, the process of identifying accruals begins and estimates of slippage and accelerated spend will become more accurate. As such any capital financing adjustments will be undertaken by the Chief Financial Officer at year end in accordance with the financial regulations.

1.11.6 The breakdown of slippage by Committee is shown below:

Table 32: Summary of Net Slippage

Theme Committee	Net Slippage & Accelerated spend
	£000
Adults and Safeguarding	(560)
Brent Cross	(25,365)
Children, Education & Safeguarding	(438)
Community Leadership and Libraries	(182)
Environment	(1,055)
Housing and Growth Committee	(27,288)
Policy & Resources	(5,822)
Housing Revenue Account	(3)
Total at Month 9	**(60,712)**

Additions

1.11.7 Burnt Oak Broadway Flats (£1.07m) - Barnet Homes to develop 18 new 1 and 2 bed flats across the 'Burnt Oak Broadway Flats'; Barnet Homes have secured GLA grant towards the project, on the proviso the build contract is signed by March 2021.

1.11.8 Firestopping works at Care Homes (£0.72m) - To deliver recommended essential firestopping and other repair work for the care homes identified. These works are required to maintain the fire integrity of the buildings as required by the FRA and to enable an effective response to be provided in the event of a fire. Funded through Borrowing.

1.11.9 Window Replacement Apthorpe Care Home (£0.52m) - To undertake window replacement and improvement work. These works are required to improve the health and safety and comfort of the residents living in the building. This addition is to be funded through borrowing.

1.11.10 The Burroughs, Hendon (£0.54m) - The Hendon Hub budget was approved at Full Council in March 2020 for the potential scheme. This Capital addition is to cover an increase in fees, the new data management system and additional resources to help the scheme. This will be funded through borrowing.

1.11.11 Dollis Valley (£0.245m) - Capital addition in 2021/22 to pay a CPO compensation payment. To note when the Developer takes over the site LBB will be compensated for all CPO payments made for the properties. This will be funded from Capital Receipts.

1.11.12 Covid-19 Social Distancing (£0.586m) - A Capital bid related to implementing projects to support social distancing in the public realm and support active travel (cycling and walking), which also supports the adopted Long Transport Strategy. This will be funded through DfT Grant income.

1.11.13 Local Implementation Programme (£1.812m) - A Capital addition for the Local Implementation Plan (LIP) containing proposals for implementing the Mayor's Transport Strategy in its area. Barnet's third LIP was approved by TfL in December 2019, to the value of ££3,067,000. It includes Barnet's transport objectives and identifies key local issues, challenges and opportunities to achieving the aim of Barnet and the Mayor's Transport strategy outcomes. Following Covid-19 pandemic, the council received notification from TfL in May 2020 to halt the LIP programme due to funding shortages. At the time, TfL agreed to cover Barnet's financial spend to end of October 2020 (£0.674m). In December 2020, TfL confirmed a revised LIP allocation to be spent between December 2020 to March 2021 (£1.138m).

1.11.14 Network Recovery Plan Phase 2 (19.470m): A Capital addition (£0.74m 20/21, £6.12m 21/22, £6.24m 22/23, £6.37m 23/24) related to the delivery of highway carriageways, footways and patching schemes into subsequent years. Work will follow annual independent condition surveys and member consultation exercises, with schemes prioritised on their condition. This will ensure the council meets its duties as a Highways Authority, under the highways act 1980 (as amended). This will be funded through Borrowing.

1.11.15 Extra Care – Cheshire House (£0.42m) - A Capital addition of £0.42m to the existing programme to cover a shortfall in project costs. This will be funded through Borrowing.

1.11.16 Brent Cross Retail Park (£58.74m) - An addition for the purchase of Brent Cross Retail Park. This was approved at Urgency Committee in January 2021. This will be funded through borrowing, with income generated from the properties on the site covering associated Revenue repayments.

1.11.17 Depot Relocation (£5.0m) - A Capital addition in 2021/22 for the Land Assembly works related to the relocation of Street Scene services to allow co-location of all services at Oakleigh Road Depot. This will be funded from CIL.

1.11.18 Loft Conversions (£0.54m) - Foster carers financial assistance scheme. Whereby, carers can apply to extend their capacity to offer a wider range or increased number of placements to LBB children in care. This is an investment to save proposition. With each child that remains within or can be placed within LBB foster placements due to the expansion of their home, this generates a saving of £0.022m per year for that child. Funded from borrowing.

1.11.19 Placement Demand Transformation (£0.126m) – Capital addition (£0.1m 20/21, £0.025m 21/22) to re-purpose New Park House Children's home into respite provision for children with Autism (£0.025m); convert 68A Meadow Close into a semi-independent

provision for young people transitioning into independent living (£0.036m) and refurbish office space in Woodhouse Road to provide workshops supporting young people to develop independence skills (£0.65m). Financed from borrowing.

1.11.20 Disabled Facilities Grant (£0.343m) – An addition of £0.343m in the Disabled Facilities Grant Programme due to an inflationary increase of 13% in the Disabled Facilities Grant in the 2020/21 financial year.

1.11.21 Park Infrastructure (£1.4m) – An initial Capital addition towards the provision of modern facilities and enhanced outdoor space at West Hendon Playing Fields. This will contribute to council's strategic commitments for the provision and usage of sports and playing pitches. Funded from CIL.

Total Additions

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

Table 33: Summary of Proposed Additions

Additions	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000	£000	£000
Dollis Valley CPO Payment	0	245	0	0	0	245
Claremont SEN	9	0	0	0	0	9
Loft conversion for Foster Carers	0	180	180	180	0	540
Placement Demand Transformation	101	25	0	0	0	126
Depot relocation	0	5,000	0	0	0	5,000
The Burroughs, Hendon	0	540	0	0	0	540
Firestopping works and other urgent maintenance works at care homes	0	717	0	0	0	717
Window replacement at Apthore care	0	520	0	0	0	520
Brent Cross Retail Park Purchase	58,410	0	0	0	0	58,410
Local Implementation Plan	1,812	0	0	0	0	1,812
Network Recovery Plan (NRP) Phase 2	0	740	6,120	6,240	6,370	19,470
COVID19 Social Distancing Projects	586	0	0	0	0	586
Extra Care- housing (Stag & Cheshire)	0	0	0	420	0	420
Burnt Oak Broadway Flats – addit storey	0	630	439	0	0	1,069
Park Infrastructure	0	1,400	0	0	0	1,400
Disabled Facilities Grants Programme	343	0	0	0	0	343
Total at Month 9	**61,261**	**9,997**	**6,739**	**6,840**	**6,370**	**91,207**

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

Table 34: Summary of Revised Changes to the Capital Programme

Theme Committee	Net Slippage & Accelerated spend	Deletions	Additions
	£000	£000	£000
Adults and Safeguarding	(560)	0	343
Brent Cross	(25,365)	0	0
Children, Education & Safeguarding	(438)	(125)	675
Community Leadership and Libraries	0	0	0
Environment	(1,055)	0	23,268
Housing and Growth Committee	(27,288)	(45,407)	60,187
Policy & Resources	(6,004)	0	5,000
Housing Revenue Account	(3)	(7,520)	1,734
Total at Month 9	**(60,712)**	**(53,052)**	**91,207**

1.11.24 The capital programme shown in paragraph 1.6.2 is funded from the following sources:

Table 35: Summary of Financing for Proposed Capital Programme

Theme Committee	Grants	S106	Capital Receipts	RCCO/ MRA	CIL	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	16,113	530	90	0	4,440	1,079	22,252
Brent Cross	307,522	0	900	0	0	16,917	325,339
Children, Education & Safeguarding	42,952	2,004	599	0	497	4,663	50,715
Environment	2,953	4,387	2,405	440	12,000	51,973	74,157
Housing and Growth Committee	50,253	11,535	16,125	491	15,746	316,956	411,106
Policy & Resources	50	0	4,269	0	5,000	22,084	31,403
Total - General Fund	**419,843**	**18,456**	**24,388**	**931**	**37,683**	**413,671**	**914,972**
Housing Revenue Account	20,280	0	5,866	112,628	0	185,764	324,538
Total - all services	**440,123**	**18,456**	**30,254**	**113,559**	**37,683**	**599,435**	**1,239,510**

<u>Borrowing</u>

1.11.25 £599.435m of the total capital programme will be funded from borrowing of which £204.52m is to be on-lent to Opendoor Homes for the acquisition or delivery of new housing.

1.11.26 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).

1.11.27 Based on the current value of the borrowing requirement, there will be an additional MRP charge of £4.156m in 2020/21. The recommendations for the change in MRP policy shown in the section below may change this.

Capital Receipts

1.11.28 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.

1.11.29 £30.254m of the above capital programme is planned to be funded by capital receipts. Current receipts are standing at £32.057m with £17.086m HRA receipts and £14.97m General Fund receipts.

1.11.30 Of the £30.254m, £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.

1.11.31 The remaining £17.17m is expected to come from General Fund capital receipts, with £7.042m needed in 2020/21. The council has received £14.21m from General Fund disposals, with £15.069m capital receipts forecast this financial year. The current forecasted Capital Receipt surplus will be £8.027m

1.11.32 However, on 20th October 2020, Full Council agreed the use of £10.5m Capital receipts to fund the Barnet House Exit Settlement.

1.11.33 This means the deficit of £2.47m Capital Receipts will not be available to fund the Capital programme. Additional borrowing will be required, which will have a revenue cost of £0.089m per annum.

Capital Grants & Contributions

1.11.34 The current capital programme shows £440.12m to be funded from Capital Grants. S106 and CIL are standing at £18.46m and £37.68m respectively.

1.11.35 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).

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

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

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

1.11.39 The Brought forward CIL receipts are £7.2m with a surplus of £1.2m forecast in 2020/21. Based on the £6.7m current forecasts for CIL funded projects in 2020/21, there will be £1.7m of CIL receipts carried forward to next financial year. However, there is uncertainty based on future year forecast and CIL receipts are reviewed periodically.

1.12 Minimum Revenue Provision (MRP)

1.12.1 Local Authorities are required by statute to make a charge to General Fund to provide for the repayment of debt resulting from capital expenditure, known as Minimum Revenue Provision (MRP). The council is required to determine a level of MRP it considers to be prudent, whilst having regard MRP Guidance issued by MHCLG.

1.12.2 The key principle of the Guidance is that an authority's debt liability should be repaid over a period, which corresponds to the useful life of the asset(s), that the capital expenditure provided benefit to.

1.12.3 Whilst the Guidance provides options for MRP that MHCLG consider to be prudent, neither the guidance nor legislation defines what is prudent. It is therefore for each Authority to manage this appropriately and to determine prudent repayment based on its own individual circumstances, taking into account medium / long term financial plans, current budgetary pressures, the Authority's current and future capital expenditure plans and funding needs and any longer term transformational plans.

1.12.4 The council's current MRP policy was approved as part of the Treasury Management Strategy by Full Council on 3rd March 2020. During 2020/21, officers commissioned the Link Group to undertake a review of the methodology applied for calculating MRP and has assessed the impact of adopting alternative options.

1.12.5 Following review of the various options, officers are recommending that the MRP policy be revised from 1st April 2020 as below:

- For any capital expenditure incurred prior to 1 April 2008 or financed from supported borrowing, the Authority will be charging MRP over 50 years on an annuity basis.

- For any capital expenditure carried out after 1 April 2008 being financed by unsupported borrowing the Authority will be adopting the asset life method. This is where MRP will be based on the capital expenditure divided by a determined asset life or profile of benefits to give annual instalments. The annual instalment may be calculated by the equal instalment method, annuity method or other methods as justified by the circumstances of the case at the discretion of the s151 Officer. With effect from 1 April 2020 all repayments will be calculated on an annuity basis.

1.12.6 The annuity method has the advantage of linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years and is particularly relevant in connection with projects promoting regeneration or administrative efficiencies or schemes where revenues will increase over time.

1.12.7 The change in MRP policy to the annuity method is estimated to result in potential supported borrowing savings over the next 5 years of £15.470m as shown below:

Table 36: Summary of MRP Policy Change Impacts

	20/21	21/22 - 24/25
50 years Annuity on Supported Borrowing	(£1,124)	(£3,526)
Annuity on Unsupported Borrowing (post 2017-18)	(£1,419)	(£5,680)
Annuity on Unsupported Borrowing (pre 2017-18)	(£1,025)	(£2,801)
Asset Life Annuity Method for PFI	£167	(£62)
Total	**(£3,401)**	**(£12,069)**

1.12.8 The impact of each option has been calculated on a Net Present Value basis using a discount rate of 3.5%. It should be noted that savings may vary with changes in the council's future capital programme in terms of complexity, variability and deliverability.

1.12.9 Against the MRP budget, taking account of savings already included in the MTFS, the phasing of the £15.470m is shown in the table below. It shows that, for the years 20/21-24/25, the revised methodology is estimated to reduce the pressure on MRP from £23.088m to £7.618m:

Table 37: Summary of Reduction of MRP Between 2021/22 to 2024/25

	20/21	21/22	22/23	23/24	24/25	TOTAL
MRP Budget (net of existing MTFS Savings)	£12,447	£12,097	£12,297	£10,797	£9,797	£57,434
MRP cost (current methodology)	£12,410	£14,961	£17,361	£17,742	£18,047	£80,521
(Under)/Overspend - based on current MRP policy	**(£36)**	**£2,865**	**£5,064**	**£6,945**	**£8,251**	**£23,088**
MRP cost (proposed annuity methodology)	£9,009	£12,033	£14,153	£14,703	£15,153	£65,051
(Under)/Overspend - based on revised MRP policy	**(£3,437)**	**(£64)**	**£1,856**	**£3,906**	**£5,357**	**£7,618**

1.12.10 MHCLG Guidance also allows local authorities to choose to charge more MRP than they consider prudent in any given year via a Voluntary Revenue Provision (VRP). If it does so, this will be disclosed in the Authority's Statement of Accounts.

1.12.11 Any VRP made in 2020/21 will strengthen the council's general fund position in future years as the S151 Officer can choose to offset previous years disclosed VRPs against the current year's prudent provision providing the amount charged in-year is not less than zero. For these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

1.12.12 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.

1.12.13 Subject to Full Council approval of the change in the MRP policy, it is the S151 Officer's intention to make an additional VRP in 2020/21. The exact amount will be reviewed in line with the council's overall outturn position and disclosed in the council's Statement of Accounts.

1.13 Treasury Management Strategy Statement

1.13.1 The Treasury Management Strategy Statement and Mid-Year review is included in Appendix K1 and K2. The key highlights within the TMSS are:

- In the four years from 1 April 2021 gross capital expenditure is forecast at £1240.3m, of which the debt funded element is £605m. The major capital projects are Brent Cross (£325 m of which 90% is grant funded), loans to Open Door Homes (£204m) and various HRA projects (£324m);

- The impact of the capital expenditure (and other adjustments) is to increase forecast gross debt (including leases) from £397m at 1 April 2020 to £1076m at 31 March 2025;

- The authorised borrowing limit for 2021-22 is set at £962m based on forecast CFR. Projected debt 31 March 2022 is £747m;

- During the current year no new debt or loans has been taken out to 31 December 2020. It is likely new borrowing will be taken out by year end. The current 50 yr PWLB rate is 1.5%;

1.14 Housing Revenue Account

1.14.1 The Local Government and Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account. Any surpluses generated from the HRA can be used to support the account if it fails to break even. Whilst it is acceptable to draw on balances, it is not permissible for an overall HRA budget deficit to be set. It is for the council to determine what level of balances should be maintained and this is set as a part of the HRA Business Plan (see paragraph 1.14.14).

1.14.2 The principal items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met by rent and service charge income from dwellings, garages, and commercial premises.

Changes to Rents and Service Charges

1.14.3 The council is required to set council dwelling rents and associated service charges for council tenants on an annual basis. These are set out in a formal rent notice issued to all tenants before the start of the financial year. P&R Committee were recommended to approve to Council, the proposed rent increases in line with Government policy for existing council tenants in social rent dwellings and affordable rent dwellings, and temporary accommodation, and to recommend approval to Council, the proposed service charges increases and garage rents.

Council Dwelling Rents

1.14.4 The Ministry of Housing, Communities, and Local Government's (MHCLG) Policy Statement on Rents for Social Housing 2019 (the 'Rent Policy Statement') permits all registered providers, including local authorities, to apply annual rent increases on social and affordable rent properties of up to CPI (the general index of consumer prices, taken as at September of the previous year) plus one percentage point from 2020, for a period

of at least five years. This limit is a ceiling and providers can apply a lower increase or freeze rent in line with the market in which they operate.

1.14.5 It is proposed that social rent is increased by CPI + 1% for 2021/2022 for existing tenants. Based on CPI of 0.5% in September 2020, this would result in a rent increase of 1.5%.

1.14.6 New homes being delivered on the council's land will be subject to affordable rents set at 65% of average private sector market rents, or the Local Housing Allowance (LHA); whichever is lower as per the previous year. It is proposed that affordable rent is increased by CPI + 1% for 2021/22 for existing tenants. Based on CPI of 0.5% in September 2020, this would result in a rent increase of 1.5%.

Temporary Accommodation Rents

1.14.7 Temporary accommodation is let at Local Housing Allowance (LHA) rates. In March 2020, following a freeze between 2016 and 2020, LHA was increased to equal the 30th percentile of rents in each local area. The Office for Budget Responsibility's Economic and Fiscal Outlook of November 2020 confirmed that LHA rates will be frozen in cash terms from 2021/22 onwards. Temporary accommodation in Barnet is currently let at the rates published in January 2020. It is proposed that temporary accommodation rents for 2021/22 are aligned with the latest published LHA rates for all existing tenants and new lettings.

1.14.8 The proposed rent changes are in line with Government policy, the council's Housing Strategy 2019 to 2024, and the proposed 30-year Business Plan assumptions, and will assist the council to generate sufficient income to carry out needed investment works in properties, such as those relating to fire safety, and plan and support the delivery of further affordable homes in the borough through the maintenance of a viable HRA.

1.14.9 The maximum permissible rent increase under the Government's policy is recommended to support the aims of the Housing Strategy to deliver more homes that people can afford, promote independence, tackle homelessness and rough sleeping in Barnet, and provide safe and secure homes by investing in planned improvements, day to day repairs, and fire safety measures. The proposed approach will also optimise the council's and Barnet Homes' ability to deliver the HRA Business Plan and implement the objectives and outcomes of the council's Local Plan, Corporate Plan, Homelessness Strategy, and Joint Health and Wellbeing Strategy.

1.14.10 The latest HRA Business Plan approved by the Housing and Growth Committee on 27 January 2020, is modelled on the assumption that rents for existing council homes will increase by up to CPI + 1% a year for five years from 2020/21. Income from council rents will help to secure the delivery of new affordable homes built or acquired through the HRA, which will help to reduce costs to the general fund by providing an alternative to short-term temporary accommodation. The delivery of extra care housing and wheelchair-adapted homes will also help the council to meet savings targets for social care budgets by providing a more affordable alternative to residential care whilst also delivering a better outcome for vulnerable residents.

Service Charges and Garage Rents

1.14.11 Service charges usually reflect additional services that may not be provided to every tenant, or that may relate to communal facilities. For properties let at social rents, service charges are subject to separate legal requirements and are limited to covering the cost of providing the services. For affordable rent properties, the rent is inclusive of service charges.

1.14.12 Service charges and garage rents have been reviewed to ensure that costs are being recovered. It is proposed that service charges are increased from 1 April 2021 to reflect the increased costs of providing the services, as outlined in the table below (charges are shown on a 48-week basis, and are rounded to the nearest penny):

Table 38: Proposed Changes to Service Charge and Garage Rent for 2021/22

Service	2020/ 2021	2021/ 2022	Increase	% Increase
Alarm services (Sheltered housing)	£3.05	£3.16	£0.11	3.5%
Caretaking (quarterly)	£1.36	£1.40	£0.04	2.75%
Caretaking (weekly)	£6.10	£6.27	£0.17	2.75%
Digital TV	£1.67	£1.72	£0.05	3%
Door entry systems	£2.52	£2.60	£0.08	3%
Enhanced housing management (Sheltered housing)	£22.25	£22.92	£0.67	3%
Fire safety equipment	**1 Bed** £4.12 **2 Beds** £4.83 **3 Beds** £5.36	**1 Bed** £4.12 **2 Beds** £4.83 **3 Beds** £5.36	**1 Bed** £0.00 **2 Beds** £0.00 **3 Beds** £0.00	0%
Garages	1.5% increase applied to existing rent			
Grounds Maintenance	£2.97	£3.06	£0.09	2.75%
Heating Grahame Park	**1 Bed** £12.57 **2 Beds** £17.43 **3 Beds** £18.82	**1 Bed** £12.83 **2 Beds** £17.78 **3 Beds** £19.20	**1 Bed** £0.26 **2 Beds** £0.35 **3 Beds** £0.38	2%
Heating (excluding Grahame Park)	2% increase applied to existing variable charges			
Lighting	£1.35	£1.42	£0.07	5%

1.14.13 The service charges have been reviewed to ensure that the revenue raised covers the cost of providing the services. The proposed increases are affected by labour costs, incidental costs, and in some instances the Building Cost Index inflationary adjustment, and the cost of utilities such as electricity. The first installations of fire safety equipment

relevant to this charge are being completed in 2020/21. As the servicing and maintenance is yet to commence, it is proposed that the service charges for fire safety equipment remain at 2020/21 costs.

HRA Business Plan and Balances

1.14.14 An updated HRA Business Plan will be submitted to the Housing and Growth Committee on the 22 March 2021 and this will include plans to improve the HRA's resilience by increasing the reserve balance.

1.14.15 The HRA Business Plan will also set out the financial implications of the council's priorities for ensuring the delivery of housing in the borough. In addition, following a review of the accounting policies and the HRA, the current depreciation policy will be revised.

2. REASONS FOR RECOMMENDATIONS

2.1 The MTFS sets out the estimated overall financial position of the council over a period of time. This report recommends the proposed MTFS which balances the budget for 2021/22 and estimates further savings required 2022/23 to 2024/25. 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 existing corporate priorities as expressed through the Corporate Plan for 2019-24. Through the new corporate plan (attached Appendix A), a new outcomes framework that supports the new priorities will be developed.

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 and Capital 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

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”. Council will set the budget and Policy and Resources Committee will work within that set budget subject to the rules on virements contained in the Financial Regulations.

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

5.6.2 Decision makers should have due regard to the public-sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Council 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:

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

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

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

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

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

5.6.6 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

(g) Tackle prejudice, and
(h) Promote understanding.

5.6.7 Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity

- Race,
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

5.6.8 If deemed appropriate, a project may be subject to future individual committee decision once the budget envelope has been set by Council. The equality impacts will be updated for these decisions. Reserves may be used to avoid adverse equality impacts.

5.6.9 The Equality Act 2010 and The Public Sector Equality Duty impose legal requirements on elected Members to satisfy themselves that equality impact considerations have been fully taken into account in developing the proposals which emerge from the finance and business planning process, together with any mitigating factors. To allow the Council to demonstrate that it has met the Public Sector Equalities Duty as outlined above, each year the Council undertake a planned and consistent approach to business planning. This assesses the equality impact of relevant budget proposals for the current year (affecting staff and/or service delivery) across services and identifies any mitigation to ease any negative impact on particular groups of residents. This process is refined as proposals develop and for the Council meeting it includes the assessment of any cumulative impact on any particular group.

5.6.10 The Council's Annual Equalities Report 2020 reports on how this process was carried out in 2019/20. At this stage of the budget planning process for 2020/21 savings and savings to 2025, the council has conducted a preliminary high-level review of the equalities impact of the initial proposals and these are outlined in the savings templates, which have been approved by the relevant Theme Committees. These are attached at Appendix H to this paper and give detail of analysis to date indicating where further equality analysis may be required. Savings that are continuing from previous years will require on-going analysis and new savings will require initial analysis. The EqIAs for 2021/22 proposals will be kept under review and updated prior to publication with the final budget report to Full Council taking into account the results for the consultation process. Many proposals within the budget will be subject to individual decisions from the relevant committee and separate consultation and updated equality impact assessments.

5.6.11 Similarly, all human resources implications of the budget savings proposals will be managed in accordance with the council's Managing Organisational Change policy that supports the council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

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

5.6.13 Progress against the performance measures we use is published on our website at https://www.barnet.gov.uk/your-council/policies-plans-and-performance/equality-and-diversity/equality-impact-assessments-0

Cumulative Equalities Impact Assessment on the budget

5.6.14 The full Cumulative Equalities Impact Assessment (CEqIA) of the budget savings proposals for 2021/22 is shown at Appendix G.

5.6.15 For the 2021/22 budget, eight saving proposals carried out EqIAs. Overall, all eight EqIAs have forecasted an outcome of a positive or neutral impact. Analysis of the cumulative effect of these EqIAs on residents are summarised below:

- Overall, it has been identified that there will be no cumulative negative impact on residents by different protected characteristics
- In addition to those with protected characteristics, the following groups may be negatively impacted by the 20/21 budget: Carers, people with a low income, and unemployed.
- It also identified some cumulative positive impacts on other groups. These were on older people, those with disabilities and gender being positively impacted by the proposed changes.

5.6.16 The CEqIA underlines that as the council takes some difficult decisions about service provision, we identify and take practical steps to mitigate, wherever possible, any negative impacts of specific proposals for our residents including the protected characteristics and other vulnerable groups.

5.6.17 The council is satisfied that this CEqIA demonstrates how we have paid due regard to equalities, analysed the individual and cumulative impacts of our proposals, taking account of any negative impact from previous years and making every effort to avoid, minimise and mitigate any negative impacts wherever possible (as outlined in the individual EqIAs). However, given the scale of savings the council is obliged to make, change is inevitable.

5.6.18 The EqIA process is an iterative process. As Budget proposals are implemented, they will be kept under review and further equalities analysis will be undertaken and individual EqIAs updated as proposals develop.

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 As a matter of public law, the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in four 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
- where consultation is required to complete an equalities impact assessment.

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

- Comments are genuinely invited at the formative stage;
- The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;
- There is adequate time given to the consultees to consider the proposals;
- There is a mechanism for feeding back the comments and those comments are considered by the decision-maker / decision-making body when making a final decision;
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting;
- Where relevant and appropriate, the consultation is clear on the reasons why and extent to which alternatives and discarded options have been discarded. The more intrusive the decision, the more likely it is to attract a higher level of procedural fairness.

<u>General Budget Consultation 2021/22</u>

Overview

5.8.4 The general budget consultation began after Policy and Resources Committee on 8 December 2020 where the committee agreed to consult on the council's budget proposals for 2021/22.

5.8.5 The consultation opened on the 21 December 2020 and concluded on 18 January 2021.

5.8.6 In terms of service-specific consultations the council has a duty to consult with service users where there are proposals to vary, reduce or withdraw services. Where appropriate, separate service-specific consultations have already taken place or will take place in the next few months for the 2021/22 savings. The outcomes of these consultations are being reported into the committee decision making process.

5.8.7 The following paragraphs set out the headline findings from the general budget consultation 2021/22 which is presented to this Committee and subsequently Full Council on 2 March 2020. The detailed findings can be found in Appendix G.

Summary of consultation approach

5.8.8 The 2021/22 general budget consultation asked for views on the:

- Overall budget, and savings and income generation proposals for 2021/22;
- Proposal to increase General Council Tax by 1.99%;
- Proposal to apply an Adult Social Care Precept on Council Tax of 3.00% to help pay for adult social care.

5.8.9 The consultation was published on Engage Barnet together with a summary consultation document and the full Finance and Business Plan.

- Respondent's views were gathered via an online questionnaire;
- Paper copies and other alternative formats of the consultation were made available on request;
- As part of the council's statutory duty to consult with National Non-Domestic Rate (NNDR) Payers, letters were sent out to all the council's NNDR payers inviting them to take part in the consultation;
- The consultation was widely promoted via the council's residents' magazine, Barnet First, the council resident's e newsletter, the council's website; local press, Twitter, Facebook, and posters in libraries and other public places;
- the consultation was widely promoted via the council's residents e newsletter magazine, Barnet First; the council's website; Twitter; Facebook.
- super-users, i.e. users of non-universal services, were also invited to take part in the consultation through Community Barnet, Communities Together Network, Youth Board, Service area newsletters/circulars and super-user mailing lists.

Response to the consultation

5.8.10 A total of 78 questionnaires were completed – all were submitted online.

5.8.11 The table below shows the profile of those who responded to the questionnaire:

Table 39: Summary of Budget Consultation Responses by Profile

Stakeholder	%	Base
Barnet resident	92%	44
Working within the London Borough of Barnet area	0%	0
Barnet business	2%	1
Representing a voluntary/community organisation	0%	0
Representing a public-sector organisation	0%	0
Representing a school	0%	0
Other	2%	1
Prefer not to say	4%	2
Total who answered this question	**100%**	**48**
Not Answered		30
Total response to the consultation		**78**

Calculating and reporting on results

5.8.12 The results for each question are based on "valid responses", i.e. all those providing an answer (this may or may not be the same as the total sample) unless otherwise specified. The base size may therefore vary from question to question.

5.8.13 Where percentages do not add up to 100, this may be due to rounding.

5.8.14 Due to the small total sample size the findings have been reported on in terms of percentages and numbers.

Summary of key findings

Views on the budget for 2021/22

5.8.15 Respondents were asked to what extent they agree or disagree with the proposed budget for 2021/22:

- 29% of respondents agree (23 out of 78 respondents) with the council's proposed budget for 2021/22 (5%, 4 out of 78 respondents strongly agree, and 24%, 19 out of 78 respondents tend to agree).

- Around half of respondents disagree 49%, 38 out of 78 respondents) with the council's proposed budget for 2021/22 (19%, 15 out of 78 respondents tend to disagree, and 29%, 23 out of 78 respondents strongly disagree).

- the remainder were either neutral (18 %, 14 out of 78 respondents) or said they did not know or were not sure (4%, 3 out of 78 respondents).

Views on proposals to increase both general Council Tax by 1.99% and apply a 3.00% Adult Social Care precept to Council Tax in 2021/22

5.8.16 Overall, nearly three fifths of respondents (58%, 28 out of 48 respondents) support a Council Tax increase to help fund the budget gap in 2021/22:

- 29% (14 out of 48 respondents) **support both** the council's proposals on Council Tax: the proposal to increase general Council Tax by 1.99% and the proposal to apply a further 3.00% Social Care Precept in 2021/22.

- One quarter of respondents (25%,12 out of 48 respondents) **support only** the proposal to increase general Council Tax by 1.99% in 2021/22.

- A minority of respondents (4%, 2 out of 48 respondents) **support only the proposal** to apply a 3% Adult Social Care Precept to Council Tax in 2021/22.

- Two fifths of respondents (42%, 20 out of 48 respondents) **do not support either** of the council's proposals to increase Council Tax in 2021/22: the proposal to increase general Council Tax by 1.99% and the proposal to apply an Adult Social Care Precept on Council Tax of 3% in 2021/22.

Savings and income proposals for 2021/22

5.8.17 Respondents were asked to what extent they agree or disagree with the savings and income proposals identified for each of the theme committees in 2021/22:

- **Children's, Education and Safeguarding Committee (CES) received the highest level of support,** with just under half of respondents (48%, 24 out of 50 respondents) indicating they agree with the saving and income proposals identified within this committee for 2021/22.

- **Environment Committee (EC) had the second highest level of support,** with just over two fifths of respondents (42%, 21 out of 50 respondents) agreeing with the saving and income proposals identified within this committee for 2021/22.

- **Adults and Safeguarding Committee (AS) had the third highest level of support,** with just under two fifths of respondents (39%, 20 out of 51 respondents) agreeing with the saving and income proposals identified within this committee for 2021/22.

- **There were similar levels of support for saving and income generation proposals identified by Community Leadership and Libraries Committee (CLL),** with just under two fifths of respondents (39%, 19 out of 49 respondents) agreeing with the saving and income proposals identified within this committee for 2021/22.

- **Public Health (PH) - Health and Wellbeing Board saving and income generation proposals also received similar levels of support to CLL,** with again just nearly two fifths of respondents (38%,18 out of 48 respondents) agreeing with the saving and income proposals identified within this committee for 2021/22.

- **Housing and Growth Committee** and **Policy and Resources Committee received the least support for their saving and income generation proposals, with 29% of respondents (14 out of 49 respondents) agreeing** with the saving and income generation proposals identified within each of these respective theme committees**.**

  Nearly half of respondents **indicated they disagree (47%, 23 out of 49 respondents)** with the **Housing and Growth Committee,** and just **over two fifths (43%, 21 out of 49 respondents) disagree with Policy and Resources Committee proposals.**

Further comments on theme committee saving and income proposals for 2021/22

5.8.18 Respondents were also asked if they had any comments to make about the saving and income proposals identified for each theme committee for 2021/22. Of those who responded to the consultation, 20 out of 78 gave a response to this question.

5.8.19 The responses to this question were varied and the most common themes, with a response of four comments or more, have been summarised below. Percentages are based on those who answered this question.

- *Do not cut Public Health and Wellbeing services* (Four comments).
- *Do not agree with an increase in Council Tax* (Three comments).

- *Saving and income proposals description are difficult to understand / Would be preferable and understandable if a further break down of what safeguarding for adults means in specific and what cover Links in the saving and income proposals don't work/ too many acronyms for the lay person* (Three comments).

Further comments on the overall budget for 2021/22

5.8.20 Respondents were also asked if they had any further comments to make about the councils proposed budget for 2021/22. Of those who responded to the consultation, 27 out of 78 gave a response to this question.

5.8.21 Again, the responses to this question were varied and the most common themes, with a response of three comments or more have been summarised below:

- *Council Tax increases should not be implemented residents and businesses are already struggling because of the pandemic and Brexit / Pensioners won't be able to afford*. (Eight comments).
- *More money needed for other Committees / I Support a further increase in Council Tax but to pay for other essential services in Public Health and Community Leadership and to provide basic services to the community / More money for the Environment, Community Leadership, and Libraries, Housing and Growth and CAMHS in the Royal Free / Could impose a lower percentage on adult social care precept on Council Ttax for instance: 1.5% and the remaining 1.5% could be applied to other services in order to achieve a balanced budget for 2021/22* (Five comments).
- *Adult Social Care should be funded by Central Government and not through an Adult Social Care Precept Council Tax increase: Do not agree with applying an Adult social care precept of 3%* (Three comments).

Further details of the types of comments received can be found in Appendix G Section 3.

Consideration of the 2021/22 General Budget Consultation

5.8.22 General Council Tax Increase: The council has a difficult balance to make in considering affordability to residents and ensuring it has sufficient resources within which to provide its statutory duties. The recommendation is to go ahead with the 1.99% General Council Tax increase. This recognises that:

- 26 out of 48 respondents to this question (54%) directly responded to support the measure (within this, 25% supported both the increase for the 1.99% increase and also the 3.00% Social Care Precept);
- However, 30 respondents out the total of 78 did not answer this question and so only 22 out of 78 respondents directly opposed the proposed increase of 1.99% to Council Tax;

5.8.23 A number of respondents commented in the in the free text fields in relation to concerns or opposing the proposed increased in Council Tax due to economic hardships, service quality and the Mayor of London's GLA Precept increase. The council maintains a Council Tax Support Scheme, the purpose of which is to ensure that those who cannot afford to pay Council Tax (due to low income levels etc) are supported to pay a reduced amount depending on their circumstances. Furthermore,

in 2021/22, £1m will be set aside in section 13a hardship payments from the Local Council Tax Support Scheme grant to support those households experiencing hardship with Council Tax in 2021/22. The council received 7 comments directly in support of council tax increases in order to support service improvement.

5.8.24 Application of 3.00% Social Care Precept: The council recognises the difficult balance to make in considering affordability to residents and ensuring it has sufficient resources within which to provide its statutory duties, including those demand led services such as for Social Care. The recommendation is to go ahead with the 1.99% General Council Tax increase. This recognises that:

- 16 out of 48 respondents to this question (33%) directly responded to support the measure (within this, 25% supported both the increase for the 1.99% increase and also the 3.00% Social Care Precept);

- However, 30 respondents out the total of 78 did not answer this question and so only 32 out of 78 respondents directly opposed the proposed increase of 3.00% to Council Tax for the Social Care Precept.

5.9 **Insight**

5.9.1 The proposed MTFS makes use of data and models from different sources and these include Central Government projections e.g. forecasts from the Office of Budget Responsibility on CPI inflation, in-year trend data on changes to Council Tax as a basis for future estimates and models of budget spend e.g. on capital and the resulting impact on financing.

6. BACKGROUND PAPERS

Committee	Item & Agenda	Link
Policy & Resources 8 February 2021	Item 9 Business Planning – Corporate Plan, Budget for 2021/22, and Medium-Term Financial Strategy 2021-25	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10200
n/a	MHCLG MRP Guidance	Statutory_guidance_on_minimum_revenue_provision.pdf (publishing.service.gov.uk)
Policy & Resources 8 December 2020	Item 7 Business Planning 2021-2025 and Budget Management 2020/21	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10199
Financial Performance and Contracts Committee 7 December 2020	Item 7 Chief Financial Officer Report Forecast Financial Outturn at Month 7 (October 2020)	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=10108
Children, Education and Safeguarding Committee 30 November 2020	Item 8 Business Planning 2021-25	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=697&MId=10095

Environment Committee 25 November 2020	Item 7 Business Planning 2020-25 and Fees & Charges for 2021-22	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=695&MId=10157
Housing and Growth Committee 24 November 2020	Item 8 Business Planning 2020-25	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=10227
Adults and Safeguarding Committee 23 November 2020	Item 7 Business Planning 2020-25	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=698&MId=10204
Policy & Resources 24 September 2020	Item 8 Business Planning 2021 to 2025 and Budget Management 2020/21	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10198
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