



Policy & Resources Committee

30 September 2021

Title	Business Planning 2022-26 and in-year financial management 2021/22
Report of	Chairman of Policy and Resources Committee
Wards	All
Status	Public
Urgent	No
Key	Yes
Enclosures	Appendix A: Scenario B (base case) MTFFS and overlay scenarios A and C. Appendix B: Updated Capital Programme
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Summary

This report provides an update for Business Planning and the assumptions for the Medium-Term Financial Strategy (MTFS) for 2022-26, whilst giving an update on the expectation of savings required from Theme Committees.

It also presents, for approval, a number of routine financial management matters, in line with financial regulations, including budget virements and updates to the programme of capital investment.

Officers Recommendations

That the Committee:

In respect of business planning for 2022-26:

1. Notes the higher than usual uncertainty in the following three areas (para 2.7):
 - Estimates for ongoing service demand and income pressures due to the impact of Covid-19;
 - Flexibility around social care precept; and
 - Level of grant funding as a result of the Spending Review 2021.
2. Notes the three scenarios (A, B – base case, and C) modelled for the Medium Term Financial Strategy for 2022/23 and the preliminary assumptions for future years (from para 2.12; also appendix A)
3. Requests theme committees to find savings based on MTFS scenario B (base case) taking into account any equalities impacts. These savings will then be referred to Policy and Resources for consideration and at a later stage be subject to public consultation and an updated equality impact assessment.

In respect of routine financial matters for 2021/22:

4. Approves the proposed revenue budget virement for 2021/22; set out in paragraph 3.1 (£0.900m from contingency to the 18-25 years service).
5. Approves the revised Capital Programme and financing of it; from paragraph 3.2 (also appendix B) including scheme slippage, accelerations, additions, and deletions.

1. SUMMARY

- 1.1 The committee received an update to the Business Planning 2022-26 and Medium Term Financial Strategy (MTFS) process at its meeting in June 2021. This report provides a further update with a set of initial budget proposals ahead of the Theme Committees in November 2021.
- 1.2 The main subject for this report is business planning for 2022/23 and the MTFS period to 2025/26, set out in section 2 and appendix A. It also presents some routine items for P&R committee approval in line with financial regulations. These are set out in the section 3. The proposed revisions to the capital investment programme are detailed in appendix B.

2. REVISED MEDIUM TERM FINANCIAL STRATEGY

March 2021 MTFS

- 2.1 The MTFS approved at March 2021 Full Council set out a savings requirement of £48.911m between 2021/22 and 2024/25. The budget for 2021/22 is balanced, and the

remaining savings to be found for 2022/23 to 2024/25 is £14.109m of which £8.579 is in 2022/23.

Table 1: 2021-2025 MTFS Summary at March 2021

2021-25 MTFS	2021/22	2022/23	2023/24	2024/25
Resources vs. Expenditure	£'000	£'000	£'000	£'000
Expenditure	343,293	351,892	370,952	391,432
Resources	(332,703)	(324,826)	(333,296)	(342,521)
Cumulative Savings Requirement	10,590	27,067	37,656	48,911
Savings Approved by Full Council for 2020/21, with indicative savings for later years (at March 2021)	(10,590)	(18,488)	(27,334)	(34,802)
Cumulative Savings Gap	0	8,579	10,322	14,109

- 2.2 The pandemic has had a significant impact on the delivery of and cost of services and on the certainty of the outlook. This has had an impact on the Medium-Term Financial Strategy. The MTFS set out in March 2021 covered the period 2021-25. At that point, the MTFS indicated a remaining savings requirement for 2022/23 of £8.6m, rising to £14.1m by 2024/25.

Evolving national context

- 2.3 A HM Treasury announcement is expected to be delivered by the Chancellor of the Exchequer on 27 October, covering both a multi-year spending review and key points of the government's budget proposals for 2022/23. The Ministry of Housing, Communities and Local Government (MHCLG) is not a 'protected' department and therefore it is possible there will be further savings passed down to local government via the settlement funding. While the level of funding is open to speculation, the multiyear spending review will begin to provide some certainty around anticipated future resources.
- 2.4 The Finance Settlement for Local Government is expected to follow in December 2021. This will provide the specific impact of the 27 October announcements for each council.
- 2.5 It is unclear how the recent announcement on health and social care funding reform, and the decision to increase national insurance contributions (NICs) by £1.25% will affect councils¹ directly as employers and as purchasers of commissioned services. Current analysis from information known does not anticipate funding into adult social care in the next year.
- 2.6 The government's policy document sets out clearly that social care cost pressures will "be met through Council Tax, social care precept, and long-term efficiencies; the overall level of Local Government funding, including Council Tax and social care precept"², indicating that, at the time of writing, council tax increases (including the social care precept) remain an option, but that long-term efficiencies will also be required.
- 2.7 The recent publication of inflation rates has highlighted inflationary risks, although it is also clear that this is in part due to the comparison with the same period 12 months earlier

¹ [Building Back Better: Our Plan for Health and Social Care \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/building-back-better-our-plan-for-health-and-social-care.pdf)

² Ibid, para 36

(where spending and prices were significantly affected by Covid-19 response measures). It may not, therefore, be a reliable indicator of future inflation rates. Nevertheless, inflation is a clear risk in the early years of this MTFS, and the council will continue to review the latest data, both overall and in different sectors (e.g. construction materials).

Updated MTFS estimates: scenario planning

- 2.8 Likely resources available across the MTFS have been reviewed. The council remains firmly in control of its spending and continues to invest in priority areas identified by residents, partner agencies and councillors; and to redirect resources from lower priority activities. This is evidenced by the strong close to the financial year 2020/21 and the in-year monitoring position where pressures have been contained within additional funding available.
- 2.9 However, as noted above, the availability of ongoing resources to support council activity is uncertain. In the context of this uncertainty, the council is planning on using a range of scenarios, so that the financial outlook can be mapped from different perspectives and the necessary decisions taken in a timely way and in the light of the available information.
- 2.10 This MTFS review has, therefore, been prepared in a different way than usual, as set out below. This allows a clear analysis of where there is more or less certainty in the MTFS period, and highlights current areas of higher uncertainty, and the possible impact of those. The areas of uncertainty will be reduced as we get closer to approving the budget. As this happens the MTFS which supports the budget report will remove the scenarios and replace them with a single set of likely estimates, based on the most recent information.
- 2.11 The approach has been to create a baseline estimate using areas where there is greater confidence and informed by a 'snapshot' of the current position, and then two scenarios as 'overlays' to that. The key areas where there is ongoing uncertainty are:
- Social Care Precept – any increase regarding the social care precept for 2022/23 has not been set out. Increases have not been ruled out by government and in the recent white paper there is a greater indication that it will be used to fund the pressures in social care. Further guidance is usually issued alongside the financial settlement in December. For some years councils have been permitted to increase the general rate by up to 1.99% (before requiring a local referendum), and separate permission has also been given to levy a social care precept of up to 2%, although this has varied³. Scenarios for 2022/23 range from 0% + 0%, to 2% + 2% (approximately worth £8m overall). It is assumed that +1% per year growth in the tax base is unchanged in all scenarios.
 - Service pressures and income reductions – these are currently focused on adult social care, but also cover lost income in car parking and leisure and other general pressures. Work is ongoing to understand pressures as much as possible, and to separate short term pressures (which, since they are time-limited, can be funded from reserves, Covid money or provisions) and long-term pressures (which should properly be included in

³ Specific instances have included a one-off 3% precept (2021/22), and other instances where a total increase of 6% was permitted over three years, with no more than 3% in any one year (so, 2% + 2% + 2%, or 3% + 3% + 0%, or similar). The three year arrangement was later extended to be up to 8% over 4 years, with no more than 3% in any one year.

base budgets). Ideally, all service pressures will be absorbed by services; in practice it is likely that some pressures, especially in adult social care, may not be able to be contained within existing budget provisions.

- Government funding resulting from the Spending Review 2021 (SR21): Recurrent funding received through the financial settlement is difficult to estimate. It is possible that further cuts will be passed to Local Government, it is also possible additional funding will be provided to deal with ongoing Covid pressures.

Updated MTFs estimates: baseline resource and spending estimates

- 2.12 Settlement funding assessment (including the estimate of retained business rates receipts) now remains unchanged at £64.749m in all years. This reflects uncertainty over the net impact of the annual increase in the multiplier (a positive impact) and the impact of the pandemic on local businesses (currently a negative impact). The performance of business rates in the current year remains uncertain and the subject of regular review. Latest assessments are that the overall level of net receipts in 2021/22 are expected to be £2.9m lower than anticipated. Current year performance is better than during the pandemic but has not yet returned to pre-pandemic levels (and may not do so for some time to come).
- 2.13 Estimated future grant receipts are assumed such that all grants remain unchanged, except for New Homes Bonus which is expected to reduce by £2m per year.
- 2.14 Estimated council tax receipts have been retained at the same levels as in March, with a small increase for growth in the council tax base, which is recovering at a faster rate than anticipated in March. This MTFs assumes 1% per year growth in the tax base in all scenarios (i.e. local households required to pay council tax). The estimate for the current year is 0.2% level of growth. The actual level of growth is under ongoing review, and future estimates may be revised if needed. 1% growth in the base is broadly equal to £2m. The overall level of growth is taken after reducing it for increased levels of households claiming council tax support. This grew during the pandemic and a further increase is anticipated following the end of furlough scheme this year.

Table 2: 2021-2026 MTFs Summary: current planning assumptions

2021/22	Item	2022/23	2023/24	2024/25	2025/26
-	<u>Council Tax Base:</u>	-	-	-	-
162,868	No. of Band Ds + growth	164,349	165,842	167,348	168,868
(14,774)	CTS Assumptions	(15,083)	(15,234)	(15,387)	(15,541)
148,094	No. Band D Dwellings	149,266	150,608	151,961	153,327
0.19%	Council Tax Growth Assumption (net of CTS)	0.79%	0.90%	0.90%	0.90%
	Scenario A assumptions				
1.99%	Council tax – general increase (gross rate)	1.99%	1.99%	1.99%	1.99%
3.0%	Council Tax – social care precept (gross rate)	2%	2%	2%	2%
NA	Recurrent funding – assumes expected NHB losses are reversed (or other changes with a similar impact; values are differences to scenario B)	+£2m	+£4m	+£6m	+£8
+£10.2m	Non-Recurrent funding – Covid-19	+£5m	nil	nil	Nil

2021/22	Item	2022/23	2023/24	2024/25	2025/26
NA	Service pressures are 33% lower than currently anticipated	-33%	-33%	-33%	-33%
	Scenario B (baseline) assumptions				
	<u>Council Tax rate:</u>				
1.99%	Council tax – general increase (gross rate)	1.00%	1.99%	1.99%	1.99%
3.0%	Council Tax – social care precept (gross rate)	1%	1%	1%	1%
NA	Recurrent funding – all grants as at present, except NHB which sees a reduction of £2m pa from 2021/22 levels	-£2m	-£4m	-£6m	-£8
+£10.2m	Non-Recurrent funding – Covid-19	+£5m	nil	nil	nil
NA	Service pressures are as currently than currently anticipated	NA	NA	NA	NA
	Scenario C assumptions				
1.99%	Council tax – general increase (gross rate)	0%	1.99%	1.99%	1.99%
3.0%	Council Tax – social care precept (gross rate)	0%	2%	2%	2%
NA	Recurrent funding – assumes expected losses are unchanged from the base case	+£2m	+£4m	+£6m	+£8
£10.2m	Non-Recurrent funding – Covid-19 – nil	Nil	nil	nil	Nil
NA	Service pressures are 33% higher than currently anticipated	+33%	+33%	+33%	+33%

Spending estimates

- 2.15 Estimated spending has been updated for latest information (up to September 2021) and early budget estimates received from services. Inflation may exceed 2% for specific sectors but the extent or timing of this is not yet clear. The recent increase in inflation seen in the 12 months to August was impacted by low levels of spending in the same month 12 months before, so is not a reliable guide to future inflation levels. This risk remains under review.
- 2.16 Other spending assumptions informing the MTFS baseline case (scenario B) are:
- Provision for the expected increase in the North London Waste Authority levy continue to be increased at £1.5m per year, in advance of the opening of the North London Heat and Power Project (expected in 2025/26) which will increase the levy.
 - Provisions for pensions employer contributions were included for 2021/22 and no further increase is required until the next triennial review.
 - One-off covid-19 spending, reflecting the one-off grant receivable in 2021/22, is removed in 22/23. The same treatment applies to Council Tax discretionary payments. A further one-off amount of £5m in 2022/23 is included.
 - Service pressures and mitigating efficiencies are being prepared and are not yet finalised; current estimates are included as scenario B. Key areas of further work are
 - Cost estimates for adult social care services.
 - The overall level of recovery of key income streams, including business rates, car parking income, and income from leisure facilities and sports centres.

- Contingency funding has been included at £5m per year from 23/24 (current estimates are that £4m of the current year contingency budget will be retained and carried forward to 2022/23).
- Latest estimates have increased the level of rebate on Freedom Passes, and this revised amount is included in the estimates below. Some of the benefit anticipated in 2022/23 reverses in 2023/24 assuming a return to 100% activity levels; the value may be revised for subsequent actual activity levels or revised projections in future years.

2.17 The table below sets out the impact of those spending assumptions. Overall spending is estimated in the base-case as £342.1m in 2022/23, rising to £418.2m by 2025/26 (an increase of £77m – 23% - overall, or £19m - 5.6% per year).

Table 3a: 2021-2026 MTFs: base-case spending estimates

2021/22		2022/23	2023/24	2024/25	2025/26
£m	<u>Forecast Expenditure - Base Scenario</u>	£m	£m	£m	£m
309.535	Base Expenditure Budget	333.101	342.102	369.561	394.431
3.271	Inflation - Non Pay	3.204	3.912	4.413	4.413
2.179	Inflation – Pay	3.327	3.382	3.437	3.437
1.500	North London Waste Authority levy	1.500	1.500	1.500	1.500
0.659	Capital Financing (MRP)	0.220	0.000	0.000	0.000
0.500	Pensions: Employer Contribution and Deficit Recovery	0.000	0.000	0.000	0.000
8.110	Statutory / Cost Drivers Sub Total	8.252	8.793	9.350	9.350
10.225	Covid-19 Grant: Expenditure	(10.225)	0.000	0.000	0.000
9.283	Service Pressures and Investment	15.844	10.546	10.519	10.202
6.982	Contingency - general risks	0.000	5.000	5.000	5.000
1.000	Council Tax Discretionary Payment	(1.000)	0.000	0.000	0.000
(2.130)	Concessionary Fares (Freedom Pass)	(3.869)	3.120	0.000	0.000
25.360	Service Expenses sub total	0.750	18.666	15.519	15.202
0.341	Public Health Grant increase	0.000	0.000	0.000	0.000
0.346	Housing Benefit and Council Tax Administration Grant	0.000	0.000	0.000	0.000
0.000	Flexible Homelessness Support Grant	0.000	0.000	0.000	0.000
0.686	Grant Income grossed up	0.000	0.000	0.000	0.000
343.691	Forecast Expenditure (Before Savings; Base case)	342.102	369.561	394.431	418.983

2.18 The table below (3b) sets out the impact of the resource assumptions. Overall resources are currently not anticipated to be significantly changed (although this may be affected by future government announcements). Assumptions include

- No overall change to Settlement Funding Assessment (SFA), which is a combination of retained business rates, the ‘top up’ or ‘tariff’ to be received based on comparison of retained levels of business rates and the government’s assessment of the ‘target’ level of funding, and Revenue Support Grant (RSG).
- Council tax is assumed as set out in table 2.

- Recurrent government grants are assumed as stable overall, but with a £2m per year reduction in New Homes Bonus (NHB).
- Noon-recurrent government grants assume that a further £5m of funding is provided against the impact of the pandemic.

2.19 Overall recurrent resources are estimated in the base-case as £320.9m in 2022/23, rising to £345.6m by 2025/26 (an increase of £24m – 7.7% - overall, or £6m - 1.9% per year).

Table 3b: 2021-2026 MTFS: base-case resource estimates

2021/22		2022/23	2023/24	2024/25	2025/26
£m	Forecast Resources - Base Scenario	£m	£m	£m	£m
(38.700)	Business Rates (inc. core S31 Grants)	(38.700)	(38.700)	(38.700)	(38.700)
(19.731)	Business Rates Top Up / (Tariff)	(19.731)	(19.731)	(19.731)	(19.731)
0.000	London net pooling benefit with no SIP	0.000	0.000	0.000	0.000
0.000	Share of Collection Fund Deficit (unfunded)	0.000	0.000	0.000	0.000
(6.318)	Revenue Support Grant	(6.318)	(6.318)	(6.318)	(6.318)
(64.749)	Total Settlement Funding Assessment	(64.749)	(64.749)	(64.749)	(64.749)
(192.392)	Council Tax - General Element	(201.817)	(209.950)	(220.510)	(231.601)
(5.659)	Council Tax - Social Care Precept	(1.998)	(4.117)	(4.324)	(4.542)
(198.051)	Council Tax Income	(203.815)	(214.067)	(224.834)	(236.143)
(17.817)	Public Health Grant	(17.817)	(17.817)	(17.817)	(17.817)
(9.339)	Improved Better Care Fund Grant	(9.339)	(9.339)	(9.339)	(9.339)
(8.260)	New Homes Bonus Grant	(6.260)	(4.260)	(2.260)	0.000
(8.606)	Social Care Grant	(8.606)	(8.606)	(8.606)	(8.606)
(4.795)	Homelessness Grant	(4.795)	(4.795)	(4.795)	(4.795)
(2.235)	PFI Credit Grant	(2.235)	(2.235)	(2.235)	(2.235)
0.000	London Crime Prevention Fund	0.000	0.000	0.000	0.000
0.000	Housing Benefit and Council Tax Administration Grant	0.000	0.000	0.000	0.000
(1.357)	Housing Benefit Administration Subsidy Grant	(1.357)	(1.357)	(1.357)	(1.357)
(0.556)	Council Tax Administration Grant	(0.556)	(0.556)	(0.556)	(0.556)
(1.340)	Independent Living Fund Grant	(1.340)	(1.340)	(1.340)	0.000
(54.305)	Other Grants: Recurrent (see also below)	(52.305)	(50.305)	(48.305)	(44.705)
(317.105)	Sub-Total Recurrent Resources	(320.869)	(329.121)	(337.888)	(345.597)
(10.225)	Covid-19 Grant	(5.000)	0.000	0.000	0.000
(5.184)	Local Council Tax Support Grant	0.000	0.000	0.000	0.000
(0.587)	New Lower Tier Services Grant	0.000	0.000	0.000	0.000
(15.996)	Other Grants: Non-Recurrent	(5.000)	0.000	0.000	0.000
(333.101)	Total Resources - Base Case	(325.869)	(329.121)	(337.888)	(345.597)

2.20 Table 3c sets out the impact of estimated spending and resources and summarised the overall MTFS position as a deficit of £15.7m in 2022/23 rising to £73.4m by 2025/26 (the deficit position is table before any new savings proposed; current indications are that £12.8m of savings have been identified so far for application in 2022/23, rising to £18.5m by the end of the MTFS period; these savings need to be discussed formally by theme

committees before being formally included in financial plans, and some may not be progressed).

Table 3c: 2021-2026 MTFS: base-case summary (Scenario B)

2021/22		2022/23	2023/24	2024/25	2025/26
£m	<u>MTFS Summary - Base Scenario</u>	£m	£m	£m	£m
333.101	Expenditure	342.102	369.561	394.431	418.983
(333.101)	Resources	(325.869)	(329.121)	(337.888)	(345.597)
(0.000)	Cumulative (Surplus)/Shortfall to Balanced Budget	16.233	40.441	56.543	73.386
0.000	Funding from Earmarked Reserves (under review)	(0.519)	0.000	0.000	0.000
(0.000)	Net Cumulative (Surplus)/Shortfall to Balanced Budget	15.714	40.441	56.543	73.386

MTFS: scenarios

- 2.21 The following paragraphs outline 3 different scenarios and highlight the impact of changes to key variables in each one (social care precept increases assumed; the value of (unmitigated) service cost pressures; and Spending Review).
- 2.22 It is important to set out that the variables in the three scenarios are not interdependent and therefore it is not necessarily the case that all the assumptions under any one of the scenarios will all be correct, e.g. if we received a more favourable spending review outcome, we may not need to increase council tax and the social care precept to the maximum flexibility (whereas scenario A assumes both of these to happen).
- 2.23 Scenario A and scenario C are intended to act as perimeters of what officers reasonably think the revenue maximised and revenue minimised position could look like and are only to be seen as illustrative of outcomes that could transpire based on various variables.
- 2.24 Scenario A: This creates a benefit of £16.2m in 2022/23m rising to nearly £15.8m by the end of the planning period. This is shown below. It assumes:
- Council tax and Social Care Precept are agreed to be increased at the maximum permitted in 2022/23, i.e., 1.99% and 2%;
 - Service pressures are reduced from current estimates by 33% (through offsetting efficiencies); and
 - Current levels of recurrent government grants do not diminish (i.e. no reduction in NHB), and there is a further £5m funding for Covid related expenditure.
- 2.25 Overall, this scenario leads to a near-breakeven in 2022/23, with a deficit rising to an estimated £57.6m by the end of the MTFS (before any savings which may be approved). This outcome is possible but with the increasing pressures in social care (and other services), uncertainty around further cuts to local government and no confirmation around SCP, it is risky to assume all the benefit set out in this scenario.

Table 4a: Scenario A

MTFS: Scenario A	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
base case (scenario B) deficit	16.233	40.441	56.543	73.386
changes to base case assumptions for uncertain items				
council tax - general rate increase from +1.00% to +1.99% in 2022/23	(1.978)	(4.087)	(4.205)	(4.327)
council tax - social care precept increase from +1% to +2% in 2022/23 (values reflect 2022/23 increase and residual impact in later years arising from increase in the council tax base)	(1.998)	(0.080)	(0.084)	(0.089)
service pressures are reduced by 33%	(5.229)	(3.480)	(3.471)	(3.367)
changes to estimated recurrent grants arising from the settlement (reverses assumed loss from current level of NHB shown in base case)	(2.000)	(4.000)	(6.000)	(8.000)
changes to non-recurrent (Covid-19) grants	(5.000)	0.000	0.000	0.000
impact of uncertain items in scenario A	(16.205)	(11.648)	(13.761)	(15.782)
resulting deficit/(surplus) in scenario A	0.028	28.793	42.782	57.604

2.26 **Scenario B (Base-case):** Using the assumptions set out above (para 2.14 ff) creates a deficit of £16.2m in 2022/23 rising to £73.4m by 2025/26 (before any savings which may be approved by Theme Committees).

Table 4b: Scenario B

MTFS: scenario B (base case)	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
summary expenditure	342.102	369.561	394.431	418.983
summary resources	(325.869)	(329.121)	(337.888)	(345.597)
deficit in scenario B (base case)	16.233	40.441	56.543	73.386

2.27 **Scenario C:** This creates a cost of £9.2m in 2022/23m which largely persists through the MTFS period. This is shown below. It assumes:

- No increase to Council tax and Social Care Precept in 2022/23;
- Service pressures increase by 33% above the level in the base-case, and
- Current levels of recurrent government grants are not increased, and for NHB is reduced by £2m a year for the remainder of the MTFS period (as in the base case). No additional Covid-19 is assumed.

Table 4c: Scenario C

MTFS: Scenario C	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
base case deficit (as above)	16.233	40.441	56.543	73.386
changes to base case assumptions for uncertain items				
council tax - general rate increase from +1.00% to +1.99% in 2022/23	1.998	4.117	4.324	4.541
council tax - social care precept increase from +1% to +2% in 2022/23 (values reflect 2022/23 increase and residual impact in later years arising from increase in the council tax base)	1.998	0.081	0.085	0.089

MTFS: Scenario C	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
service pressures are increased by 33%	5.229	3.480	3.471	3.367
assumes no adverse change to current government grant estimates	0.000	0.000	0.000	0.000
assumes no additional non-recurrent (Covid-19) grants	0.000	0.000	0.000	0.000
impact of uncertain items in scenario C	9.225	7.678	7.880	7.997
resulting deficit/(surplus) in scenario C	25.458	48.118	64.423	81.383

2.28 Overall, this scenario leads to a £25m deficit in 2022/23, rising to an estimated £81.4m by the end of the MTFS (before any savings which may be approved).

Securing a balanced budget in 2022/23

2.29 Considering the range of possible outcomes set out above, and focussing on the base case (scenario B), the following require inputs from councillors, partner agencies, and officers, including:

- Theme committees to put forward efficiencies, savings, or revenue generation opportunities that can be secured.
- Consideration of the impacts arising from the Spending Review announcements on 27 October 2021 and the Local Government Financial Settlement in December 2021.
- Local decisions, following consultation, on any council tax increases or any social care precept that may be levied.

3. ROUTINE FINANCIAL MATTERS

2021/22 Budget Management

3.1 18-25 years service (Children's and Family Services). It is proposed to vire £0.900m from contingency budgets to the 18-25 years service. This is to address ongoing pressures relating to case complexity and increased average costs. This virement is expected to mitigate the pressure reported in the current year (2021/22) and also the anticipated pressure in future years.

Capital programme

3.2 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.

3.3 The Capital Programme, incorporating changes approved at this Committee's June and July 2021 meetings. Changes related to the 2021/22 forecasted outturn position, and subsequent additions, is described in the following sections

Table 6: Movement from the June 2021 to the September 2021 Capital Programme

Budget Movement Type	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000	£000
June 2021 P&R Revised Programme	509,688	212,377	129,188	83,124	0	934,377
Slippage/ Acceleration	(125,900)	534	31,125	29,257	64,984	0
Additions	6,035	13,432	4,689	4,221	0	28,377
Deletions	(2,356)	(4,105)	(124)	(67)	0	(6,653)
Sept 2021 P&R Revised Programme	387,466	222,238	164,878	116,536	64,984	956,102

3.4 The revised programme from 2021/22 will total £956m as summarised by Theme Committee in the below table:

Table 7: Summary of Proposed Capital Programme by Theme Committee

Theme Committee	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	5,611	4,602	4,344	2,765		17,322
Housing and Growth (Brent Cross)	134,126	36,609	43,425			214,160
Housing and Growth (Other)	112,266	74,395	60,626	50,967	19,649	317,903
Children, Education & Safeguarding	16,338	19,427	5,514			41,279
Community Leadership and Libraries	330	200	200			730
Environment	24,315	10,961	8,060	6,383		49,719
Policy & Resources	22,884	2,476	600	600		26,560
Total - General Fund	315,869	148,671	122,770	60,715	19,649	667,673
Housing Revenue Account	71,597	73,567	42,108	55,821	45,335	288,429
Total - All Services	387,466	222,238	164,878	116,536	64,984	956,102

Slippage and Acceleration

3.5 A total of £129.333m has been slipped out of the 2021/22 financial year into future periods, with £3.433m accelerated into future years.

3.6 As the council progresses through the financial year, estimates of slippage, and accelerated spend will become more accurate. As such, any capital financing adjustments will be presented at this committee with outturn adjustments undertaken by the Chief Financial Officer at year end, in accordance with financial regulations.

3.7 The breakdown of net slippage and acceleration by Committee is shown below:

Table 8: Summary of Net Slippage by Theme Committee

Theme Committee	Slippage	Acceleration	Net change
	£000	£000	£000
Adults and Safeguarding	(217)	14	(204)
Housing and Growth (Brent Cross)	(27,927)	0	(27,927)
Housing and Growth (Other)	(44,779)	0	(44,779)
Children, Education & Safeguarding	(11,595)	0	(11,595)
Community Leadership and Libraries	0	0	0
Environment	(2,769)	0	(2,769)
Policy & Resources	(1,876)	0	(1,876)
Housing Revenue Account	(40,170)	3,419	(36,751)
Total at Month 4	(129,333)	3,433	(125,900)

Additions

- 3.8 Enforcement - CCTV (£0.730m) – Project to create a coordinated and centralised strategic CCTV operations in the Borough. This will result in a reduction in costs and a strategic approach to procurement of service contracts and CCTV components. This programme will be funded through CIL.
- 3.9 Firestopping works and other necessary maintenance works at care homes (£5.211m) - This will provide assurance to the vulnerable residents that the care homes they live in are safe and meet Fire and other Safety regulations.
- 3.10 Colindale Modifications (to support revised working arrangements for staff, post-pandemic; £0.188m) - With certain services supporting this change it has allowed us to vacate the 8th Floor, letting it to a commercial tenant. In addition, the reconfiguration of the 4th Floor as a collaborative working space for HR, Growth and Corporate Services, Public Health and Finance staff will allow those services to showcase the new ways of working and give others services the chance to explore and see how it could work for them. This is part of the ‘future of work’ programme.
- 3.11 Greenspaces Infrastructure Programme (£0.02m) – Access to Barnet branded vehicle for use in storms provides employee care when working in potentially hazardous conditions.
- 3.12 Housing Revenue Account (£22.228m) - The HRA additions relate to the stock Capital investment programmes, where resources have been accelerated from future years in the Business plan (beyond the timescales of the existing 5-year capital programme). These additions bring the HRA capital programmes in line with the current 30-year Business Plan. They are all funded from PWLB Borrowing. These include:
- M&E/ Gas (£1.784m)
 - Miscellaneous Repairs (£10.622m)
 - Major Works (£9.735m)
 - Extra Care – Housing (Cheshir) (£0.087m)

Budget movements

- 3.13 School place planning (Secondary) (£0.644m) – Transferring £0.644m Koshar Kitchen budget to School place planning (Secondary) budget. Pre-approved and funded from Grant and Contributions.
- 3.14 New Build Housing (Open Door) (£1.336m) – Transferring £1.336m Micro site development for affordable housing to budget to New Build Housing (Open Door) budget. Pre-approved and funded from Borrowing.

Total Additions

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

Table 9: Summary of Proposed Additions

Additions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000	£000
Enforcement - CCTV	330	200	200	0	0	730
Firestopping works and other urgent maintenance works at care homes	0	5,211	0	0	0	5,211
COLINDALE MODIFICATIONS (future of work – 'FOW')	188	0	0	0	0	188
Greenspaces Infrastructure Programme	20	0	0	0	0	20
Major Works (excl Granv Rd)	0	0	1,416	368	0	1,784
Miscellaneous Repairs	566	3,023	3,073	3,073	0	9,735
M&E/ GAS	4,932	4,998	0	692	0	10,622
Extra Care - housing (Cheshir)	0	0	0	87	0	87
Total at Month 4	6,036	13,432	4,689	4,220	0	28,377

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

Table 10: Summary of Changes Proposed to Revised Capital Programme

Theme Committee	Net Slippage & Accelerated Spend	Deletions	Additions
	£000	£000	£000
Adults and Safeguarding	(204)	0	0
Housing and Growth (Brent Cross)	(27,927)	(4,000)	0
Housing and Growth (Other)	(44,779)	(0)	5,399
Children, Education & Safeguarding	(11,595)	0	0
Community Leadership and Libraries	0	0	730
Environment	(2,769)	0	20
Policy & Resources	(1,876)	0	0
Housing Revenue Account	(36,751)	(2,653)	22,228
Total at Month 4	(125,900)	(6,653)	28,377

3.17 The capital programme shown in paragraph 1.6.2 was approved to be funded from the following sources:

Table 11: 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	12,439	417	90		3,997	379	17,322
Housing and Growth (Brent Cross)	200,281		900			12,979	214,160
Housing and Growth (Other)	53,537	8,703	15,121	491	15,035	225,016	317,903
Children, Education & Safeguarding	38,722	2	342		406	1,805	41,279
Community Leadership and Libraries					730		730
Environment	687	4,095	428		7,868	36,641	49,719
Policy & Resources	1		1,108		5,000	20,451	26,560
Total - General Fund	305,667	13,218	17,988	491	33,036	297,272	667,673
Housing Revenue Account	19,992		3,352	78,823		186,262	288,429
Total - All Services	325,660	13,218	21,340	79,314	33,036	483,534	956,102

Borrowing

3.18 £483.534m of the total capital programme will be funded from borrowing of which £153.500m is to be on-lent to Opendoor Homes for the acquisition or delivery of new housing.

- 3.19 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).

Capital Receipts

- 3.20 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.
- 3.21 £21.340m of the above capital programme is planned to be funded by capital receipts. Current receipts are standing at £17.476m with £16.088m HRA receipts and £1.389m General Fund receipts.
- 3.22 Of the £10.775m Capital receipts planned to fund expenditure in 2021/22, £3.979m will be funded from HRA capital receipt (RTB Receipts) relating to Open Door New Build Housing (this is shown in the above table under Housing and Growth (Other)). The remaining £6.796m is expected to come from General Fund capital receipts. To date the council has received £1.389m from General Fund disposals, with £3.569m capital receipts forecast this financial year. The current forecasted Capital Receipt shortfall will be £3.227m General Fund and may need to be funded by additional borrowing.
- 3.23 Current HRA capital receipt balances plus future estimates suggest that there will be enough HRA capital receipts to fund the relevant projects.

Capital Grants & Contributions

- 3.24 The current capital programme shows £325.660m to be funded from Capital Grants. S106 and CIL are standing at £13.218m and £33.036m respectively.
- 3.25 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).
- 3.26 S106 contributions are a developer contribution towards infrastructure; restricted to a specific area and timeframe. Community Infrastructure Levy (CIL) funds are developer contribution towards infrastructure; can be used borough wide but still has time restrictions on use.
- 3.27 Current capital programme forecasts plus future estimates suggest that there will be enough S106 contributions to fund the relevant projects.

4. REASONS FOR RECOMMENDATIONS

- 4.1 The MTFS sets out the estimated overall financial position of the council over a period of time. This report recommends proposed changes to the MTFS process to work towards a balanced budget for 2022/23 and to reduce the gap savings requirement for 2023/24 to

2024/25. This ensures that Councillors and the public are informed of this work, supporting good governance.

4.2 This report also includes ongoing budget maintenance in the form of virements and the allocation of contingency funds to ensure strong financial management.

4.3 The revisions to the capital programme discussed in this report 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.

5. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

5.1 A simple 'savings and pressures' approach could be taken to the budget process for 2022/23, but this would not fully support the much-needed focus on reviewing all budgets, as it focuses on key areas of change or opportunity rather than underlying budget allocations.

6. POST DECISION IMPLEMENTATION

6.1 Following approval of the recommendations in this report, budget changes will be processed in the financial accounting system and reflected against service areas for 2021/22 for revenue and capital.

7. IMPLICATIONS OF DECISION

7.1 Corporate Priorities and Performance

- This report supports the council's vision set out in the new Barnet Plan for 2021-25. The Plan has been developed alongside the ongoing Covid-19 pandemic and reflects the views following consultation of residents and stakeholders. The Plan sets out four priorities:
 - Clean, safe and well run;
 - Family friendly;
 - Healthy and
 - Thriving
- The four priorities above will be delivered using a preventative approach whilst also considering equalities in all the council does.

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

- The report considers strategic financial matters and refreshes the current position of the council's MTFs. Plans will be enacted to work and identify savings and ensure they go through the appropriate governance process to set a legal budget in March 2022.
- The proposed changes to the capital programme will have an impact on the cost of borrowing and therefore support the council's revenue budget.

- 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.

7.3 Legal and Constitutional References

- 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.
- 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.
- 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.
- 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:

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.

- 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.

7.4 **Insight**

- The MTFS already 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. The MTFS process for the upcoming year will place an increase focus on a data-led approach to support estimates of pressures and savings offered.

7.5 **Social Value**

- None that 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.

7.6 **Risk Management**

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

7.7 Equalities and Diversity

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

7.8 Corporate Parenting

- 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 2025, 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.

- 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.

7.9 Consultation and Engagement

- 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
- 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
- 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.
- The council will conduct a budget consultation between December 2021 through to January 2021. This consultation will cover any proposals to increase council tax together with seeking views on the council's budget overall.

BACKGROUND PAPERS

Committee	Item & Agenda	Link
Full Council 02 March 2021	Item 10.1 Business Planning – Corporate Plan, Budget for 2021/22, and Medium-Term Financial Strategy 2021-25	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=10237

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