



Policy & Resources Committee 9th December 2021

Title	Business planning (Budget 2022/23, Medium Term Financial Strategy 2022-26), and Budget Management 2021/22
Report of	Chairman of Policy & Resources Committee
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix A – Medium Term Financial Strategy (MTFS) Appendix B – 2022-26: Proposed Savings Appendix C – Fees and charges Appendix D – Capital Programme Appendix E – Treasury Management mid-year report Appendix F – Corporate Risk Register
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Summary

On the 27 October 2021 the Chancellor of Exchequer presented his Autumn Budget and Spending Review (SR21) to Parliament. Following that, this report sets out the latest estimates and assumptions on the Medium Term Financial Strategy (MTFS) for 2022-26, savings and income generation plans, fees and charges and the capital programme.

The MTFS and the financial forecasts are based on the spending review announcement, however, funding information by local authority won't be released until the Local Government Finance Settlement (LGFS) is published. A date has not been confirmed but it is likely to be mid-December 2021.

It is possible that the details in the finance settlement could differ from the assumptions made for the MTFS. The implications of the differences, if significant, will be brought back to Policy and Resources in February 2022 for consideration.

The revised MTFs for 2022-26 reports a total savings requirement of £70.790m with savings identified of £17.888m, leaving a savings gap of £52.782m to be identified. Of this, £5.149m is the shortfall to balancing the 2022/23 budget. Officers from services across the council are reviewing options to meet the remainder of this gap. Recommendations to bridge this gap will be presented to future Committees.

This report also seeks the Committee's approval for budget management decisions for 2021/22, required as part of normal business in line with the Financial Regulations.

Officers Recommendations

That the Committee:

Regarding the medium term financial strategy:

1. Notes **the latest update on the MTFs** further to budget submissions from council services and the information contained in the Chancellor's Autumn Budget and Spending Review 2021. This includes the budget proposals (savings, income generation, and pressures) for 2022/23 and later years. This is detailed in this report and in appendix A;
2. Approves **delegated authority to the Executive Director of Resources (S151 Officer) to amend the MTFs in line with the 2022/23 Local Government Finance Settlement**, to enable the 2022/23 Budget Consultation process to commence as discussed in paragraph 5.9;
3. Approves the proposed fees and charges for referral to council, including proposed rent increase in line with Government policy for existing council tenants for social dwellings and affordable rent dwellings, proposed rent increase for temporary accommodation and proposed service charges and garage rents to take effect from 1st April 2022, as set in appendix C;
4. Notes the current and forecast position on **earmarked reserves** in paragraph 1.4;

Regarding consultation on budget and council tax proposals:

5. Agrees to consult on the use of the Council's **flexibility to raise the level of General Council Tax by up to 1.99% in 2022/23** in accordance with the scenarios in paragraph 1.3.7;
6. Agrees to consult on the use of the **Council's flexibility to apply a Social Care Precept of 1%**, to help fund pressures in social care;
7. Approve that the council's budget consultation will be launched in the week of 20 December 2021 after which the budget with a cumulative equality impact assessment will be considered by the Committee on 9 February 2022, before it is referred to council;
8. Notes the current position on the **Eight Authority Business Rates Pool for 2022/23** discussed in paragraph 1.3.15-17, and delegates authority to the Executive Director of Resources (S151 Officer) to take all necessary actions to participate in and execute the agreement;

Regarding budget management for 2021/22:

9. **Notes the General Fund revenue forecast for September 2021**, as set out in paragraph 1.6.2;
10. **Approves the revised capital programme** set out at paragraph 1.7 and detailed in appendix D;
11. **Approves the mid-year review of the Treasury Management Strategy**, summarised from paragraph 1.8 and detailed in appendix E;
12. **Approves the virements and commitments from the Contingency budget**, the position for which is summarised in paragraph 1.6.6;
13. **Notes the Quarter 2 2020/21 Corporate Risk Register** discussed in section 1.9 and presented in Appendix E;
14. **Notes the progress Family Services have made in securing pan-London capital funding from Department for Education (DfE) and delegates authority to the Executive Director of Children's and Family Services to take all necessary actions to participate in and execute the funding agreement if successful as set out in paragraph 1.3.28.**

1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

- 1.1.1 The committee received an update to the Business Planning 2022-26 and MTFs process at its meeting in September 2021. Following the Chancellor's Autumn budget and SR21 this report provides a further update with a set of proposals for savings and income generation. The table below set out the progress towards balancing the MTFs. There is a total savings requirement across the period of £70.671m and identified savings proposed for approval by theme committees of £17.888m. This leaves a gap in savings of £52.782m of which £5.149m is for 2022/23.

2021/22	MTFS Summary	2022/23	2023/24	2024/25	2025/26
£m	Resources vs. Expenditure	£m	£m	£m	£m
343.690	Expenditure	342.591	377.798	408.434	429.633
(333.101)	Resources	(330.817)	(342.716)	(352.238)	(358.844)
10.589	Cumulative (Surplus)/Shortfall to Balanced Budget	11.775	35.082	56.196	70.790
10.589	<i>In year savings requirement</i>	11.775	23.308	21.114	14.594
10.589	Cumulative Budget Gap after Savings	11.775	28.456	45.286	53.279
(10.590)	Efficiencies and Income Generation options Proposed	(6.626)	(4.284)	(6.601)	(0.497)
(0.001)	(Surplus)/Shortfall to Balanced Budget	5.149	24.172	38.685	52.782

- 1.1.2 The budget position for next year is unbalanced however paragraph 1.3.7 sets out scenarios that could close this. However, if these don't come to fruition, we will need to revisit pressures and savings. It is also worth noting that officers have spent time focusing on balancing 2022/23 and future years will be reviewed in Spring next year.

- 1.1.3 The council's revenue position as at month 6 (including reserves) is discussed in section 1.6. Forecast performance to March 2022 against the budget approved by Council in March 2021 is currently anticipated to be less than budgeted by £1.523m. This is after the application of earmarked reserves of £2.453m. These reserves were set aside against anticipated (but not certain) future cost pressures (£5.966m). The use of these reserves are offset by £3.5m of contingency funding uncommitted at month 6 and to be carried forward to next year (2022/23).
- 1.1.4 Fees and charges, changes to the capital programme, mid-year Treasury Management review and routine budget management for 2021/22 are also discussed in this report.

1.2 Strategic Context

- 1.2.1 The council's corporate plan, the Barnet Plan 2021-25, was considered by Policy & Resources Committee 8 February 2021 and was agreed at Full Council 2 March 2021. This sets out the council's vision to provide the best possible services for residents in communities where there are opportunities to grow and thrive, and where everyone feels safe. Placing residents at the heart of everything we do, the Plan is built around four core, cross cutting themes - Clean, Safe & Well Run, Family Friendly, Healthy and Thriving - with prevention and equalities running through everything we do.
- 1.2.2 The MTFS is an integral part of the council's overall planning and strategy to ensure a financially sustainable and stable platform from which to deliver its strategic objectives through the Barnet Plan.
- 1.2.3 This report builds on previous updates to this committee and presents the latest progress to balance the MTFS. Since September's meeting of this committee, the Chancellor has presented the Government's Autumn Budget and Spending Review to Parliament. As far as possible, this is reflected in the latest figures, however, individual borough allocations will not be known until the Local Government Finance Settlement (LGFS), which is due to be released mid-December 2021.

Autumn Budget & Spending Review 2021

Local Government Summary

- 1.2.4 The Spending Review covered the three years 2022/23 – 2024/25, which is welcome, as it provides a more certain basis for future financial planning. Through this period, the 'core spending power' of local councils is expected to increase by £8.5bn in real terms (c +3% real terms per year – or approximately the maximum likely level of council tax increase permitted under the referendum thresholds).
- 1.2.5 The £8.5bn increase includes new grant funding of £1.5bn per year (distribution basis is to be confirmed in the LGFS). However, there is no further separate compensation for Covid 19 losses. £3.6bn funding has been made available to implement adult social care reform (as announced in September 2021) and the ringfenced Public Health grant will increase in line with inflation.
- 1.2.6 Council tax (CT) referenda limits are likely to remain at 1.99% with flexibility provided for an application of a 1% increase for a Social Care Precept (SCP). This will be confirmed as part of LGFS. Business Rates are to be 'frozen' with no increase in the multiplier for next year, however, local government will be compensated for this loss in income. Further a 50% relief on business rates for retail, hospitality and leisure businesses in 2022/23 as

well as a new relief for businesses investing in improvements equating to 100% of their bill for 1 year was announced. We also expect to be compensated for this relief in the form of S31 grant.

- 1.2.7 Other announcements include continuation of homelessness funding, further funding for housing supply and the removal of unsafe cladding, funding for SEND school places and funding for skills including adult skills.
- 1.2.8 Inflation is tracking at 4.2% at the end of October 2021 and is expected to remain around 4% next year (until the impact of removing Covid 19 restrictions has worked through the economy) and National Insurance contributions (NICs) are expected to increase by 1.25%, as announced in September 2021 to fund changes in health and social care. The impact of the NICs increase is supposed to be fully funded for local government, however, it is likely that we see some impact of this in the cost of services from our supply chain.
- 1.2.9 The timetable for delivery of fundamental reforms to local government finance (the business rates retention reset and the review of relative needs and resources) continues to be delayed but will not impact on settlement amounts for 2022/23. This is likely to impact in 2023/24 and later years.

Economic and Fiscal Outlook

- 1.2.10 The UK's economy and public finances have recovered faster than expected in the Office for Budget Responsibility's (OBR) November 2020 and March 2021 forecasts. The vaccines' effectiveness combined with consumers and businesses adapting to public health restrictions has led to upwards revisions on overall output. GDP is expected to grow by 6.5% in 2021, 2.4 percentage points faster than predicted in March 2021.
- 1.2.11 Public spending falls from its peacetime high of 53.1% of GDP in 2020/21 to 45.1% in 2021/22 as pandemic related support comes to an end. Government is set to meet all its fiscal targets by 2024/25 (ensuring net debt as a share of GDP is falling by 2024/25, to balance budget by 2024/25, ensure that average public sector net investment does not exceed 3% of GDP and to keep welfare spending below the 'welfare cap') and real GDP is forecast to return to the pre-pandemic level around the turn of the year.
- 1.2.12 As outlined in 1.2.7 CPI inflation has risen sharply from 0.9% last year to an expected peak of 4.4% in the second quarter of 2022. This is then likely to fall and stabilise around 2% from 2024 onwards.
- 1.2.13 Unemployment is set to peak at 5.5% in the fourth quarter of 2021, thereafter, dropping to and stabilising at 4.2% in the medium term.

1.3 Medium Term Financial Strategy

- 1.3.1 The MTFS provides a way to plan resource allocation decisions by taking into account both current and future levels of resources. It allows adequate time to align wider organisational priorities with resource allocation decisions, and to test previous resource allocation decisions in the light of current financial performance.
- 1.3.2 In putting together the MTFS due regard has been given to the CIPFA Code of Financial Management (the 'CIPFA FM Code' published last year and recommended for adoption by all councils from April 2021). This MTFS complies with the relevant sections of the FM code.

1.3.3 The organisational objectives in setting the MTFS are as follows:

- We 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;
- We 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 2022, this has been identified as £15m for general fund balance and £40m for earmarked non-ringfenced revenue reserves;
- We will seek to build resilience to economic shocks and insulate from the requirement for sudden cuts to vital services;
- We will use reserves to invest in one-off investment or transformation requirements but not to the point of the organisation being in distress;
- We will ensure we have sufficient funding for on-going transformation and long term changes;
- We 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;
- We will achieve the best possible outcomes within the funding available;
- We will ensure that budgets are aligned to the Barnet Plan and that we will actively disinvest where this is not the case;
- We will understand the implications of growth and ensure that both the reward and the increased costs to services are recognised, and;
- We will act lawfully and protect the integrity of regulations, ring fences and accounting rules.

1.3.4 In September 2021, the committee received a report identifying key areas of uncertainty and 3 possible scenarios arising from the level of uncertainty at that time. The key variable at the time were: flexibility around social care precept (SCP), value of unmitigated service cost pressures and Government Spending Review outcomes.

1.3.5 The 'base-case' position presented in September 2021, which forecast CT and SCP increases at 1+1%, pressures at £16m and additional funding from SR21 at £5m, resulted in the following gap as set out below.

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

1.3.6 The changes to the areas of uncertainty are set out below:

- CT & SCP: confirmation of these is expected to be received as part of LGFS however it is likely that the increases allowed, before a referendum, will be 1.99% and 1% respectively;
- Service pressures: the impact of Covid on services such as adult social care, children's social care and temporary accommodation continue to remain under review. Work thus far has showed that the service pressures for 2022/23 is likely to remain in the region of £12m. However, the increased projection for inflation has increased this corporate pressure by £3.2m;
- SR21 assumptions: While no specific funding for Covid has been made available, the increase in grant funding for local government is estimated to be in the region of £8-10m.

1.3.7 While there is more certainty around some of the key variables, until LGFS is published there is still uncertainty in how much funding we receive. For this reason the scenarios have been maintained and amended. The range in the three scenarios are now as follows:

Key Variables in 2022/23	Scenario A	Scenario B (base case)	Scenario C
Council Tax	1.99%	1%	0%
SCP	1%	1%	1%
Inflation	£6m	£6m	£7m
New Homes Bonus	£7m	£6m	£5m
SR21	£10m	£8m	£6m
Budget gap after proposed savings	£0m	£5m	£11m

Key assumptions in the MTFS

1.3.8 For the 2022/23 MTFS, key assumptions that have changed are as follows:

	£m	£m	Comments
<u>September 'base case' savings requirement</u>		16.233	
Changes in Expenditure			
Increase in inflation	2.639		Reflects increase in forecast from 2% to 4%
Increase in capital financing	0.297		Reflects changes to capital programme
Increase in service pressures	0.270		Reflects further due diligence in service pressures
Further reduction in concessionary fares levy	(0.339)		Reflects updated information from London Councils on usage of public transport
Reduction in service pressures	(3.719)		
Grant income grossed up	1.341		Increases in PH and ASC reform grants reflected in expenditure
All expenditure changes		0.489	
Changes in Funding			
Removal of assumed C19 grant	5.000		Reflects Autumn budget & SR21 announcement
Addition of new SR21 & ASC reform funding	(9.025)		Reflects Autumn budget & SR21 announcement

Continuation of Lower Tier Service Grant	(0.587)		Reflects Autumn budget & SR21 announcement
Increase in PH grant due to inflation	(0.341)		Reflects Autumn budget & SR21 announcement
Rounding adjustments	0.006		
All resource changes		(4.947)	
All changes		(4.458)	
December 'base case' savings requirement		11.775	
Savings proposed		(6.626)	
Remaining budget gap		5.149	

1.3.9 The total growth for service pressures totals £12.395m for 2022/23 and £38.846m over the life of the MTFS. By service area the breakdown is as follows:

Pressures	2022/23	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000	£'000
Assurance	1,045	0	0	0	1,045
Environment	973	2,654	4,734	1,787	10,148
GCS	789	81	61	67	997
Children's & FS	1,737	1,891	1,064	952	5,644
Adults	7,482	3,963	3,981	3,998	19,424
Resources	369	610	610	0	1,589
PH	0	0	0	0	0
Total	12,395	9,198	10,450	6,803	38,846

Savings & income generation update

1.3.10 To address the savings requirement for 2022-26, theme committees were presented with programme of savings for consideration in November 2021. These totalled £18.007m over the MTFS period with £6.626m falling in 2022/23.

Savings	2022/23	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000	£'000
Assurance	431	0	0	0	431
Environment	795	882	2,956	0	4,633
GCS	1,170	706	1,485	297	3,658
Children's & FS	1,483	639	461	200	2,783
Adults	1,962	867	555	0	3,384
Resources	785	1,191	1,141	0	3,118
PH	0	0	0	0	0
Total	6,626	4,285	6,598	497	18,007

1.3.11 Proposed fees and charges are attached as an appendix to this report. These have been reported to theme committees as appropriate and there are specific proposals for P&R committee.

Council Tax

1.3.12 The council receives 63% of its income from council tax. The Council has the largest (billable) tax base in London, consistent with having the highest population of any London borough.

1.3.13 The budget for the overall level of council tax receipts is based on the expected number of bills raised and the amount of the charge. The number of bills raised is the assessed level of the council tax 'base'. Assessment of the council tax base has regard for:

- The total number of dwellings created from one year to the next;
- The number of dwellings which may be subject to council tax support; and
- The overall rate of collection (currently 98.5% over 4 years).

1.3.14 Taking those factors into account the historic tax base growth has been 1-2% per year. It is expected that the pandemic would slow down this rate of growth and the budget for the current year (2021/22) assumed growth of 0.2%, with 0.9% next year. This position has been under review every quarter during the year, and current results indicate that these forecasts will be achieved and possibly exceeded.

1.3.15 As discussed in paragraph 1.2.5, it is likely that the LGFS will confirm that the council will have flexibility to raise council tax by up to 1.99% before a referendum and apply a social care precept of up to 1% to fund pressures in adult social care.

Business Rate Pooling

1.3.16 The council has been in discussion with City of London (as lead authority) and six other London authorities to enter into an eight-authority pool. The group will act as a pool for 2022/23 only, in order that the levy that City of London and Tower Hamlets would normally pay to central Government can be retained.

1.3.17 The group of authorities have come together based on their geography (a condition of the pool is that they are neighbouring), the size of their business rates base and the low level of risk they would bring to the pool.

1.3.18 As with all business rates pool there is a risk that the pool could make a loss. However, this pool has been designed to be low risk. The basis of the distribution of the retained business rates are still being discussed but if successful, Barnet could seek to benefit from a one-off payment of £2.8m in 2023/24 relating to 2022/23.

Balancing the MTFS

1.3.19 The table below shows the budget gap, there is still a remaining budget gap in 2022/23 of £5m and depending on the range discussed in Scenarios A and C this could change. The gap based on the base case scenario is:

MTFS budget gap	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000
Cumulative Savings requirement	11,775	35,082	56,196	70,790
<i>In year Savings requirement</i>	11,775	23,308	21,114	14,594
Savings & income generation proposed	(6,626)	(4,284)	(6,601)	(497)
Remaining budget gap	5,149	24,172	38,685	52,782

1.3.20 Work is continuing to ensure the council achieves a balanced budget ahead of the

February 2022 P&R committee and Full council meeting in March 2022.

- 1.3.21 There are also a range of service specific issues and risks that need to be considered when balancing the budget. These are as follows:

Adults

- 1.3.22 There remain significant levels of uncertainty regarding future levels of demand across all settings for adult social care, as the service continues to work with the influx of additional people seen through the pandemic period, and their changing preferences for where and how their care is delivered. Overall activity and costs will continue to be monitored through the coming years, and these budget proposals are based on a reasonable assessment of likely levels of demand and costs.
- 1.3.23 It is expected that medium term financial planning will be focussed on the impact of the recent government announcements to changes in care arrangements, specifically the impact of the care cap on both residents and current budgets, but also the impact more generally on the social care sector. Many early estimates from the care sector and informed commentators have raised concerns over whether the proposed levels of funding are sufficient.
- 1.3.24 Leisure income through the delivery partner GLL has also been significantly impacted by the pandemic and this budget includes provision for the expected impact in the next financial year while services and revenues recover.

Growth and Corporate Services

- 1.3.25 Key areas of uncertainty include general fund housing services, particularly temporary accommodation and anticipated levels of demand as the impact of the eviction ban being lifted and the impact on households experiencing financial constraints become clearer. These budget proposals include provision for future demand increases and resources to support families and households as necessary.

Children's and Family Services

- 1.3.26 Placement budgets continue to be under pressure. This is currently being managed within existing resources and will continue to be monitored.
- 1.3.27 There continues to be pressure in education services arising from demand for services for pupils with special educational needs and disabilities (SEND) and increasing numbers with education and health care plans (EHCP). Despite increased funding recently announced by government it is not yet clear if this will be sufficient to cover costs arising, for example in home to school transport.
- 1.3.28 Officers in Family Services have been working with Department for Education (DfE) and across London to deliver the ambition of providing better care, support and opportunity for our most vulnerable adolescents. The proposal will establish sufficient beds required for secure welfare provision in the capital where children are a significant risk to themselves or others. At present young people are placed an average of nearly 200 miles away if places are available breaking important relationships with families and services. The proposal has been submitted with full support of all 33 boroughs and the major stakeholders for children and young people in London. These discussions have been progressing well and it is anticipated an agreement will be reached for which Barnet will

be the lead authority.

Environment

1.3.29 Budget proposals for environment include recognition of the impact of the pandemic on car parking revenues as well as plans to manage those pressures through the medium term.

1.3.30 The proposals also accommodate other areas of planned income generation that have delivered to a lower level than anticipated, as well as other areas – such as green waste – where income has exceeded previously anticipated levels.

1.4 Reserves

1.4.1 The position on reserves at the end of month 6 is set out below. This has previously been reported to the Financial Performance and Contracts Committee. This reserves position is in addition to the £15m of balances we hold separately. The position below shows a net use of earmarked reserves of £2.453m in the current year, together with further use of the Covid-19 revenue grant unapplied (£4.513m). It is also expected that the full value of the Covid-19 revenue grant unapplied (general business reliefs) of £31.419m will be used in the current year.

	Balance Brought Forward	net change	Resulting balance
	£000s	£000s	£000s
Revenue Reserves - earmarked (MTFS resilience)	39,433	0	39,433
Revenue Reserves - earmarked (non-Covid-19, service specific)	30,145	(2,453)	27,692
Total Revenue Reserves	69,577	(2,453)	67,125
Revenue Grant - unapplied (Covid-19, general fund)	13,824	(4,513)	9,311
Revenue Grant - unapplied (Covid-19, collection fund - general reliefs)	31,419	(31,419)	0
Revenue Grant - unapplied (Covid-19, collection fund - s31 safety net)	12,855	0	12,855
Grant unapplied	58,098	(35,932)	22,166
Total Revenue Reserves & Grant Unapplied	127,675	(38,385)	89,291
Capital Reserves	16,067	0	16,067
Total All	143,742	(40,837)	102,905

1.4.2 Overall, it is estimated that the level of reserves used in the year will be £40.837m, of which £35.932m is the appropriate application of Covid-19 grant funding and £2.543m is related to ongoing council activities. This is expected to result in £67.125m of revenue reserves being held at the end of the year, with a further £22.166m of covid-19 related funding continuing to be retained against future costs. Capital reserves of £16.067m will be retained although this figure will be adjusted at year end for CIL and s106 receipts received and any further expenditure authorised (in the usual way).

1.4.3 It should be noted that revenue reserves of £67.125m cannot be deployed to offset the overall gap in the MTFS in preference to securing savings. This is because, as set out below, reserves are one-off resources. In 2022/23, the remaining gap could be bridged through use of reserves, however, this will deplete reserves but not change spending levels. In the following year, reserves would be at 30% of previous levels – which could only fund half of the budget gap in the following year. Savings of £20.6m (approximately 6%) would be required in 2024/25 and would reduce reserves to nil. The additional savings requirement in 2025/26 would be £67.68m – over 20% of budgets in one year.

Illustration of the impact of using reserves rather than securing recurrent savings	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Estimated savings requirement	10.839	28.156	42.798	67.680
<i>Modelled available reserves</i>	61.212	50.373	22.217	0.000
<i>If reserves are used to cover gap</i>	(10.839)	(28.156)	(22.217)	0.000
<i>If savings applied afterwards</i>	0.000	0.000	20.581	67.680
<i>Modelled resulting level of reserves</i>	50.373	22.217	0.000	0.000

1.4.4 The table above is, of course, illustrative as it is enshrined in law that the S151 officer has to set prudent and suitable level of reserves and therefore it couldn't be implemented.

1.5 Sustainability Strategy Framework

1.5.1 This committee will also consider the Sustainability Strategy Framework which will discuss the borough's carbon baseline and a range of existing actions to address sustainability across the borough and within the council as an organisation. Resources to deliver these existing actions are all factored in to the MTFS and HRA business plan.

1.5.2 The report will also propose a series of commitments by the council in relation to reaching net zero carbon. The resources to deliver this haven't entirely been factored into the MTFS as the expectation is that some of this will be made available from Government and / or third parties. As and when workstreams are developed in more detail, the resources to deliver these will be factored into the MTFS, HRA business plan or capital programme as appropriate, in the annual update.

1.6 2021/22 Budget Management

1.6.1 There are a number of decisions relating to in year budget management which require approval or noting by committee in order to ensure the financial administration of the council remains robust, these are outlined below.

2021/22 outturn (as forecast at Month 6)

1.6.2 The forecast as at the 30 September (month 6) indicates a likely outturn below budgeted levels of £1.523m. This is after the application of £2.453m of reserves. This amount comprises of the planned use of earmarked reserves of £5.966m and a £3.5m contribution to reserves from contingency funding not committed at the mid-year point (shown under resources). The expectation is that this unused contingency will form the basis of 2022/23's contingency. This position has been reported to Financial Performance and Contracts Committee.

Service Areas	2021/22 Budget	M6 Forecast	M6 Variance	Non C19 Reserves applied	Variance after reserves
	£'000	£'000	£'000	£'000	£'000
Adults and Health	103,032	106,500	3,467	(3,516)	(49)
Children's Family Services	73,839	74,913	1,074	(1,071)	3
Environment	11,981	13,774	1,794	(1,207)	587
Growth and Corporate services	40,212	40,741	529	(323)	205
Assurance	7,322	7,008	(314)	(35)	(350)
Resources	78,471	72,849	(5,622)	3,699	(1,923)
Public Health	18,244	18,247	3	0	3
Total at Month 6	333,102	334,032	930	(2,453)	(1,523)

1.6.3 Overall, the council has received £111m in government funding to address the impact of the pandemic. Of this, £73m was spent in the last financial year, £28m is expected to be spent in the current financial year, and a further £9m is expected to be spent next year and in later years. This is illustrated below. (NB – the values below are for general fund services only and do not include business support grants.)

Contingency and virements

1.6.4 The contingency budget is a tool in effective financial management of the council and a means to mitigate risks in the MTFs. It provides a mechanism to allocate additional funding on a temporary or permanent basis during the financial year. Allocations from contingency ensure that the financial regulations can be adhered to when unexpected items occur. This therefore supports the delivery of the organisation's overall financial strategy.

1.6.5 The contingency budget is usually forecast to be fully spent within the financial projections despite containing unallocated elements. This means that any virements to areas displaying a financial pressure will generally benefit the bottom line of the council's projected outturn variance.

1.6.6 The following two ongoing virements are recommended for approval:

- £500k from contingency to Assurance to meet the confirmed future costs of insurance contracts;
- £2.6m from contingency to Environment to reverse the 2020/21 additional income target for car parking. This saving proposal was agreed when setting the 2020/21 budget in March 2020 ahead of the pandemic. Since the pandemic car parking income has significantly been impacted and therefore this saving proposal is unlikely to be achieved in the current or next financial year. In future years, if car parking income recovers, a future savings proposal will be expected to be brought forward.

1.6.7 At this committee's June 2021 meeting, a one-off allocation from contingency was agreed to deliver the outcomes in the Barnet Plan. The one-off allocation was to remain under review while setting the 2022/23 budget. It is now recommended that these allocations are ongoing. This will not have a further adverse impact on the savings requirement or budget gap discussed elsewhere in this report.

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

1.7 Capital Programme updates

1.7.1 The Committee approved updates to the capital programme at its September meeting. To ensure that the capital programme reflects the current profile of scheme delivery, and recommended additional investments to be made, further changes are recommended for approval at this meeting. The recommended changes are summarised below and detailed in appendix D.

1.7.2 The previously approved capital programme amounted to £956.480m of investments to be made over the life of the MTFS. This was approved to be fully funded, largely from borrowing and grants, supported by use of capital receipts, S106 and CIL.

1.7.3 It is recommended that the capital programme is amended to include £143.783m of additional spending, removal of one scheme in the value of £0.390m (which has been superseded), and that slippage out of the current year offset by accelerated spending brought into the year, is also approved, with a net slippage value of £34.078m.

1.7.4 This will lead to an overall capital spending programme of £1,099.874m. The revised programme is detailed in appendix D.

1.8 Treasury Management mid-year report

1.8.1 The mid-year treasury management review is included as appendix E. The key points of the review are set out as follows:

- The Treasury Management Strategy approved by policy and resources committee in February 2021 remains in place; No breaches of strategy in relation to debt or investments have arisen.
- This mid-year update clarifies the borrowing strategy (item 3.4) of the 21-22 Treasury management Strategy, as follows: While the council operates two pools of debt (General Fund and the Housing Revenue account) with each fund servicing the interest costs of a proportionate share of debt, for the purposes of compliance with the prudential indicators and for the policy of borrowing in advance of need, the capital financing requirement the council will use is the combined capital financing requirement of the two pools. This does not conflict with the need to ensure the affordability of debt for each pool and is consistent with the Prudential Code.
- In the period to 31 September 2021, £100m of PWLB borrowing has been taken to support the HRA. This was based on the approved spending identified within the HRA capital expenditure plans and affordability is documented in the HRA 30-year business plan.
- Investment performance throughout the same period has been well above the benchmark, with an average return of 0.22% against a benchmark of -0.08%. This benchmark is the rate at which banks will lend to one another and due to ultra-low interest rates and strong credit conditions this rate is negative at the moment.

1.9 Corporate risk register

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

1.9.2 Over the summer, a comprehensive review of the strategic and service level risks was carried out to ensure they *reflected the challenges of the last 18 months; focused on delivery of our objectives; and identified any emerging risks in future years*. The risk

registers were updated to reflect the current position. There are now 26 strategic risks, of which five are scored at a high-level (15+):

- Capacity of the social care market due to recruitment and retention challenges
- Negative effects of climate change including flooding
- Economic downturn affecting pace of development and supply of materials
- Cyber security leading to widescale disruption to services
- Another wave of Covid-19 infections or pandemic such as influenza.

1.9.3 In addition, there 14 service level risks scored at a high-level. These can all be found in Appendix F.

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 proposed changes to the MTFS process to work towards a balanced budget for 2022/23 and to reduce the savings requirement for 2023/24 to 2024/25. This ensures that Councillors and the public are informed of this work, supporting good governance.

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

2.3 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.

3. Alternative options considered and not recommended

3.1 Services have considered alternative options in proposing savings and identifying pressures. These have been reported to theme committees.

3.2 Alternative MTFS scenarios were presented to the Committee in September as a number of key uncertainties were apparent at that time. These have been largely resolved as a result of the internal budget work and the external announcements on funding. The MTFS does still hold some uncertainties and judgements as detailed in the report.

4. Post decision implementation

4.1 Approved recommendations will inform the next steps in the budget preparation for 2022/23 and the engagement in the budget consultation.

4.2 Following approval of budget management for 2021/22 and updates to the capital programme, changes will be processed in the financial accounting system and reflected against service areas.

5. Implications of decision

5.1 Corporate Priorities and Performance

5.1.1 The Council's Corporate Plan 2021-25 sets out four priorities for the Council, they are:

- Clean, safe and well run – a place where our streets are clean and anti-social behaviour is dealt with so residents feel safe. Providing good quality, customer friendly services in all that we do.
- Family friendly – creating a Family Friendly Barnet, enabling opportunities for our 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 future, where all residents, businesses and visitors benefit from improved sustainable infrastructure & opportunity.

5.1.2 The budget preparation process ensures alignment between resources and the Barnet Plan.

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. 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.

5.3 Legal and Constitutional References

5.3.1 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.

5.3.2 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.

5.3.3 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.

5.3.4 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:

Virements for allocation from contingency for amounts up to and including £250,000 must be approved by the Chief Finance Officer
Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service in a Directorate that do not alter the approved bottom line are approved by the Service Director of that Directorate.
Virements between services within the same Directorate (excluding contingency allocations) up to and including a value of £50,000 must be approved by the relevant Chief Officers of that Directorate.
Virements between different Directorates (excluding contingency allocations) over £50,000 and up to and including £250,000 must be approved by the relevant Chief Officer(s) and Chief Finance Officer in consultation with the Chair of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements between different Directorates (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee.

5.3.5 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.

5.4 Insight

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

5.5 Social Value

5.5.1 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.

5.6 Risk Management

5.6.1 The Council has an established approach to risk management, which is set out in the Risk Management Framework. 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.

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

5.7 Equalities and Diversity

5.7.1 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 Equality Act 2010 and the Public-Sector Equality Duty require elected Members to satisfy themselves that equality considerations are integrated into day-to-day business and that all proposals emerging from the business planning process have taken into consideration the impact, if any, on any protected group and what mitigating factors can be put in place. The equalities duties are continuing duties they are not duties to secure a particular outcome. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

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

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

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

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

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

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

- Tackle prejudice, and
- Promote understanding.

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

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race

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

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

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

5.7.9 Individual proposals underpinning the savings and income generation proposals will need to ensure an Equalities Impact Assessment is undertaken and considered ahead of implementation of proposals. The table of savings show where equality impact assessments have been completed on savings proposals or where they will be completed. After the budget consultation a cumulative equality impact assessment will be conducted on the budget. The budget envelop will be set by Council this will include a contingency if there are unforeseen equality impacts of any of the proposals.

5.8 Corporate Parenting

5.8.1 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.

5.8.2 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.

5.9 Consultation and Engagement

5.9.1 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.

5.9.2 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.

5.9.3 The council will launch a budget consultation in the week beginning 20 December 2021, subject to agreement from the P&R Committee on 9 December 2021. The consultation will run for six weeks and close on 1 February 2022.

5.9.4 The consultation will be published on <https://engage.barnet.gov.uk/> and cover any proposals to increase council tax together with seeking views on the council's budget overall.

5.9.5 Residents and National Non-Domestic Rate (NNDR) Payers will be invited to give their views through an online questionnaire published on Engage Barnet. Paper copies will also be available on request.

5.9.6 As part of the Council's statutory duty to consult with National Non Domestic Rate (NNDR) Payers, letters will be sent out to all the council's NNDR payers inviting them to take part in the consultation.

5.9.7 Alternative formats of the consultation will also be made available on request.

5.9.8 The consultation will be widely promoted via the Council's Residents' magazine, Barnet First; Barnet Online; local press; Twitter; and Facebook.

5.9.9 Super-users, i.e. users of non-universal services, will also be invited to take part in the consultation through the Communities Together Network, Youth Board, and service user newsletters, circulars and super user mailing lists.

5.9.10 The consultation findings and the final budget will then be recommended to P&R committee on 9 February 2022 ahead of the final approval at Full Council on the 1 March 2022.

5.9.11 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties, where there is a legitimate expectation or legislative requirement

to consult. Service specific consultations will take place where necessary in line with timescales for any changes to be implemented.

5.9.12 Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2022/23 savings. The outcomes of these consultations have or will feed into committee decision making process.

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

6. 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
P&R Committee 30 Sept 2021	Item 8 Business Planning 2022- 26 and in-year financial management 2021/22	Agenda for Policy and Resources Committee on Thursday 30th September, 2021, 7.00 pm (moderngov.co.uk)