



## Policy & Resources Committee 9<sup>th</sup> February 2022

<b>Title</b>	<b>Business planning – The Barnet Plan, Budget 2022/23, Medium Term Financial Strategy 2022-26 and Budget Management 2021/22</b>
<b>Report of</b>	Chairman of Policy & Resources Committee
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	Yes
<b>Key</b>	Yes
<b>Enclosures</b>	<p>Appendix A – The Barnet Plan  Appendix B – Medium Term Financial Strategy (MTFS)  Appendix C – Council Tax Resolution  Appendix D – Detailed Revenue Budgets, Savings and Income Generation, Pressures and Council Tax Summary  Appendix E – Summary of Savings &amp; Income generation Proposals  Appendix F – Fees and charges  Appendix G – Interim Consultation Report  Appendix H – Cumulative Equalities Impact Analysis  Appendix I – Strategic Risk Register  Appendix J1 – Capital Strategy  Appendix J2 – Proposed Capital Programme  Appendix K1 – Treasury Management Strategy Statement (TMSS)  Appendix K2 – TMSS: Mid-year Review Report 2021/22  Appendix L – Housing Revenue Account Business Plan  Appendix M - Reserves &amp; Balances  Appendix N – Debt Management Policy</p>
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### Summary

This report sets out the proposed budget for 2022/23 and the council's Medium Term Financial Strategy (MTFS) which include the assumptions for 2022-26 with regards to council tax, other funding, expenditure forecasts and the savings and income generation plans necessary to set a balanced budget. This helps to ensure resources are aligned to the strategic outcomes set out in The Barnet Plan, which is also included in this report.

The revised MTFS for 2022-26 reports a total savings requirement of £60.361m with savings identified of £19.335m, leaving a savings gap of £41.026m to be identified. Consultation on the budget and the contents of the December 2021 Policy and Resources Committee paper took place between 14 December 2021 and 1 February 2022.

Due to the timing of the publication of this report and the end of the consultation period, this report contains the interim results of this consultation. The final consultation results will be known prior to this Committee meeting and will be published as a late addendum to inform decision making. The recommendations presented within this report have considered the views expressed in the interim results.

The revised Capital Programme, TMSS, fees and charges and other appendices linked to budget setting are included with this report for approval.

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.

This report is urgent as it recommends the 2022/23 budget to Full Council for approval and it is a legal requirement for a balanced budget to be set. These proposals have been consulted on, and if approved by Policy and Resources Committee will be referred on to Council so that Council can approve the budget envelope and set the Council Tax.

## **Officers Recommendations**

### **That the Committee:**

#### **In respect of The Barnet Plan:**

1. Notes The Barnet plan, included as Appendix A, to ensure alignment of resources to corporate and strategic priorities;

#### **In respect of the Budget and Council Tax for 2022/23 and the MTFS 2022-26:**

2. Recommends to Council for approval the MTFS, attached as Appendix B, and the detailed revenue budgets in Appendix D, including the proposed savings and funding for pressures in 2022/23;
3. Recommends to Council for approval that the budget 2022/23 is prepared on the basis of a 0% increase for the general element of Council Tax in 2022/23 as discussed in paragraph 1.3.10 to 1.3.17;
4. Recommends to Council for approval that the budget for 2022/23 is prepared on the basis of an increase of 1% for the Social Care Precept, to help fund social care as detailed in paragraph 1.3.10 to 1.3.17;

5. Recommends to Council for the approval the resolutions relating to Council Tax contained within Appendix C;
6. Recommends to Council for approval, on the advice of the Chief Finance Officer, that it determines that the council's basic amount of Council Tax for 2022/23 as set out in Council Tax resolution Appendix C, 2(iv) is not excessive in accordance with the principles approved under section 52ZB and 52ZC of the Local Government Finance Act 1992, set out in the Referendums relating to Council Tax increases (Principles)(England) Report 2022/23;
7. Recommends to Council that in accordance with Section 38(2) of the Local Government Finance Act 1992 the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 5 above within a period of 21 days following the Council's decision;
8. Notes within Section 1.6 that the financial position in 2021/22 remains stable despite the pressures on the council arising from the pandemic, and that an overall breakeven position is currently anticipated for this year (after making some targeted contributions to reserves);
9. Considers the issues that have emerged from the consultation discussed in Appendix G when making their decisions. The committee make the decisions outlined in this report being mindful of the consultation responses and equalities impact assessments including the cumulative equalities impact assessments;
10. Note the fees and charges as detailed in Appendix F;

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

11. Recommend to Council the approval of the Capital Strategy as set out in Appendix J1;
12. Recommend to council for approval the Capital Programme as set out in Appendix J2 and set out in paragraph 1.7;
13. Approves the changes to the existing Capital Programme in relation to slippage detailed in paragraphs 1.7.3-1.7.20;
14. Recommend to Council to approve delegation to Chief Finance Officer to adjust capital programme and financing in 2022/23 in line with the 2021/22 outturn position;

**In respect of the Treasury Management Strategy Statement (TMSS):**

15. Recommend to Council the approval of the TMSS for 2022/23 as set out in Appendix K1;
16. Notes the mid-year review report for 2021/22 as set out in Appendix K2;

**In respect of the Housing Revenue Account (HRA):**

17. Recommend to Council the approval of Council dwelling rents increases as set out in section 1.9.3-1.9.8;

18. Recommend to council to approve Temporary accommodation rents increases in line with Local Housing Allowance (LHA) rate as set out in paragraphs 1.9.9-1.9.13,

19. Recommend to Council the approval of services charge and garages increases as set out in paragraph 1.9.14-1.9.25,

**In respect of the Dedicated Schools Grant (DSG):**

20. Recommend to council the approval of the Gross Schools Budget of £393.947m for 2022/23 as set out in paragraph 1.4.6-1.4.16;

21. Recommend to Council that any changes to the Schools Budget reasonably required as a result of the final 2022/23 DSG and Post-16 settlement are delegated for decisions to the Executive Director – Children’s & Family Services in consultation with the Executive Director of Resources;

**Regarding budget management for 2021/22:**

22. Approves debt write off, as set out in paragraph 1.6.9-1.6.21;

23. Notes the Quarter 2 2020/21 Corporate Risk Register discussed in section 1.10 and presented in Appendix I;

## 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 December 2021, which followed the Chancellor’s Autumn budget and SR21. Following that meeting, on the 16 December 2021, we received the provisional Local Government Finance Settlement for 2022/23. This was a one-year settlement with intentions to deliver updated assessments of needs and resources through funding reforms (i.e. fair funding and business rates reset).

1.1.2. The table below shows a balanced position for 2022/23, however there is a total savings requirement across the MTFS of £60.361m and identified savings of £19.335m. This leaves a gap in savings of £41.026m.

2021/22	MTFS Summary	2022/23	2023/24	2024/25	2025/26
£m	Resources vs. Expenditure	£m	£m	£m	£m
343.690	<b>Expenditure</b>	<b>344.546</b>	<b>378.200</b>	<b>403.680</b>	<b>423.219</b>
(333.101)	<b>Resources</b>	<b>(336.592)</b>	<b>(346.736)</b>	<b>(356.255)</b>	<b>(362.857)</b>
10.589	<b>Cumulative (Surplus)/Shortfall to Balanced Budget</b>	7.954	31.464	47.425	60.361
10.589	<b>In Year Budget Gap before Savings</b>	7.954	23.510	35.187	41.523
(10.590)	Efficiencies and Income Generation options Proposed	(7.954)	(4.284)	(6.601)	(0.497)
(0.001)	<b>(Surplus)/Shortfall to Balanced Budget</b>	<b>(0.000)</b>	<b>19.226</b>	<b>28.586</b>	<b>41.026</b>

In year savings requirement	7.954	23.510	15.961	12.937
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- 1.1.3. The budget position for 2022/23 is balanced, however, it is worth noting that officers have spent time focusing on balancing 2022/23 and future years will be reviewed in Spring later this year.
- 1.1.4. The council's revenue position as at month 8 (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 broadly breakeven. This is after the application of earmarked reserves of £0.365m.
- 1.1.5. 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 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 December's meeting of this committee, the provisional Local Government Finance Settlement has been published which provided detailed allocation per borough of grants for 2022/23 only. As far as possible, this is reflected in the MTFS, however some grant allocations are still not known (e.g. Public Health grant).

### Local Government Finance Settlement (LGFS) 2021

- 1.2.4. The provisional LGFS outlines provisional funding allocations for local authorities for 2022/23. This year's provisional settlement follows the details provided at Spending Review 2021. Despite it being a multi-year spending review, the provisional settlement only provides for a single financial year.
- 1.2.5. Core Spending Power (CSP): will increase nationally in real terms by over 4%. Across London boroughs CSP will increase by 6.7%. This increase does factor in the assumption that all authorities eligible to raise adult social care precept and council tax, will raise the maximum amount. It also assumes increases in the council tax base will continue to increase on the same trajectory as the previous 5 years. For Barnet the equivalent increase has been calculated to be 5.6%.
- 1.2.6. The main changes to the Settlement Funding Assessment (SFA) are confirmation that on the business rates retention, the multiplier would be frozen for 2022/23 with local authorities being compensated for the shortfall in income for under indexation of the

multiplier. Revenue Support Grant (RSG) will be increased in line with September CPI inflation.

- 1.2.7. The provisional settlement confirms the intention for a core council tax referendum principle of up to 2% in 2022/23 and the flexibility to raise the social care precept of 1% in 2022/23 for relevant authorities.
- 1.2.8. Leaders Committee at London Councils agreed in September 2021 not to reconstitute the pan-London business rates pool for 2022/23 as it was unlikely to provide any financial benefit. However, two pools have been designated that include London boroughs; the eight-authority central London pool, which includes Barnet and Sutton is part of the Surrey and Sutton Business Rates Pool.
- 1.2.9. Funding to cover the costs of adult social care reforms has been included within CSP. The 'Market Sustainability and Fair Cost of Care Fund' is worth £162m and is intended to support local authorities to prepare their markets for reform and move towards paying providers a fair cost of care. It will be allocated using the existing adult social care relative needs formula.
- 1.2.10. Services Grant: a new 'one-off' grant is proposed to fund costs for the increased National Insurance contributions. This grant is not ringfenced and is proposed to be used to fund any transitional support in future years for the impact of the new reforms.
- 1.2.11. The Improved Better Care Fund (iBCF) has been increased by inflation and the grant continues to be required to be pooled as part of the Better Care Fund. Social Care Grant allocations have been increased and will be allocated using the Adult Social Care Relative Needs Formula.
- 1.2.12. The Government is proposing to roll over last year's policy on New Homes Bonus (NHB) for a new round of payments in 2022/23, which will attract no new legacy payments. Last year Government announced a consultation on reforms to NHB, implementing reform in 2022/23. The consultation rules that the Government has decided to maintain the same rules for 2022/23 but the future is uncertain.

### **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 £15.000m for general fund balance and £40.000m 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 December 2021, the committee received a report identifying a base case forecast expenditure, resources and a gap as follows:

2021/22	MTFS Summary	2022/23	2023/24	2024/25	2025/26
£m	Resources vs. Expenditure	£m	£m	£m	£m
343.690	<b>Expenditure</b>	<b>346.310</b>	<b>380.635</b>	<b>408.315</b>	<b>429.514</b>
(333.101)	<b>Resources</b>	<b>(330.817)</b>	<b>(342.716)</b>	<b>(352.238)</b>	<b>(358.844)</b>
10.589	<b>Cumulative (Surplus)/Shortfall to Balanced Budget</b>	15.494	37.919	56.077	70.671
10.589	<b>In Year Budget Gap before Savings</b>	15.494	27.574	42.330	53.279
(10.590)	Efficiencies and Income Generation options Proposed	(10.345)	(3.402)	(3.645)	(0.497)
(0.001)	<b>(Surplus)/Shortfall to Balanced Budget</b>	5.149	24.172	38.685	52.782

1.3.5. The provisional LGFS provides more certainty for one year on core spending powers and some specific grants.

#### Key assumptions in the MTFS

1.3.6. For the 2022/23, key assumptions included in the MTFS are as follows:

Item	2022/23	2023/24	2024/25	2025/26
Business Rates Multiplier (CPI)	4.60%	2.60%	2.10%	2.00%
Council Tax Increase	0.00%	1.99%	1.99%	1.99%
Social Care Precept Increase	1.00%	1.00%	1.00%	1.00%

Increase in Council Tax Base (No of Band D Equivalents)	2,740	1,508	1,523	1,539
Revenue Support Grant (£m)	6.518	6.518	6.518	6.518
Expenditure Inflation	4.60%	2.60%	2.10%	2.00%
Employee Pay Award*	2.00%	2.00%	2.00%	2.00%
Borrowing Rates – Long Term	3.70%	4.00%	4.10%	4.30%

1.3.7. The total growth for service pressures totals £14.019m for 2022/23 and £32.008m over the life of the MTFs. By service area the breakdown is as follows:

Pressures	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	TOTAL
Assurance	1,046	0	0	0	1,046
Environment	3,280	2,272	1,779	1,787	9,116
Growth & Corporate Services	789	81	61	67	997
Childrens & Family Services	1,737	1,872	1,042	970	5,621
Adults	6,982	3,263	2,281	2,298	14,824
Resources	185	110	110	0	404
Public Health	0	0	0	0	0
<b>Total</b>	<b>14,019</b>	<b>7,597</b>	<b>5,272</b>	<b>5,121</b>	<b>32,008</b>

#### Savings & income generation update

1.3.8. To address the savings requirement for 2022-26, theme committees were presented with programme of savings for consideration in November 2021. These totalled £19.335m over the MTFs period with £7.954m falling in 2022/23.

Pressures	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	TOTAL
Assurance	431	0	0	0	431
Environment	1,623	882	2,956	0	5,461
Growth & Corporate Services	1,170	706	1,485	297	3,658
Childrens & Family Services	1,483	639	461	200	2,783
Adults	1,962	867	555	0	3,384
Resources	1,285	1,190	1,144	0	3,619
Public Health	0	0	0	0	0
<b>Total</b>	<b>7,954</b>	<b>4,284</b>	<b>6,601</b>	<b>497</b>	<b>19,335</b>

1.3.9. Proposed fees and charges are attached as an appendix to this report.

#### Council Tax

1.3.10 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.



1.3.11 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).

1.3.12 Taking those factors into account the historic tax base growth has been 1-2% per year. There was an expectation that the pandemic may 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.

1.3.13 The provisional LGFS has confirmed that the council has the 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.

1.3.14 Calculating the Council Tax base is an important step towards setting the basic amount of Council Tax. The detailed Council Tax base schedule is included in Appendix D. The Chief Finance Officer, under delegated powers, has determined the 2022/23 Council Tax base to be 150,834 (Band D equivalents), the calculations are show in the following table:

	2021/22	2022/23
Band D Equivalents	Band D Equivalents	Band D Equivalents
<b>Total Properties</b>	<b>179,060</b>	<b>180,654</b>
Exemptions, disabled relief, discounts and premiums	(15,448)	(15,904)
Ministry of Defence Contributions	4	4
Council Tax Support Scheme Discount	(14,774)	(14,741)
<b>Adjustments (projections):</b>		
New properties	1,628	3,117
Exemptions (Students)*	(120)	0
Non-collection @ 1.5%	(2,256)	(2,297)
<b>Total Council Tax Base and Yield (£)</b>	<b>148,094</b>	<b>150,834</b>

\*Students exemptions are not adjusted for in 2022/23 due to a reduction in numbers at Middlesex University of over 1,000 in Oct/Nov and the recent Omicron wave.

1.3.15 The provisional Greater London Authority (GLA) precept is £59,668,313 making the total estimated demand on the Collection Fund and Council Tax requirement £263,400,094.

Council Tax Requirement Summary	2021/22 Original (£)	2021/22 Current (£)	2022/23 Original (£)
<b>Total Service Expenditure</b>	<b>332,017,220</b>	<b>333,100,118</b>	<b>336,592,022</b>
Contribution to / (from) Specific Reserves	0	0	0
<b>Net Expenditure</b>	<b>332,017,220</b>	<b>333,100,118</b>	<b>336,592,022</b>
Other Grants	(69,615,258)	(70,301,157)	(60,985,325)
<b>Budget Requirement</b>	<b>262,401,962</b>	<b>262,798,961</b>	<b>275,606,697</b>
Business Rates Retention	(38,302,644)	(38,699,644)	(42,825,304)
Business rates top-up	(19,731,251)	(19,731,251)	(19,731,211)
Business Rates 8 authority pool income	0	0	(2,800,000)

<b>Business Rates Income</b>	<b>(58,033,895)</b>	<b>(58,430,896)</b>	<b>(65,356,516)</b>
RSG	(6,317,958)	(6,317,958)	(6,518,401)
<b>Barnet's Element of Council Tax Requirement</b>	<b>198,050,108</b>	<b>198,050,108</b>	<b>203,731,781</b>
Greater London Authority – Precept	53,855,755	53,855,755	59,668,313
<b>Total Council Tax Requirement</b>	<b>251,905,863</b>	<b>251,905,863</b>	<b>263,400,094</b>

Barnet's Council Tax Requirement	£203,731,781
Greater London Authority	£59,668,313
<b>Total Requirement for Council Tax</b>	<b>£263,400,094</b>

1.3.16 Should the proposed 1.00% increase in Social Care Precept be applied, the Council Tax for Barnet each category of dwelling will be:

Council Tax Band	Barnet (£)	GLA (£)	Total (£)
A	900.47	263.73	1,164.20
B	1,050.55	307.68	1,358.23
C	1,200.63	351.63	1,552.26
D	1,350.70	395.59	1,746.29
E	1,650.86	483.50	2,134.36
F	1,951.01	571.41	2,522.42
G	2,251.17	659.32	2,910.49
H	2,701.41	791.18	3,492.59

1.3.17 Components of the Band D Council Tax rate are shown below:

Components of Band D Council Tax Rate (£)	2021/22	2022/23
Mayor's Office for Policing and Crime	267.13	277.13
London Fire & Emergency Planning Authority and Mayor, Administration, Transport for London, Olympic Games and Boroughs' Collection Fund balances.	96.53	118.46
<b>GLA Precept</b>	<b>363.66</b>	<b>395.59</b>
<b>London Borough of Barnet</b>	<b>1,337.33</b>	<b>1,350.70</b>
<b>Total Council Tax Rate (£) Band D Equivalent</b>	<b>1,700.99</b>	<b>1,746.29</b>

### Business Rate Pooling

1.3.18 The provisional LGFS approved the 8-authority London pool with City of London (as lead authority) and seven other London authorities, including Barnet. 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.

1.3.19 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.

1.3.20 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

1.3.21 The table below shows the budget gap, while 2022/23 is balanced, there is still a gap in future years:

MTFS budget gap	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000
<b>Cumulative Savings requirement</b>	7.954	31.464	47.425	60.361
<b><i>In year Savings requirement</i></b>	7.954	23.510	15.961	12.937
Savings & income generation proposed	(7.954)	(4.284)	(6.601)	(0.497)
<b>Remaining budget gap</b>	<b>(0.000)</b>	<b>19.226</b>	<b>28.586</b>	<b>41.026</b>

1.3.22 The future gap is challenging, particularly as there is uncertainty around funding reforms and how this will impact local government finances. However, work will need to commence early in Spring to balance the MTFS over future years.

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

#### Adults

1.3.24 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.

1.3.25 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.

1.3.26 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

1.3.27 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.

1.3.28 Inflation risks continue and this is an area under continuous review.

#### Children's and Family Services

1.3.29 Placement budgets continue to be under pressure. This is currently being managed within existing resources and will continue to be monitored.

1.3.30 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.

## Environment

1.3.31 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.

1.3.32 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 Dedicated Schools Budget (DSG)**

### National funding announcements and the Schools National Funding Formula

1.4.1 In December 2021, the government confirmed an increase of £4 billion in schools funding for 2022/23, compared to the funding level in 2021/22. As part of the overall increase, it was announced that an additional £1bn of high needs funding will be allocated to support children and young people with special educational needs in 2022/23.

1.4.2 For 2021/22, the 'Schools Block' funding allocations to local authorities were calculated by aggregating the amount of funding for all primary and secondary schools (Maintained schools and Academies) as calculated for each school under the National Formula. Eventually all primary and secondary schools are expected to be funded in accordance with the National Funding Formula (NFF). However, it was announced this year that the current arrangements will continue in 2022/23.

1.4.3 Under the current transitional arrangements local authorities are not required to implement the national formula. They are free to adopt a transitional local funding formula, in consultation with their Schools Forum and schools, subject to certain parameters. One of these is that there must be a minimum funding guarantee (MFG) – the maximum decrease or minimum increase in funding per pupil. For 2022/23 local authorities are required to set an MFG increase of between +0.5% and +2.00%.

1.4.4 The DfE has also set a minimum funding level of £5,525 per secondary pupil in 2022/23 and £4,265 per primary pupil. In 2021/22, all secondary schools received more than £5,525 per pupil, so no protection under this funding factor will be granted. 5 primary schools will be affected by the primary minimum as they were funded under the £4,265 per pupil rate.

1.4.5 The Barnet Schools Forum, which is made up of governor and headteacher representatives from all types and phases of state-funded schools in Barnet, has agreed to use the National Funding Formula with protection through the Minimum Funding Guarantee for the last two years and no changes are proposed for 2022/23.

### The Barnet Schools Budget for 2022/23

1.4.6 The Schools Budget is mainly funded through the Dedicated Schools Grant (DSG). For 2022/23 this is made up of four main funding streams, also known as blocks, under the National Funding Formula (NFF) arrangements:

- **Schools Block:** allocates funding for pupils in Reception to Year 11 in state-funded mainstream schools and academies;
- **Early Years Block:** funds early education entitlements for 2, 3 and 4-year-olds in private, voluntary and independent settings, maintained nursery schools and school nursery classes. The funding for 2-year olds is specifically for pupils from households with low incomes;
- **High Needs Block:** supports provision for vulnerable children and young people, mainly those with special educational needs and disabilities (SEND) from their early years to age 25, enabling both local authorities and institutions to meet their statutory duties under the Children and Families Act 2014;
- **Central School Services Block:** The CSSB receives funding for central functions local authorities carry out on behalf of maintained schools and academies. It allocates funding for two purposes: ongoing responsibilities and historic commitments.

1.4.7 On 16th December 2021, the DfE announced allocations of the gross DSG to local authorities. The figures confirmed the Schools Block and the Central School Services Block. However, the High Needs Block and the Early Years Block were indicative at that stage and will change during 2022.

1.4.8 The indicative DSG budget for 2022/23 by block is set out in the table below:

<b>Table 2 – DSG Allocations and the Indicative Schools Budget</b>	<b>Schools Block</b>	<b>High Needs Block</b>	<b>Early Years Block</b>	<b>Central Block</b>	<b>Total DSG</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Budget Monitoring as at November 2021	153.735	55.528	30.189	2.193	241.645
Add: Academy Funding	132.517				132.517
Add: Funding for places at Academies		5.319			5.319
<b>2021/22 Gross DSG as at December 2021</b>	<b>286.252</b>	<b>60.847</b>	<b>30.189</b>	<b>2.193</b>	<b>379.481</b>
	<b>Schools Block</b>	<b>High Needs Block</b>	<b>Early Years Block</b>	<b>Central Block</b>	<b>Total DSG</b>
<b>2022/23 Gross DSG Block as announced</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
As at December 2021	154.140	60.180	28.297	2.266	244.883
Add: Funding for Academies	140.891	5.448			146.339
Growth Fund	2.725				2.725
<b>2022/23 DSG Income</b>	<b>297.756</b>	<b>65.628</b>	<b>28.297</b>	<b>2.266</b>	<b>393.947</b>

1.4.9 The allocation for the Schools Block is based on October 2021 school census data. A proposed Minimum Funding Guarantee of +2.00% means that every Primary or Secondary school will receive at least this percentage increase per pupil through the formula in 2022/23 (through the pupil-led element of the schools funding formula) above the amount it received in 2021/22. In addition, each primary school is guaranteed a minimum of £4,265 per pupil and each secondary school is guaranteed to receive at least £5,525 per pupil in 2022/23.

#### Allocations by block

1.4.10 **Schools Block** – The 2022/23 Schools Block Income is based on the following rates:

- £4,922.40 Primary unit of funding based on 29,653 primary pupils (October 2021 census)
- £6,457.91 Secondary unit of funding based on 22,605 secondary pupils (October 2021 census)
- £5.808m of funding for Pupil Growth and Premises factors
- **TOTAL = £297.756m**

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

- 59.479m - Actual High Needs National Funding Formula allocation
- £4.275m - based on a £5,194.59 per pupil Area Cost Adjustment (ACA) weighted base rate \* 823 (pupils in special schools/special academies based on the October 2021 census)
- £0.756m - Import/export adjustment for net 75 imported pupils
- £0.234m – Additional High Needs Funding for Special Free School
- £0.884m – hospital education and teachers’ pay and pension
- **TOTAL = £65.828m**

The final import/ export adjustment data will be amended based on January 2022 school and FE providers’ HN pupil census data.

1.4.12 **Early Years Block** – The Early Years Block is estimated using early years numbers taken from the Early Years and Schools census in January 2021. An update to the 2022/23 EYB allocation will be made once the January 2022 Early Years and Schools census numbers are finalised. The allocation will be finalised in July 2023 based on the January 2023 census numbers. It has been confirmed that the hourly rate received by Barnet has increased by £0.17. It is proposed to increase the basic hourly rate by £0.16 to from £5.29 to £5.45 and the deprivation rate based on IDACI by £0.01 from £0.28 to £0.29 per hour, therefore passing on the increase from the government directly to providers. The DfE funding rate for 2 year-olds has been increased by £0.21 and it is proposed to pass this increase on to providers, thus increasing the rate from £6.08 an hour in 2021-22 to £6.29 an hour in 2022-23.

1.4.13 **Central School Services Block** – The provisional 2022/23 Central School Services Block for Barnet includes the following:

- £2.028m – allocation for ongoing responsibilities (includes retained duties, admissions, licensing and Schools Forum administration)
- £0.238m – Historic commitments allocation, a 20% reduction from 2021/22.
- **TOTAL = £2.266m**

## Allocation of budgets to Schools, Settings and Institutions:

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

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

1.4.16 For the High Needs Block there is LA discretion over place funding, top up and commissioning arrangements. For Barnet, these are published via the Local Offer which is available on the Barnet website. The Local Offer helps children and young people with Special Educational Needs and/or Disabilities and their families find information and support across the Barnet local area.

## 1.5 Reserves

1.5.1 The position on reserves at the end of month 8 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 £0.365m in the current year, together with further use of the Covid-19 revenue grant unapplied (£4.621m). It is also expected that £21.635m of the Covid-19 revenue grant unapplied (general business reliefs) 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	(365)	29,780
<b>Total Revenue Reserves</b>	<b>69,577</b>	<b>(365)</b>	<b>69,213</b>
Revenue Grant - unapplied (Covid-19, general fund)	13,824	(4,621)	9,203
Revenue Grant - unapplied (Covid-19, collection fund - general reliefs)	31,419	(21,635)	9,784
Revenue Grant - unapplied (Covid-19, collection fund - s31 safety net)	12,855	0	12,855
<b>Grant unapplied</b>	<b>58,098</b>	<b>(26,256)</b>	<b>31,842</b>
<b>Total Revenue Reserves &amp; Grant Unapplied</b>	<b>127,675</b>	<b>(26,621)</b>	<b>101,055</b>
Capital Reserves	16,067	0	16,067
<b>Total All</b>	<b>143,742</b>	<b>(26,621)</b>	<b>117,122</b>

1.5.2 Overall, it is estimated that the level of reserves used in the year will be £26.621m, of which £26.256m is the drawdown of Covid-19 grant funding for eligible expenditure and £0.365m is related to ongoing council activities. This is expected to result in £69.213m of revenue reserves being held at the end of the year, with a further £31.842m 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).



- 1.5.3 It should be noted that revenue reserves of £69.213m cannot be deployed to offset the overall gap in the MTFs in preference to securing savings. This is because reserves are one-off resources and can only ever be used to bridge the gap but cannot provide the foundations for a sustainable budget.
- 1.5.4 Coupled with this it is enshrined in law that the S151 officer has to set prudent and suitable level of reserves, as well as a budget and therefore use of reserves to offset savings cannot be implemented in its entirety.

## 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 8)

- 1.6.2 The forecast as at the 30 November (month 8) indicates a likely outturn that breaks even. This is due to one off underspends in capital financing offsetting pressures in Adults.

Service Areas	2021/22 Budget	M8 Forecast	M8 Variance	Non C19 Reserves applied	Variance after reserves
	£'000	£'000	£'000	£'000	£'000
Adults and Health	103,032	107,084	4,052	0	4,052
Children's Family Services	73,839	74,886	1,047	(1,071)	(24)
Environment	11,981	13,156	1,175	(1,208)	(33)
Growth and Corporate services	40,313	39,283	(1,030)	768	(261)
Assurance	7,322	6,439	(883)	959	76
Resources	78,371	74,376	(3,995)	186	(3,809)
Public Health	18,244	18,247	3	0	3
<b>Total at Month 6</b>	<b>333,102</b>	<b>333,471</b>	<b>369</b>	<b>(365)</b>	<b>4</b>

- 1.6.3 The current forecast for non-Covid 'business as usual' income and expenditure is in line with the approved budget. For a number of service areas, non-Covid income and expenditure remains close to planned budgets. However, there is an upward movement in social care placement forecasts, and this remains a continued risk. This is due to uncertainty over the short-term impact of Covid related demand changes in Adults and to the risk of unexpected care placements arising in children with high and / or complex needs, which would change the forecast. These risks are being held under review by the services concerned.

### 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 constitution requires that any virement from contingency of £0.250m or above are approved by the Policy & Resources Committee. Further, any virements between services over £0.250m must also be approved by the Policy & Resources Committee.
- 1.6.7 There are currently no virements above £0.250m that require P&R approval.
- 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).

#### Debt Write offs

- 1.6.9 The write-off of debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income and it removes uncollectable debt from the system. All businesses suffer from uncollectable debt and the council maintains a bad debt provision against which to charge any debt write offs. The council's debt management policy is attached to this report as Appendix N.

#### Sundry Debts

- 1.6.10 Sundry income totalling £25,267.97 are recommended for write off. The individual debts are over £5,000 and cover the financial years 2011/12 – 2015/16.
- 1.6.11 The collection procedures used for the recovery of these debts have included the issue of an invoice, a reminder and also a final notice. Additionally, and where appropriate, debt collection agencies are used and where legal action was undertaken a Notice before Proceedings would have been issued. Efforts have also been made to contact the debtor where possible and to agree suitable instalment arrangements. All avenues of recovery that where economical and practical have been considered before this course of action.

Financial Year of Debt	Total Debt Due	Reason for Write Off
2011/12	6,914.38	Recovery Action Exhausted
2012/13	7,966.80	Insufficient funds in estate
2013/14	5,131.47	Insufficient funds in estate
2015/16	5,255.32	Recovery action exhausted
<b>Total</b>	<b>25,267.97</b>	

#### Tenant Arrears Write Offs – HRA

- 1.6.12 Tenant Arrears relating to HRA are recommended for write off. Individual debts over £5,000 totalling £111,107.75 covering the financial year 2015/16 through to 2021/22 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £247,108.33 covering the financial years 2015/16 through to 2021/22 which are being written off.

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

- 'statute barred' where the Council is legally unable to recover any monies from the tenants as the time allowed by law for such recovery has passed.
- low level debts of £20 or under where the recovery of the monies is deemed uneconomical.
- 'No return from tracing agent' with no record of where the tenant is now residing
- 'write off due to vulnerability' where the former tenant has a life limiting illness or is otherwise vulnerable and deemed unable to pay
- 'deceased without estate'

1.6.14 Attempts to recover the monies owed by former tenants including following up on known contact details, referring cases to external expert agencies, such as search and debt recovery agencies and working with other local authorities/ housing agencies and probate checks.

1.6.15 The table below details the breakdown of the write offs by year for balances less than £5,000 totalling £247,108.33 are:

Debt Category	2014/15	2015/16	2016/17	2017/2018	2018/19	2019/2020	2020/2021	2021/2022	Total
Deceased Without Estate				£11,071.45	£72,875.55	£48,544.44	£36,557.83		<b>£169,049.27</b>
Statute Barred	£1,120.00	£63,242.74							<b>£64,362.74</b>
Unable to Trace				£1,035.44	£1,123.35	£3,325.21		£3,764.31	<b>£9,248.31</b>
Uneconomical to Pursue		£20.00		£1.10	£46.57	£71.70	£58.59	£8.88	<b>£206.84</b>
Unrecoverable / vulnerability			£1,429.87				£2,811.30		<b>£4,241.17</b>
Unsuccessful from Agency									<b>£0.00</b>
<b>Grand Total</b>	<b>£1,120.00</b>	<b>£63,262.74</b>	<b>£1,429.87</b>	<b>£12,107.99</b>	<b>£74,045.47</b>	<b>£51,941.35</b>	<b>£39,427.72</b>	<b>£3,773.19</b>	<b>£247,108.33</b>

1.6.16 The breakdown of the write offs greater than £5,000 totalling £111,107.75 are as follows:

Years		Number	Total
2015/16	Statute Barred	12	£83,343.68
2018/19	Deceased without estate	1	£5,093.03
2019/20	Unable to trace	1	£5,438.86
2020/21	Deceased without estate	1	£7,644.38
2020/21	Court Order	1	£9,587.80
<b>Total</b>			<b>£111,107.75</b>

### Tenant Arrears Write Offs - General Fund

1.6.17 Tenant Arrears relating to the general fund are recommended for write off. Individual debts over £5,000 totalling £259,305.53 covering the financial year 2015/16 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £455,466.93 covering the financial years 2014/15 through to 2020/21 which are being written off.

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

- 'Statute barred' where the Council is legally unable to recover any monies from the tenants as the time allowed by law for such recovery has passed.
- Low level debts of £20 or under where the recovery of the monies is deemed uneconomical.
- 'No return from tracing agent' with no record of where the tenant is now residing
- 'Write off due to vulnerability' where the former tenant has a life limiting illness or is otherwise vulnerable and deemed unable to pay
- 'Deceased without estate'
- 'Unrecoverable' due to the former tenant either being homeless and being housed under the Severe Weather Emergency Protocol or being particularly vulnerable

1.6.19 Attempts to recover the monies owed by former tenants including following up on known contact details, referring cases to external expert agencies, such as search and debt recovery agencies and working with other local authorities/ housing agencies and probate checks. The write-off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income and it removes uncollectable debt from the system.

1.6.20 The breakdown of the write offs less than £5,000 totalling £455,466.93 are as follows:

Debt Category	2014/15	2015/16	2016/17	2017/2018	2018/19	2019/2020	2020/2021	2021/2022	Total
Deceased Without Estate						£3,839.44	£3,908.70		<b>£7,748.14</b>
Statute Barred	£14,318.82	£386,329.41							<b>£400,648.23</b>
Unable to Trace							£8,643.54		<b>£8,643.54</b>
Uneconomical to Pursue		£87.57	£186.01	£205.88	£155.96	£199.16	£69.86	£88.18	<b>£992.62</b>
Unrecoverable - Vulnerability/ SWEP			£1,157.79	£153.98	£1,980.16				<b>£3,291.93</b>
Unsuccessful from Agency		£14,118.80	£9,743.37		£6,004.89			£4,275.41	<b>£34,142.47</b>
<b>Grand Total</b>	<b>£14,318.82</b>	<b>£400,535.78</b>	<b>£11,087.17</b>	<b>£359.86</b>	<b>£8,141.01</b>	<b>£4,038.60</b>	<b>£12,622.10</b>	<b>£4,363.59</b>	<b>£455,466.93</b>

1.6.21 The breakdown of the write offs greater than £5,000 totalling £259,305.53 are as follows:

Years		Number	Total
2015/16	Statute Barred	30	£259,305.53
<b>Total</b>			<b>£259,305.53</b>

## 1.7 Capital Programme and Strategy

1.7.1 The council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). Capital projects are considered within the council's overall medium to long term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects in the revenue budget setting process.

1.7.2 The capital programme is revised regularly as new information comes forward reflecting changes in proposed delivery of existing schemes and new schemes being recommended. Policy and Resources Committee received an updated capital programme at its December 2021 meeting, which is summarised below.

Table 1a: Capital Programme spending approved in December 2021

Theme Committee	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	5,202	5,010	4,344	2,765		17,322
Housing and Growth (Brent Cross)	138,975	31,109	49,508			219,592
Children, Education & Safeguarding	13,751	18,146	10,512	1,000	2,000	45,409
Community Leadership and Libraries	808	1,000	300			2,108
Environment	26,779	26,568	27,155	10,778	4,580	95,860
Housing and Growth Committee	79,744	113,364	67,650	58,170	26,749	345,677
Policy & Resources	22,520	2,841	600	600		26,560
<b>Total - General Fund</b>	<b>287,779</b>	<b>198,038</b>	<b>160,070</b>	<b>73,313</b>	<b>33,329</b>	<b>752,528</b>
Housing Revenue Account	77,582	112,697	55,910	55,821	45,335	347,346
<b>Total - All Services</b>	<b>365,361</b>	<b>310,735</b>	<b>215,980</b>	<b>129,134</b>	<b>78,664</b>	<b>1,099,874</b>

Table 1b: Capital Programme funding approved in December 2021

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)	205,713		900			12,979	219,592
Children, Education & Safeguarding	42,723	2	342		406	1,935	45,409
Community Leadership and Libraries					1,730	378	2,108
Environment	711	6,095	428		51,945	36,681	95,860
Housing and Growth Committee	53,396	7,480	14,747	491	40,535	229,029	345,677
Policy & Resources	1	45	927		5,000	20,587	26,560
<b>Total - General Fund</b>	<b>314,983</b>	<b>14,040</b>	<b>17,434</b>	<b>491</b>	<b>103,613</b>	<b>301,968</b>	<b>752,528</b>
Housing Revenue Account	26,510	1,501	14,038	78,433		226,864	347,346
<b>Total - All Services</b>	<b>341,492</b>	<b>15,541</b>	<b>31,472</b>	<b>78,925</b>	<b>103,613</b>	<b>528,832</b>	<b>1,099,874</b>

### Changes to the capital programme

1.7.3 Changes related to the 2021/22 forecasted outturn position and subsequent additions are described in the following sections.

Table 2a: Movement from the December 2021 to the February 2022 Capital Programme

Budget Movement Type	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000	£000
<b>December 2021 P&amp;R Revised Programme</b>	<b>365,361</b>	<b>310,735</b>	<b>215,980</b>	<b>129,134</b>	<b>78,664</b>	<b>1,099,874</b>
Slippage/ Acceleration	(24,671)	17,747	11,251	(3,038)	(1,289)	(0)
Additions	4,422	15,929	24,386	15,806	32,451	92,994
Deletions/Transfers	(2,099)	(6,886)	(2,347)	(4,937)	(26,246)	(42,515)
<b>February 2022 P&amp;R Revised Programme</b>	<b>343,013</b>	<b>337,525</b>	<b>249,270</b>	<b>136,965</b>	<b>83,580</b>	<b>1,150,353</b>

1.7.4 The recommended revisions to the programme will result in a total programme of £1,150.353m and are summarised by Theme Committee below:

Table 2b: 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	4,600	4,739	4,221	3,762		17,322
Housing and Growth (Brent Cross)	123,568	47,734	49,301			220,603
Children, Education & Safeguarding	15,317	16,581	10,519	991	2,000	45,409
Community Leadership and Libraries	808	1,000	300			2,108
Environment	20,593	32,753	27,155	10,778	4,580	95,860
Housing and Growth Committee	79,741	113,376	67,643	58,169	26,749	345,677
Policy & Resources	20,802	4,559	600	600		26,560
<b>Total - General Fund</b>	<b>265,429</b>	<b>220,742</b>	<b>159,740</b>	<b>74,299</b>	<b>33,329</b>	<b>753,539</b>
Housing Revenue Account	77,584	116,783	89,531	62,665	50,251	396,814
<b>Total - All Services</b>	<b>343,013</b>	<b>337,525</b>	<b>249,270</b>	<b>136,965</b>	<b>83,580</b>	<b>1,150,353</b>

### Slippage and Acceleration

1.7.5 £26.961m is required to be slipped out of 2021/22 into future periods, offset by £2.290m being accelerated forward.

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

Table 3: Summary of Net Slippage by Theme Committee

Theme Committee	Net Slippage	Net Acceleration	Net Slippage & Accelerated Spend
	£000	£000	£001
Adults and Safeguarding	(602)	0	(602)
Housing and Growth (Brent Cross)	(15,407)	0	(15,407)
Children, Education & Safeguarding	(107)	1,504	1,397
Community Leadership and Libraries	0	0	0
Environment	(6,195)	10	(6,185)
Housing and Growth Committee	(4)	0	(3)
Policy & Resources	(1,718)	0	(1,718)
Housing Revenue Account	(2,928)	776	(2,152)
<b>Total at Month 9</b>	<b>(26,961)</b>	<b>2,290</b>	<b>(24,671)</b>

### Additions and Deletions

1.7.7 Brent Cross West Station (£1.011m) – Additional funding required for costs associated with this delivery of the West London Orbital rail route to be integrated into the BX West Station and will be completed in 2022.

1.7.8 Housing Revenue Account (HRA) (£91.983m) - 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). Also included is capital expenditure required in line with the Carbon neutral agenda and moving to more efficient EPC ratings, as well as meeting new Fire Safety requirements. 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:

- Major Works (excl Granv Rd) (£10.348)

- Accessible accommodation adaptations (£4.008m)
- Regeneration (£0.150m)
- Miscellaneous Repairs (£3.073m)
- M&E/GAS (£2.291m)
- Voids and Lettings (£3.567m)
- New Build - 250 units (£20.357m)
- Neighbourhood works (£6.990m)
- Carbon Neutral works (£13.156m)
- HRA Fire Safety Programme (£28,043m)

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

Table 4: Summary of Proposed Additions

Additions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000	£000
HRA Fire Safety Programme	2,905	7,438	5,900	5,900	5,900	28,043
New Build - 250 units	0	5,933	11,502	2,922	0	20,357
Carbon Neutral works	500	500	3,759	3,759	4,638	13,156
Major Works (excl Granv Rd)	180	0	0	0	10,168	10,348
Neighbourhood works	660	563	2,063	2,063	1,641	6,990
Accessible accommodation adaptations	0	484	1,162	1,162	1,200	4,008
Voids and Lettings	0	0	0	0	3,567	3,567
Miscellaneous Repairs	0	0	0	0	3,073	3,073
M&E/ GAS	177	0	0	0	2,114	2,291
Brent Cross West Station	0	1,011	0	0	0	1,011
Regeneration	0	0	0	0	150	150
<b>Total at Month 9</b>	<b>4,422</b>	<b>15,929</b>	<b>24,386</b>	<b>15,806</b>	<b>32,451</b>	<b>92,994</b>

1.7.10 Recommended deletions/transfers to the programme are set out below.

1.7.11 Housing Revenue Account (HRA) (£42.515m) - The HRA deletions 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). Also included is capital expenditure no longer required for the Burt Oak Broadway Flats – additional storey as the scheme has been aborted. These deletions bring the HRA capital programmes in line with the current 30-year Business Plan. They are all funded from PWLB Borrowing. These include:

- New Build - 250 units (£26.277m)
- M&E/GAS (£6.116m)
- Burnt Oak Broadway Flats - additional storey (£5.691m)
- Major Works (£4.431m)

1.7.12 Parks Equipment (£0.001m) – This capital scheme has come to an end and the balance on the budget is no longer required.

1.7.13 The profiling of the deletions described above is set out in the below summary table:

Table 5: Summary of Proposed Deletions (ordered by value)

Deletions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
New Build - 250 units	(31)	0	0	0	(26,246)	(26,277)
M&E/ GAS	0	(1,370)	(1,042)	(3,704)	0	(6,116)
Burnt Oak Broadway Flats - additional storey	(2,237)	(3,454)	0	0	0	(5,691)
Major Works (excl Granv Rd)	0	(1,982)	(1,224)	(1,224)	0	(4,431)
Parks Equipment	(1)	0	0	0	0	(1)
<b>Additions</b>	<b>(2,269)</b>	<b>(6,806)</b>	<b>(2,267)</b>	<b>(4,928)</b>	<b>(26,246)</b>	<b>(42,515)</b>

### Budget movements recommended

- 1.7.14 Placement Demand Transformation (£0.131m) - Transferring £0.131m Meadow Close Children's Homes budget to Placement Demand Transformation. Pre-approved and funded from Borrowing.
- 1.7.15 SEN Other Projects (£0.080m) – Transferring £0.080m SEN budget to SEN Other Projects budget. Pre-approved and funded from Grants.
- 1.7.16 Friern Barnet Hub (£0.090m) – Transferring £0.090m SEN budget to Friern Barnet Hub budget. Pre-approved and funded from Grants.
- 1.7.17 School Place Planning (Primary) (£0.505m) – Transferring £0.505m SEN budget to School Place Planning (Primary) budget. Pre-approved and funded from Grants.
- 1.7.18 School Place Planning (Secondary) (£0.415m) – Transferring £0.415m SEN budget to School Place Planning (Secondary) budget. Pre-approved and funded from Grants.
- 1.7.19 Moving Traffic Cameras (£0.272m) – Reversal of a previously requested budget movement. Transferring £0.272m Borough Cycling Programme budget back to Moving Traffic Cameras budget. Pre-approved and funded from Borrowing.

### Overall changes recommended

- 1.7.20 Including all slippage, additions, deletions, and virements described previously, the changes to be incorporated into the revised Capital Programme are as below:

Table 6: Summary of Changes Proposed to Revised Capital Programme

Theme Committee	Net Slippage & Accelerated Spend	Deletions	Additions
	£000	£000	£000
Adults and Safeguarding	(602)	0	0
Housing and Growth (Brent Cross)	(15,407)	0	1,011
Children, Education & Safeguarding	1,397	0	0
Community Leadership and Libraries	0	0	0
Environment	(6,185)	(1)	0
Housing and Growth Committee	(3)	0	0
Policy & Resources	(1,718)	0	0
Housing Revenue Account	(2,152)	(42,515)	91,983
<b>Total at Month 9</b>	<b>(24,671)</b>	<b>(42,515)</b>	<b>92,994</b>



## Funding

1.7.21 The capital programme shown in table 2b is recommended to be funded as set out in the table below and discussed in the following paragraphs.

Table 7: Proposed Funding

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)	206,724		900			12,979	220,603
Children, Education & Safeguarding	42,723	2	342		406	1,935	45,409
Community Leadership and Libraries					1,730	378	2,108
Environment	710	6,095	428		51,945	36,681	95,860
Housing and Growth Committee	53,395	7,480	14,747	491	40,535	229,029	345,677
Policy & Resources	1	45	927		5,000	20,587	26,560
<b>Total - General Fund</b>	<b>315,993</b>	<b>14,040</b>	<b>17,434</b>	<b>491</b>	<b>103,613</b>	<b>301,968</b>	<b>753,539</b>
Housing Revenue Account	23,995	1,501	14,038	76,328		280,952	396,814
<b>Total - All Services</b>	<b>339,988</b>	<b>15,541</b>	<b>31,472</b>	<b>76,819</b>	<b>103,613</b>	<b>582,920</b>	<b>1,150,353</b>

## Borrowing

1.7.22 £582.920m of the total capital programme will be funded from borrowing of which £155.450m is to be on-lent to Opendoor Homes for the acquisition or delivery of new housing.

1.7.23 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

1.7.24 The council has previously highlighted a risk in the level of capital receipts that it currently holds or forecasts to receive. Capital Receipts are proceeds of capital sales (land, buildings, etc.) and are re-invested into purchasing other capital assets.

1.7.25 £31.472m of the above capital programme is planned to be funded by capital receipts. Current receipts are standing at £21.163m with £19.579m HRA receipts and £1.584m General Fund receipts.

1.7.26 Of the £7.946m 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 £3.967m is expected to come from General Fund capital receipts. To date the council has received £1.584m from General Fund disposals, with £3.679m capital receipts forecast this financial year. The current forecasted Capital Receipt shortfall will be £0.288m General Fund and may need to be funded by additional borrowing.

1.7.27 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

- 1.7.28 The current capital programme shows £339.988m to be funded from Capital Grants. S106 and CIL are standing at £15.541m and £103.613m respectively.
- 1.7.29 Capital grants are mainly received from central government departments (such as the Brent Cross grant from MHCLG) or other partners or funding agencies (such Transport for London, Education Funding Authority).
- 1.7.30 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.
- 1.7.31 Current capital programme forecasts plus future estimates suggest that there will be enough S106 contributions to fund the relevant projects.

## **1.8 Treasury Management mid-year report**

- 1.8.1 The mid-year treasury management review is included as Appendix K2. The key points of the review are set out as follows:
- The strategies set out in the Treasury Management Strategy approved by the Policy and Resources Committee on February the 8th 2021 remain in place and no breaches of strategy in relation to debt or investments have taken place.
  - The mid-year update would like to clarify the position regarding the borrowing strategy (item 3.4) of the 21-22 Treasury Management Strategy. 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 the 31<sup>st</sup> of September 2021, £100m of PWLB borrowing has been taken to support the HRA. This was based on a need 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. We have averaged a 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 Housing Revenue Account**

- 1.9.1 The Local Government and Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account. Any surpluses generated from the HRA can be used to support the account if it fails to break even. Whilst it is acceptable to draw

on balances, it is not permissible for an overall HRA budget deficit to be set. It is for the council to determine what level of balances should be maintained and this is set as a part of the HRA Business Plan (see Appendix L).

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

### Council Dwelling Rents

- 1.9.3 The Department for Levelling Up, Housing, and Communities' (DLUHC) Policy Statement on Rents for Social Housing 2020 (the 'Rent Policy Statement') permits all registered providers, including local authorities, from 2020 to apply annual rent increases on social and affordable rent properties of up to CPI (the general index of consumer prices, taken as of September of the previous year) plus one percentage point, for a period of at least five years. This limit is a ceiling and providers can apply a lower increase or freeze rent in line with the market in which they operate.
- 1.9.4 When a dwelling is re-let to a new tenant, in accordance with the Rent Policy Statement, the rent will be reset at the formula rent level if the previous rental charge is lower than formula rent, subject to the Rent Flexibility Level that may allow rents to be set at up to 5% above formula rent provided there is clear rationale for this that takes into account local circumstances and affordability.
- 1.9.5 It is proposed that Barnet continue to follow the national rent setting policy, and that social rent is increased by CPI + 1% for 2022/2023 for existing tenants. Based on CPI of 3.1% in September 2021, this would result in a rent increase of 4.1%.
- 1.9.6 The table below<sup>1</sup> shows examples of how weekly average and formula rents will change in 2022/23 when the 4.1% increase is applied.

Scenario	2021/22	2022/23 with 4.1% increase applied
Average current rent (for existing tenants) <sup>1</sup>	£104.36	£108.64
Average formula rent (for new tenant on re-let) <sup>1</sup>	£111.28	£115.85

- 1.9.7 The majority of properties within the Housing Revenue Account (HRA) are charged at a social rent; however, there is also a small proportion of newly developed properties which are based on an Affordable Rent level, meaning they cannot exceed 80% of the equivalent market rent. New homes being delivered on the council's land will be subject to Affordable Rents set at 65% of average private sector market rents, or the Local Housing Allowance (LHA); whichever is lower as per the previous year; or set at an alternative rent level such as London Affordable Rent if Greater London Authority (GLA) conditions dictate this. This ensures these properties generate sufficient revenue to offset their ongoing associated costs without a wider impact on the HRA. It is proposed that for existing households, Barnet continue to follow the national rent setting policy, and that Affordable Rent is increased by

<sup>1</sup> All charges in this table are shown on a 52-weeks basis and show an average of the rents charged across the stock.

CPI + 1% for 2021/22. Based on CPI of 3.1% in September 2021, this would result in a rent increase of 4.1%.

1.9.8 The table below<sup>1</sup> shows examples of how weekly average Affordable Rents will change in 2022/23 when the 4.1% increase is applied.

Scenario	2021/22	2022/23 with 4.1% increase applied
Average Affordable Rent	£200.76	£209.00

### Temporary accommodation rents

1.9.9 Temporary accommodation is let at Local Housing Allowance (LHA) rates. From 1st April 2020, following a freeze between 2016 and 2020, LHA was increased to equal the 30th percentile of rents in each local area. The Office for Budget Responsibility's Economic and Fiscal Outlook of November 2020 confirmed that LHA rates will be frozen in cash terms from 2021/22 onwards.

1.9.10 All newly let Barnet temporary accommodation rents are let at the applicable LHA rate. Where temporary accommodation was already occupied prior to April 2021, the rents are charged at the LHA rate that was applicable at the time of the letting, as adjusted by any subsequent approved rent increases which were capped at the then-current LHA rate.

1.9.11 As of October 2021, there are 1,363 households subject to temporary accommodation rents, of which 482 properties are currently set at full LHA rates, and the remaining 881 are let below LHA rates.

1.9.12 It is proposed that those temporary accommodation rents for 2022/23 that are not currently at LHA rates are increased in line with the rent increase proposed for council dwellings at CPI +1%, up to a maximum of the applicable LHA level. Based on CPI of 3.1% in September 2021, this would result in a rent increase of up to 4.1%.

1.9.13 For those properties currently being charged below LHA rates, the proposed increase results in an average rent increase of £11.73 per week from £293.12 to £304.85. Due to the LHA cap, the average rent increase applied will be 3.99%. Following the rent increase, 762 properties' rents would remain below the April 2020 LHA rate. The average increases have been broken down by broad rental market area below:

Scenario	Broad Market Rental Area – CPI + 1% (4.1%)		
	Outer and North-West London	Inner London	Out of London
Number of rents increased	626	207	48
Average weekly rent increase	£11.56	£13.09	£8.05

### Service Charges and garages

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

1.9.15 Service charges and garage rents have been reviewed to ensure that costs are being recovered. It is proposed that service charges are increased from 1 April 2022 to reflect the increased costs of providing the services, as outlined in the table<sup>2</sup> below:

Service	2021/2022	2022/23	Increase	% Increase
Alarm services (sheltered housing)	£3.16	£3.22	£0.06	2%
Caretaking (quarterly)	£1.40	£1.45	£0.05	3.5%
Caretaking (weekly)	£6.27	£6.49	£0.22	3.5%
Digital TV	£1.72	£1.76	£0.04	2.6%
Door entry systems	£2.60	£2.67	£0.07	2.6%
Enhanced housing management (sheltered housing)	£22.92	£23.72	£0.80	3.5%
Fire safety equipment	<b>1 Bed</b> £4.12	<b>1 Bed</b> £4.26	<b>1 Bed</b> £0.14	3.5%
	<b>2 Beds</b> £4.83	<b>2 Beds</b> £5.00	<b>2 Beds</b> £0.17	
	<b>3 Beds</b> £5.36	<b>3 Beds</b> £5.55	<b>3 Beds</b> £0.19	
Garages	4.1% increase applied to existing rent			
Grounds Maintenance	£3.06	£3.06	£0.00	0.0%
Heating Grahame Park	<b>1 Bed</b> £12.83	<b>1 Bed</b> £13.28	<b>1 Bed</b> £0.45	3.5%
	<b>2 Beds</b> £17.78	<b>2 Beds</b> £18.40	<b>2 Beds</b> £0.62	
	<b>3 Beds</b> £19.20	<b>3 Beds</b> £19.87	<b>3 Beds</b> £0.67	
Heating (excluding Grahame Park)	3.5% increase applied to existing variable charges			
Lighting	£1.42	£1.52	£0.10	7%

1.9.16 Alarm services (sheltered housing) – The Office for Budgetary Responsibility (OBR) expects CPI to continue above the government target of 2%. An increase of 2% is therefore recommended.

1.9.17 Caretaking – These costs relate to labour, materials, and fuel and fleet expenses. From 6 April 2022, employer National Insurance contributions will increase by 1.25%. The OBR expects CPI to continue above the government target of 2%. A combination of these factors has determined that a 3.5% increase in this service charge is required.

1.9.18 Digital TV and door entry systems – The Royal Institute of Chartered Surveyors' (RICS) Building Cost Information Service (BCIS) guidance provides guidance on the cost of rebuilding houses and flats and is commonly used across the housing sector used to facilitate accurate cost planning. The BCIS guidance indicates a 2.6% inflationary adjustment; the proposed 2.6% increase to service charges therefore reflects this.

1.9.19 Enhanced housing management (sheltered housing) – The Office for Budgetary Responsibility (OBR) expects CPI to continue above the government target of 2%. The OBR expects CPI to continue above the government target of 2%. A combination of these factors has determined that a 3.5% increase in this service charge is required.

1.9.20 Fire safety - No increase to the service charges for fire safety equipment was applied in 2021/22. The contracts for the servicing and maintenance of the relevant equipment are

<sup>2</sup> All charges in this table are shown on a 48-weeks basis and are rounded to the nearest penny.

currently being tendered for the first time. The latest cost consultants' reports for Q3 2021/22 indicate that tender prices are showing a sustained increase due to unprecedented shortages of raw materials and labour, and rising fuel costs. There is a predicted 4% increase in tender costs per year for the next four years; the proposed 3.5% increase to service charges therefore reflects this.

- 1.9.21 Garages - The rental costs of garages are proposed to increase by CPI + 1% in line with the rent increase proposal.
- 1.9.22 Grounds maintenance – These costs relate to labour, materials, and fuel and fleet expenses. From 6 April 2022, employer National Insurance contributions will increase by 1.25%. The OBR expects CPI to continue above the government target of 2%. A combination of these factors has determined that a 3.5% increase in this service charge is required.
- 1.9.23 Heating (Grahame Park) - The cost of fuel for the Grahame Park communal heating system is fixed until March 2022, and it is anticipated that any new agreement will result in an increase in supply costs. Servicing and repair costs for this system are also likely to increase as the system ages, although a refurbishment is scheduled for the first half of 2022/23 which is expected to result in a reduction of necessary repairs thereafter. The BCIS guidance indicates a 2.6% inflationary adjustment; however, the latest government figures suggest that inflation is currently higher than this. A combination of these factors has determined that a 3.5% increase in this service charge is required.
- 1.9.24 Heating (excluding Grahame Park) – There has been a substantial rise in wholesale electricity and gas prices of around 41% since May 2020. Barnet Homes has fixed pricing in place with one provider until March 2022 and another provider until May 2023, when new prices will be issued. The BCIS guidance indicates a 2.6% inflationary adjustment; however, the latest government figures suggest that inflation is currently higher than this. A combination of these factors has determined that a 3.5% increase in this service charge is required.
- 1.9.25 Lighting - Barnet Homes' electricity rates have been fixed until May 2023; however, there is an increase in pass-on costs including infrastructure from the regulator that will affect all energy suppliers; this is expected to be 7% for 2021 and 2022.

## **1.10 Corporate risk register**

- 1.10.1 The council has an established approach to risk management, which is set out in the risk management framework. The strategic and service 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.
- 1.10.2 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.

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

## **2. Reasons for recommendations**

- 2.1.1 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.
- 2.1.2 This report also includes ongoing budget maintenance in the form of virements and the allocation of contingency funds to ensure strong financial management.
- 2.1.3 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**

- 3.1.1 Services have considered alternative options in proposing savings and identifying pressures. These have been reported to theme committees.
- 3.1.2 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**

- 4.1.1 The budget recommendations will go to Full Council for approval on 01 March 2022 for approval.
- 4.1.2 If Full Council approve the proposed budget, the budget changes will be processed in the financial accounting system and reflected against service areas for 2022/23.

## **5. Implications of decision**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Barnet 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 The Barnet 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) must be approved by the relevant Chief Officers of that Directorate.
Virements between different Directorates (excluding contingency allocations) up to £50,000 must be approved by the relevant Chief Officers of both Directorates.
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 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 Barnet 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](http://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.

5.7.10 A cumulative equality impact assessment has been conducted on the budget. A summary of the impacts is as follows:

- For the 2022/23 budget, six saving / income proposals carried out EqlAs. Overall, all six EqlAs have forecasted an outcome of a positive impact. Analysis of the cumulative effect of these EqlAs on residents has been summarised below:
- Overall, it has been identified that there will be no cumulative negative impact on residents by different protected characteristics
- In addition to those with protected characteristics, the following groups may be negatively impacted by the 22/23 budget: carers, people with a low income, and unemployed.
- It has also identified some cumulative positive impacts. These were on older people, those with disabilities and gender being positively impacted by the proposed changes.

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

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

5.7.13 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 Barnet Plan 2021-2025, 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.

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 council has a duty to consult on proposals to vary, reduce or withdraw services in the following circumstances:

- where there is a statutory requirement in the relevant legislative framework

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

5.9.2 Consultation is also recommended in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equalities duties.

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

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

### General Budget Consultation 2022/23

#### **Overview**

5.9.4 The general budget consultation began after Policy and Resources Committee on 9 December 2021 where the committee agreed to consult on the council's budget proposals for 2022/23.

5.9.5 The consultation opened on 21 December 2021 and concludes on 1 February 2022.

5.1.1 In terms of service-specific consultations the council has a duty to consult with service users where there are proposals to vary, reduce or withdraw services. Where appropriate, separate service-specific consultations have already taken place. The outcomes of these consultations are being reported into the committee decision making process.

5.9.6 The following paragraphs set out the headline findings from the general budget consultation 2022/23 which is presented to this Committee and then subsequently Full Council on 1 March 2022. The detailed findings can be found in Appendix G.

#### **Summary of consultation approach**

5.9.7 The 2022/23 general budget consultation asked for views on the:

- Overall budget, and savings and income generation proposals for 2022/23

- Proposal to increase General Council Tax by 1% or by up to 1.99%<sup>3</sup>
- Proposal to apply an Adult Social Care Precept on Council Tax of 1% to help pay for adult social care.

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

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

### ***Response to the consultation***

5.9.9 A total of 81 questionnaires were completed – all were submitted online.

5.9.10 The table below shows the profile of those who responded to the consultation. It is broken down by the number responses that were received before the additional option of increasing general Council Tax by up to 1.99 % was added to the consultation on the 7 January, and then the response to the consultation after this additional option was added.

5.9.11 It should be noted that the vast majority of responses were from residents.

Stakeholder	21/12/2021-07/01/22		07/01/22 onwards <sup>4</sup>		Total	
	%	Base	%	Base	%	Base
Barnet resident	100%	17	87%	40	<b>91%</b>	<b>57</b>
Working within the London Borough of Barnet area	0%	0	0%	0	<b>0%</b>	<b>0</b>
Barnet business	0%	0	4%	2	<b>3%</b>	<b>2</b>
Representing a voluntary/community organisation	0%	0	0%	0	<b>0%</b>	<b>0</b>
Representing a public-sector organisation	0%	0	4%	2	<b>3%</b>	<b>2</b>

<sup>3</sup> Option on supporting an increase in general Council Tax by up to 1.99 % in 2022/23 was added to the questionnaire

<sup>4</sup> Option on supporting an increase in general Council Tax by up to 1.99 % in 2022/23 was added to the questionnaire

Stakeholder	21/12/2021-07/01/22		07/01/22 onwards <sup>4</sup>		Total	
Representing a school	0%	0	0%	0	0%	0
Other	0%	0	0%	0	0%	0
Prefer not to say	0%	0	4%	2	3%	2
<b>Total who answered this question</b>	100%	17	100%	46	100%	63
Not answered		11		7		18
<b>Total response to the consultation</b>		28		53		81

### ***Calculating and reporting on results***

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

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

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

### Summary of key findings

#### ***Views on the budget for 2022/23***

5.9.15 Respondents were asked to what extent they agree or disagree with the proposed budget for 2022/23:

- A third of respondents agree (33%, 27 out of 81 respondents) with the council’s proposed budget for 2022/23 (6%, 5 out of 81 respondents strongly agree, and 27%, 22 out of 81 respondents tend to agree).
- Two fifths of respondents disagree (41%, 33 out of 81 respondents) with the council’s proposed budget for 2022/23 (22%, 18 out of 81 respondents tend to disagree, and 19%, 15 out of 81 respondents strongly disagree).
- The remainder were either neutral (21 %, 17 out of 81 respondents) or said they did not know or were not sure (5%, 4 out of 81 respondents).

#### ***Views on proposals to increase both general Council Tax by 1% or up to 1.99% and to apply a 1% Adult Social Care precept to Council Tax 2022/23***

5.9.16 Overall, in terms of supporting both a general Council Tax increase and applying a Social Care Precept increase in 2022/23, just under half of respondents (46%, 30 out of 65 respondents) support both an increase in general Council Tax (either 1% or up to 1.99%) and the proposal to apply a further 1 % Adult Social Care Precept increase.

- Just over a quarter, 29% of respondents (19 out of 65), **support both** an increase general Council Tax of **1% and** the proposal to apply a further **1% Social Care Precept** in 2022/23.

- Fewer respondents (17% of respondents, 11 out of 65) support **both** an increase in general Council Tax of up to **1.99%** and the proposal to apply a further **1%** Social Care Precept in 2022/23.
- Just under two fifths of respondents (37%, 24 out of 65 respondents) **do not support any increases** in general Council Tax or the proposal to apply an Adult Social Care Precept on Council Tax 1% in 2022/23.
- 15%, 10 out of 65 respondents **only support** the proposal to increase general Council Tax by 1% and not a Social Care Precept increase in 2022/23.
- None of those responding to the consultation support the proposal to increase general Council Tax by up to 1.99% and not a Social Care Precept increase in 2022/23.
- 2% (1 out of 65 respondents) only support the proposal to apply a Social Care Precept 1% and not a general Council Tax increase in 2022/23.

### ***Savings and income proposals for 2022/23***

5.9.17 Respondents were asked to what extent they agree or disagree with the savings and income proposals identified for each of the theme committees in 2022/23:

- **Children’s, Education and Safeguarding Committee (CES) received the highest level of support**, with half of respondents (50%, 34 out of 68 respondents) indicating they agree with the saving and income proposals identified within this committee for 2022/23.
- **Public Health (PH) - Health and Wellbeing Board**, which had no savings or income generation proposals, received **the second highest level of support**, with two fifths of respondents (42%, 28 out of 67 respondents) agreeing
- **Adults and Safeguarding Committee had a similar level of support as Public Health** with again two fifths of respondents (41%, 28 out of 69 respondents) agreeing with the saving and income proposals identified within this committee for 2022/23.
- **Environment Committee (EC) and Housing and Growth Committee** also both had similar levels of support, with around **a third of respondents agreeing** with the saving and income proposals identified within these committees for 2022/23; Environment Committee 33% agreed (22 out of 67 respondents) and Housing and Growth Committee 32% agreed (22 out of 65 respondents).
- **Policy and Resources Committee received the least support** for their saving and income proposals, with a quarter of respondents (24%, 16 out of 66 respondents) agreeing with the saving and income generation proposals identified within this committee for 2022/23.

### ***Further comments on theme committee saving and income proposals for 2022/23***

5.9.18 Respondents were also asked if they had any comments to make about the saving and income proposals identified for each theme committee for 2022/23. Of those who responded to the consultation, 37 out of 81 gave a response to this question.

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

- Policy & Resources Committee budget too excessive /Would like to see what is spent in Policy ad Resources Committee (Eight comments).
- Agree with Council Tax increases (Four comments).
- Disagree with Council Tax Increases / Can't afford Council Tax increases (Four comments).
- Disagree with any cuts in Children, Education, and Safeguarding Committee (CES) / More should be spent in CES (Four comments).
- Environment Committee should be allocated more budget / Is a priority area (Four comments).

### ***Further comments on the overall budget for 2022/23***

5.9.20 Respondents were also asked if they had any further comments to make about the councils proposed budget for 2022/23. Of those who responded to the consultation, 36 out of 81 gave a response to this question.

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

- Disagree with Council Tax Increases / Can't afford Council Tax increases (Seven Comments).
- Agree with Council Tax increases with Council Tax Increases. (Five comments).
- Too much wastage / Unnecessary expenditure (Four comments)

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

## **6. Background papers**

Committee	Item & Agenda	Link
P&R Committee 09 Dec 2021	Item 7: Business planning (Budget 2022/23, Medium Term Financial Strategy 2022-26), and Budget Management 2021/22 pdf icon PDF 635 KB	<a href="https://www.moderngov.co.uk/2021/12/09/agenda-for-policy-and-resources-committee-on-thursday-9th-december-2021-7.00-pm">Agenda for Policy and Resources Committee on Thursday 9th December, 2021, 7.00 pm (moderngov.co.uk)</a>



Full Council 02 March 2021	Item 10.1 Business Planning – Corporate Plan, Budget for 2021/22, and Medium-Term Financial Strategy 2021-25	<a href="#">Agenda for Council on Tuesday 2nd March, 2021, 7.00 pm   Barnet Council (moderngov.co.uk)</a>
P&R Committee 30 Sept 2021	Item 8 Business Planning 2022-26 and in-year financial management 2021/22	<a href="#">Agenda for Policy and Resources Committee on Thursday 30th September, 2021, 7.00 pm (moderngov.co.uk)</a>