

Policy and Resources Committee - Wednesday 9th February, 2022 7.00 pm

Addendum to Agenda Item 7: Business planning - The Barnet Plan, Budget 2022/23, Medium Term Financial Strategy 2022-26 and Budget Management 2021/22

1.1 Robustness of the budget and assurance from Chief Finance Officer

- 1.1.1 In order to comply with Section 25 of the Local Government Act 2003; the Authority's Chief Financial Officer (the Executive Director of Resources) is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.
- 1.1.2 This information enables a longer-term view of the overall position to be taken. It also reports on the Director of Finance's consideration of the affordability and prudence of capital investment proposals. The level of general balances to support the budget and appropriate earmarked reserves maintained by the Council in accordance with the agreed Council Policy on Earmarked Reserves are an integral part of its continued financial resilience. The council's reserves and balance policy is attached at Appendix M. Details of the council's in-year financial performance are reported to the Financial Performance and Contracts Committee on a regular basis.
- 1.1.3 The council is a large, complex organisation with a diversity of assets, interests, liabilities and other responsibilities. These require considerable on-going monitoring and review particularly in light of the challenging financial climate. With this in mind, the council has recognised the on-going need to identify risks and have measures in place to mitigate them should they occur.
- 1.1.4 The council's revenue related risks include:
- Ongoing medium and long term impact of the pandemic;
 - General operational risks relating to service delivery;
 - Changes in legislation e.g. Adult Social Care Green Paper;
 - risk of non-delivery of savings;
 - funding related risks e.g. Fair Funding;
 - interest rate risk;
 - inflation risk;
 - commercial values risk, e.g. income rental values;
 - contract failure risk and step-in obligations for the council
- 1.1.5 The Council has undertaken a robust process to produce its MTFs in order to address the changing budget pressures and the risks mentioned above (as far as possible). The council's management team have considered regular budget updates, including analysis of the cost impact of the pandemic. Additionally, the Policy and Resources Committee have received regularly refreshed Business Planning reports.
- 1.1.6 While the Council Management Team and the Policy and Resources Committee meets to ensure the over-arching issues are robustly considered, a

full schedule of meetings are arranged at various levels within the council to ensure all stakeholders fully understand the MTFs process and their savings proposals. Theme Committee meetings then consider the reports and recommendations produced. These Theme Committee recommendations are then reflected back through Policy and Resources Committee to ensure all aspects are captured.

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

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

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

1.1.9 The 2021/22 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the finance department leads on:

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

1.1.10 A summary of selected key, strategic risks / weaknesses and mitigating actions are noted in Appendix I.

View of Section 151 Officer

Robustness of estimates

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

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

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

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

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

Robustness of Budget Setting Process

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

1.1.17 Following this Committee's endorsement of the budget proposals in February 2021 officers have undertaken a readiness assessment of the council's ability to deliver the savings required for the MTFs with particular emphasis on 2022/23. Where there is a risk of non-achievement of savings, adequate mitigations have been put in place in order to ensure a legal budget is set and that value for money is achieved from public funds.

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

Effectiveness of Budget Management

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

1.1.20 The council has a legal responsibility to set a balanced budget which can include the planned use of its reserves. The council does not anticipate using reserves in order to fund recurrent expenditure in 2022/23. The council, however, maintain reserves for other, non-recurrent purposes such as the

ongoing response to the pandemic, transformation work, expenditure linked to previous grant receipts or for unplanned one-off items.

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