

## Policy & Resources Committee

19<sup>th</sup> July 2022

<b>Title</b>	Revised Budget 2022/23 and Business Planning 2023-2027
<b>Report of</b>	Chair of Policy and Resources Committee
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	Yes
<b>Key</b>	Yes
<b>Enclosures</b>	Appendix A – Medium Term Financial Strategy (MTFS) Appendix B - Capital Programme Appendix C - Q4 21-22 Strategic risks Appendix D - Q4 21-22 High level risks Appendix E - Over £5k Write-Offs
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### Summary

This report sets out the current challenges, proposed process, and timetable for the preparation of the budget for 2023/24. It also outlines the work that is being done to refresh the MTFS to align with the priorities of the new Labour Administration.

As part of this process the council has also reviewed its in-year and ongoing financial pressures to calculate the likely gap that will need to be addressed across the financial years 2023 to 2027. The report sets out the process which will take place for 2023/24 and future years in order to achieve a balanced budget.

It also presents for approval a number of routine financial management matters for 2022/23, in line with financial regulations, including updates to the programme of capital investment, budget amendments and debt management.

This report is urgent as it is a legal requirement for a balanced budget to be set.

## Officers Recommendations

### That the Committee:

#### In respect of routine financial matters for 2022/23:

1. Approves the revised budget for 2022/23 as detailed in section 2.1;
2. Approves the virements required to implement the 22/23 budget as set out in 2.1.1 (in line with the financial regulations as set out in 10.3.4);
3. Instructs the Chief Executive to make necessary arrangements to put in place the necessary transformation and programme support to take forward the delivery of the administration's ambitions (as outlined in 2.1.6).
4. Notes the contingency budget and allocations from it in section 2.2;
5. Notes the revenue budget virements for 2022/23 as detailed in section 2.3;
6. Approves the writes-offs for Business Rates debt, Council Tax Debt, Sundry Debt, Housing Revenue Account tenant arrears and General Fund tenant arrears as detailed in section 2.4;
7. Approve the changes to the existing Capital Programme in relation to additions as set out in section 2.5 in accordance with the virement rules;
8. Notes the Quarter 4 2021/22 Corporate Risk Register in section 2.6;

#### In respect of business planning for 2023-27:

9. Notes the refreshed Medium-Term Financial Strategy shown in Appendix A. The MTFS sets out likely budget changes over the period 2023-27, including assumptions around inflation, changes to levies, pressures, savings and grant funding. It is the model around which the council's financial strategy is based;
10. Notes the delivery timetable and the process in section 3.18 which will take place for 2023/24 and future years in order to achieve a balanced budget.
11. Notes that resident consultation will take place before savings are presented to Theme Committees for consideration in autumn.
12. Approve that officers start to develop budget proposals for 2023/24 and, if required, delegates authority to the Section 151 officer to issue targets to officers to support the achievement of a balanced budget;
13. Notes the proposed approach to the financial strategy in section 6.

## 1. WHY THIS REPORT IS NEEDED

### 1.1 Executive Summary

- 1.1.1 This report sets out the actions that have been taken to align the 2022/23 budget to Labour administration's priorities and the revised budget assumptions.
- 1.1.2 Business planning and strategic financial management enable the council to plan its future direction on the basis of the best strategic fit between the resources available to meet stakeholder needs and expectations, the priorities of the Administration, and the environmental conditions which prevail. This report sets out how the council intends to do this and the assumptions it has made.
- 1.1.3 As in previous years, this will be the first of several reports to Policy & Resources Committee on 2023/24 budget setting and the 2023-27 MTFS update. The next update to Committee will be in September 2022 with a set of initial budget proposals ahead of November Theme Committees.
- 1.1.4 While the main subjects of this report are the 2022/23 revised budget and business planning for 2023/24 and the MTFS period to 2026/27, this report also presents some routine items for P&R committee approval in line with financial regulations.

## 2. 2022/23 BUDGET

### 2.1 2022/23 Revised Budget

- 2.1.1 The revised 22/23 budget is as shown below:

	2022/23 (£'000)	
	In-Year impact	Fixed amount over 4 years
<b>March 2022 approved expenditure budget</b>	<b>344,546</b>	
Community hubs	515	Ongoing
Removal of Special Responsibility Allowances	(115)	Ongoing
Removal of member permit	0	Ongoing
Fees & charges increase from Jan 2023	(400)	Ongoing
Review of Infrastructure Development Programme, Capital Programme & Community infrastructure Levy	(1,750)	(7,000)
Community skips	600	2,400
Quarterly deep cleanses of residential streets	500	2,000
Implementation invasive weed control	150	600
Roads & pavements	250	1,000
Events & community engagement	250	1,000
2022/23 Public Health Expenditure Reduction (due to reduced grant)	(212)	Ongoing
<b>Net Changes</b>	<b>(212)</b>	<b>(0)</b>
<b>Updated Expenditure Budget</b>	<b>344,334</b>	
<b>March 2022 approved Funding budget</b>	<b>(344,546)</b>	
2022/23 Public Health Grant Reduction	212	Ongoing
<b>Updated Funding Budget</b>	<b>(344,334)</b>	
<b>Total GF Balanced Budget</b>	<b>(0)</b>	<b>(0)</b>

2.1.2 The 22/23 budget has been updated to include the following assumptions to align resources with Labour administration's priorities. If a priority is not listed below, it is anticipated to be delivered within existing resources (e.g. cost of living framework).

Revised savings / income	Amount (£'000)	Status
Removal of Special Responsibility Allowances	(115)	Delivered
Removal of member permit	0	Paper taken to Environment and Climate Change Committee
Fees & charges increase from Jan 2023	(400)	Being scoped
<b>TOTAL</b>	<b>(515)</b>	

Priority	Amount (£'000)	Funded by
Joining Local Government Association	70	Contingency
CCTV	300	Contingency
Climate Change	508	Contingency
<b>TOTAL</b>	<b>878</b>	
Community skips	600	CIL (Total £2,400k over 4 years)
Quarterly deep cleanses of residential streets	500	CIL (Total £2,000k over 4 years)
Implementation invasive weed control	150	CIL (Total £600k over 4 years)
Roads & pavements	250	CIL (Total £1,000k over 4 years)
Events & community engagement	250	CIL (Total £1,000k over 4 years)
<b>TOTAL</b>	<b>1,750</b>	
Community hubs	515	Revised budget savings / income
<b>TOTAL</b>	<b>515</b>	
CT refund (1% one off)	2,100	Reserves
Transformation programme	3,000	Reserves (total £3m allocated over 4 years)
<b>TOTAL</b>	<b>5,100</b>	

2.1.3 In addition to the changes detailed above, the budget amount for the Public Health Grant has been updated as the Government confirmed the final 2022/23 allocation for the grant after March Full Council had approved the budget.

2.1.4 The Chief Finance Officer's 2021/22 outturn report that is also being presented to this committee shows that the level of reserves have increased from 2020/21 and therefore we have the flexibility to invest in the new administration priorities without impacting on prudent reserves levels.

2.1.5 The use of CIL shown in the table above is funding for new priorities and is not impacting on the robustness of the general fund position.

2.1.6 The implementation of the ambitions of the new administration will require both investment in short term priorities (as set out above), as well as the development of a change/transformation programme for the next 4 years that will see significant changes in terms of the Council's approach including around community engagement, tackling inequality and tackling climate change and driving towards net zero carbon across Barnet. A core team will be developed using a combination of internal and external resources to take this work forward, engaging with community groups, partners, members and staff.

## 2.2 22/23 Contingency

- 2.2.1 The contingency budget is a useful tool in effective financial management of an organisation. It provides a mechanism to allocate additional funding on a temporary or permanent basis during the financial year. This allows the recognition and funding of costs over and above those included within the council's base budget. It is a more appropriate mechanism than the use of one-off funding, such as reserves, in meeting the costs of pressures as it enables the council to 'live within its means' both in the short and longer term. Council financial regulations also should prevent expenditure being incurred for which there is no budget provision. Allocations from contingency ensure that the financial regulations can be adhered to when unexpected items occur. This therefore supports the delivery of the organisation's overall financial strategy.
- 2.2.2 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. At the start of the 2022/23 financial year, we had £14.126m contingency funding available.
- 2.2.3 When preparing the budgets, all inflationary and service pressure allocations within the MTFs are held within the contingency budget and are allocated during the year to the service areas when the true costs are better understood. Of the £14.126m, £7.443m was earmarked for non-pay inflation and £2.160m was earmarked for pay inflation (at 2%).
- 2.2.4 As recent discussions with Trade Unions and the cost of living crisis have indicated that the 2022/23 pay settlement may be more than 2%, an additional 1% (£1.080m) has been put aside from contingency for pay inflation.
- 2.2.5 When the budget was set, an assumption of 4.6% was made for non-pay inflation. As the Consumer Prices Index (CPI) rose to 9% in April 2022, further contingency budget has been earmarked for non-pay inflation. We are actively engaging with providers to assess the impact that this increase may have on contracts and therefore the impact on service delivery to residents.
- 2.2.6 The table below shows how the contingency budget has been allocated and includes funding for three of the labour priorities (Joining Local Government Association, CCTV and Climate Change).

	£'000
<b>Contingency Budget 2022/23</b>	<b>14,126</b>
<b>Allocated</b>	
Assurance AD post	(128)
Intelligence and Insight (Public Health)	(120)
22/23 Non-Pay inflation	(7,443)
22/23 Pay inflation (2%)	(2,160)
22/23 Pay inflation - additional assumed 1%	(1,080)
Joining Local Government Association	(72)
CCTV	(301)
Climate Change	(350)
Inflationary Pressures	(2,472)
<b>Total Allocated</b>	<b>(14,126)</b>
<b>Balance Remaining</b>	<b>(0)</b>

## 2.3 Budget Virements

- 2.3.1 The constitution requires that revenue virements from contingency of £250k or above are approved by the Policy & Resources Committee.
- 2.3.2 Policy and Resources is asked to approve the virements required to reset the 22/23 budget as detailed in section 2.1.1.
- 2.3.3 Policy and Resources Committee is also asked to note a budget virement between Strategy & Resources and Children and Family Services. This virement is for the amount of £0.146m and is for the work carried out by Barnet Education and Learning Services Ltd (BELS) on Care Leavers Participation.

Department	Description	Amount (£'000)
Children and Family Services	Care Leaver Participation	£145.613
Strategy & Resources	Care Leaver Participation	(£145.613)

- 2.3.4 Policy & Resources committee is asked to note that as part of 2021/22 year end outturn, following the final calculation of insurance recharges for 2021/22, budget virements were processed to directorates to offset this charge and ensure no impact on their outturn positions.

## 2.4 Debt Write-Offs

- 2.4.1 The write-off of debts is in line with good accounting practice, which requires that debtor balances accurately reflect realisable income and it removes uncollectable debt from the accounts. All organisations suffer from uncollectable debt and the council maintains a bad debt provision against which to charge any debt write offs. The following debts over £5,000 are proposed to P&R Committee for approval to write-off and detailed in Appendix E.

### **Business Rates (NDR)**

- 2.4.2 Irrecoverable Business Rates debts of £3,469,412.66 are requested for write off. The individual debts are all over £5,000 and cover the financial years from 2004/05 to 2021/22
- 2.4.3 All the debts are in respect of closed accounts. Some are in respect of debtors who have absconded, including some who are known to be abroad and out of our jurisdiction. Other debts are either limited companies that have been dissolved or wound up, or companies registered abroad. None or insufficient monies to clear these debts have been yielded as Business Rates debts do not rank as preferential debt in insolvency proceedings. Therefore, no further action can be taken.
- 2.4.4 Attempts to trace liable persons include searches of our internal revenues system, credit reference agencies, enquiry notices to owners, agents and new occupiers of properties and visit reports by our Inspection and Enforcement Agents. Cost effectiveness, the extent of tracing activity will correspond to the amount of the individual debts with a greater intensity

of checks being carried out in respect of these larger debts. It should be noted that where a debtor is traced following the write-off of the debt, the debt will be reinstated and further attempts made to recover, subject to statutory limitation periods and it being economical to do so.

2.4.5 The breakdown of the value of Business Rates debts by year are as follows:

Financial Year of Debt	Costs	Liability	Grand Total
2004	£167	£6,672.63	£6,839.63
2005	£0	£5,429.76	£5,429.76
2006	£497	£10,105.48	£10,602.48
2007	£167	£24,430.14	£24,597.14
2008	£838	£79,095.60	£79,933.60
2009	£1,700	£179,164.39	£180,864.39
2010	£340	£31,891.53	£32,231.53
2011	£340	£3,112.17	£3,452.17
2012	£170	£13,336.36	£13,506.36
2013	£510	£59,183.03	£59,693.03
2014	£850	£81,238.52	£82,088.52
2015	£680	£216,006.46	£216,686.46
2016	£680	£194,738.36	£195,418.36
2017	£1,020	£395,296.72	£396,316.72
2018	£2,340	£867,264.71	£869,604.71
2019	£1,530	£875,957.44	£877,487.44
2020	£0	£335,092.43	£335,092.43
2021	£0	£79,567.93	£79,567.93
<b>Grand Total</b>	<b>£11,829</b>	<b>£3,457,583.66</b>	<b>£3,469,412.66</b>

### **Council Tax**

2.4.6 Irrecoverable council tax debts of £39,113.92 are requested for write off. The individual debts are all over £5,000 and cover the financial years from 2003/04 to 2020/21.

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

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

Financial Year of Debt	Council Tax Liability	Court Costs Awarded	Total Debt Due
2003	£936	£364	£1,300
2004	£1,225.4	£484	£1,709.4
2005	£2,192.2	£402	£2,594.2

2006	£1,224.02	£409	£1,633.02
2007	£3,785.37	£838	£4,623.37
2008	£5,359.13	£194	£5,553.13
2009	£5,604.06	£291	£5,895.06
2010	£5,203.02	£291	£5,494.02
2011	£3,324.6	£97	£3,421.6
2013	£1,711.08	£125	£1,836.08
2014	£350.27		£350.27
2015	£349.27		£349.27
2017	£707.95		£707.95
2018	£370.3		£370.3
2019	£1,545.41	£125	£1,670.41
2020	£1,605.84		£1,605.84
<b>Total</b>	<b>£35,493.92</b>	<b>£3,620</b>	<b>£39,113.92</b>

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

Reason for write off	Total Debt
Gone Away	£39,113.92
<b>Total</b>	<b>£39,113.92</b>

### **Housing Benefit Overpayments**

2.4.10 Housing Benefit overpayments totalling £271,215.13 are requested for write-off. The individual debts are all over £5,000 and cover the financial years 2011/12 to 2021/22.

2.4.11 The proposed write-off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income, and it removes uncollectable debt from the system.

All Overpayments listed have been classified in accordance with Housing Benefit Regulations 2006, Part 13, Regulation 100.

All avenues of recovery that were economical and practical have been considered before this course of action. There are no further alternative options whereby the debtor cannot be traced, despite attempts to do so

2.4.12 The breakdown of the value of the Housing Benefit debts by year is as follows:

Financial Year of Debt	Total Debt
2011	£9,977.67
2013	£29,921.85
2014	£17,095.80
2015	£21,865.68
2016	£7,113.14
2017	£11,344.56



2018	£26,923.49
2019	£44,386.33
2020	£56,576.76
2021	£46,009.85
<b>Total</b>	<b>£271,215.13</b>

Reason for Write-Off Totals	Value
Deceased claimant	£148,540.50
Bankruptcy	£30,259.57
Individual Voluntary Arrangement*	£54,895.57
Local Authority Error**	£37,519.49
<b>Total</b>	<b>£271,215.13</b>

\*\* Individual Voluntary Arrangement – In England and Wales, an individual voluntary arrangement is a formal alternative for individuals wishing to avoid bankruptcy. The IVA was established by and is governed by Part VIII of the Insolvency Act 1986 and constitutes a formal repayment proposal presented to a debtor's creditors via an insolvency practitioner. Once an IVA is agreed the debt is no longer recoverable as claimant pays IVA company a nominal amount which is then distributed between the creditors that have voted and remaining debts are written off. As IVA's can last up to 5 years it was decided that debts should be written off of the system and after 5 years any monies received, we would write back the amount in credit.

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

### **Income (Sundry Debt)**

2.4.13 Sundry income totalling £224,345.11 are recommended for write off. The individual debts are over £5,000 and cover the financial years 2013–2021.

2.4.14 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
2013	£107,500.00
2014	£12,500.00
2014	£12,500.00
2017	£6,759.10
2018	£26,712.70
2018	£9,349.00
2018	£7,252.05
2018	£5,143.16
2020	£13,285.33
2020	£6,933.35
2020	£5,775.21
2021	£10,635.21
<b>Total</b>	<b>£224,345.11</b>

Reason for Write-Off Totals	Value
Insufficient funds in estate	£86,069.90
Recovery Action Exhausted	£138,275.21
<b>Total</b>	<b>£224,345.11</b>

### **Tenant Arrears Write Offs – HRA**

2.4.15 Tenant Arrears relating to HRA are recommended for write off. Individual debts over £5,000 totalling £141,310.82 covering the financial year 2015/16 through to 2020/21 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £162,522.85 covering the financial years 2014/15 through to 2021/22 which are being written off.

2.4.16 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
- 'unsuccessful from debt agency' which means the case was sent to a debt recovery agency but their collection activities were exhausted and unsuccessful; or
- 'deceased without estate'

2.4.17 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.

2.4.18 The table below details the breakdown of the write offs by year for balances less than £5,000 totalling £162,522.85 are:

Debt Category	2014-15 (£)	2015-16 (£)	2016-17 (£)	2017-18 (£)	2018-19 (£)	2019-20 (£)	2020-21 (£)	2021-22 (£)	no date*	Total
Statute Barred	30.24	43,869.47	11,272.02							55,171.73
Uneconomical to pursue								28.42		28.42
Deceased no estate		1,280.19	159.44	1,667.25	7,265.73	12,254.54	16,775.77	3,956.55		43,359.47
Unsuccessful from debt collection agency				4,949.07	31,773.70	18,563.44	40.36			55,326.57
vulnerability				795.82	942.13	1,021.13	2,262.79			5,021.87
senior management decision				577.50			591.45			1,168.95
Debt relief and/or bankruptcy order									2,445.84	2,445.84
<b>Grand Total</b>	<b>30.24</b>	<b>45,149.66</b>	<b>11,431.46</b>	<b>7,989.64</b>	<b>39,981.56</b>	<b>31,839.11</b>	<b>19,670.37</b>	<b>3,984.97</b>	<b>2,445.84</b>	<b>162,522.85</b>

\*no termination date as these apply to active accounts

2.4.19 The breakdown of the write offs greater than £5,000 totalling £141,310.82 are as follows:

Years		Number	Total
2015/16	Statute Barred	14	£93,653.26
2016/17	Statute Barred	2	£12,502.45

2018/19	Deceased without estate	2	£10,981.34
2018/19	Unsuccessful from debt collection agency	1	£5,172.40
2019/20	Deceased without estate	1	£7,283.03
2020/21	Deceased without estate	1	£6,096.62
2020/21	Unsuccessful from debt collection agency	1	£5,621.72
<b>Total</b>			<b>£141,310.82</b>

### **Tenant Arrears Write Offs - General Fund**

2.4.20 Tenant Arrears relating to the general fund are recommended for write off. Individual debts over £5,000 totalling £173,071.57 covering the financial year 2015/16 to 2019/20 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £185,835.46 covering the financial years 2015/16 through to 2021/22 which are being written off.

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

- 'statute barred' which means the Council cannot lawfully recover the debts from the former temporary accommodation tenants as the time period allowed by law for such recovery has passed;
- 'unrecoverable' due to the former tenant either being homeless and being housed under the Severe Weather Emergency Protocol or being particularly vulnerable;
- 'unable to trace' which means that there is no live record of where the subject is residing;
- 'deceased no estate' which means that there is no estate for the deceased which can be considered to recover from
- 'unsuccessful from debt agency' which means the case was sent to a debt recovery agency but their collection activities were exhausted and unsuccessful; or
- low level debts (i.e. debts of £20 or under, or between £20-£100 where attempts to contact have been unsuccessful) have also been included as the recovery of these monies are deemed uneconomical to recover.

2.4.22 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.

2.4.23 The breakdown of the write offs less than £5,000 totalling £185,835.46 are as follows:

Debt Category	2015/16	2016/17	2017/2018	2018/19	2019/2020	2020/2021	2021/2022	Total
Deceased Without Estate		£2,048.73	£3,433.93	£1,755.66	£244.48			<b>£7,482.80</b>
Statute Barred	£110,798.05	£15,845.76	£2,641.32					<b>£129,285.13</b>
Debt Relief Order				£4,494.29	£2,210.67	£305.21		
Unable to Trace								<b>£0.00</b>
Uneconomical to Pursue					£6.77			<b>£6.77</b>
Unrecoverable - Vulnerability/ SWEP		£477.22	£2,143.46	£3,998.82	£204.99	£6,256.37	£215.88	<b>£13,296.74</b>

Unsuccessful from Agency	£117.43	£1,622.09	£17,138.25	£1,307.21	£2,985.47	£2,626.86	£2,659.54	<b>£28,456.85</b>
<b>Grand Total</b>	<b>£110,915.48</b>	<b>£19,993.80</b>	<b>£25,356.96</b>	<b>£11,555.98</b>	<b>£5,652.38</b>	<b>£9,188.44</b>	<b>£2,875.42</b>	<b>£185,538.46</b>

2.4.24 The breakdown of the write offs greater than £5,000 totalling £173,071.57 are as follows:

Years		Number	Total
2015/16	Statute Barred	14	£123,510.51
2016/17	Vulnerability	1	£9,488.39
2017/18	Vulnerability	1	£5,817.59
2017/18	unsuccessful from debt collection agency	2	£22,078.18
2019/20	unsuccessful from debt collection agency	1	£12,176.90
<b>Total</b>			<b>£173,071.57</b>

## 2.5 Capital Programme

2.5.1 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.

2.5.2 The Capital Programme, incorporating changes approved at this Committee's February 2021 meeting, changes related to the 2020/21 outturn position, and subsequent additions, is described in the following sections.

2.5.3 The summary of the revised capital programme for this Committee's approval broken down by Theme Committee is as follows:

### Summary of Proposed Capital Programme after changes

Theme Committee	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000
Adults and Safeguarding	5,850	4,221	3,762	0	13,833
Housing and Growth (Brent Cross)	73,423	49,301	0	0	122,724
Children, Education & Safeguarding	25,913	10,519	991	2,000	39,423
Community Leadership and Libraries	3,174	300	0	0	3,474
Environment and Climate Change	45,822	27,155	10,778	4,580	88,335
Housing and Growth Committee	146,274	67,643	58,169	26,749	298,835
Policy & Resources	12,867	2,360	2,070	0	17,297
<b>Total - General Fund</b>	<b>313,323</b>	<b>161,500</b>	<b>75,769</b>	<b>33,329</b>	<b>583,921</b>
Housing Revenue Account	124,562	89,531	62,665	50,251	327,009
<b>Total - All Services</b>	<b>437,885</b>	<b>251,030</b>	<b>138,435</b>	<b>83,580</b>	<b>910,930</b>

2.5.4 A more detailed breakdown of the capital programme is shown in Appendix B to this report.

### Slippage/Acceleration

2.5.5 The net slippage/acceleration was £73.961m with a £79.787m spend being slipped out of the 2021/22 financial year into future periods and £5.827m accelerated into 2021/22.

### Capital program changes since March 2022 Full Council

Budget Movement Type	2021-22 Outturn	2022- 23 Budget	2023- 24 Budget	2024- 25 Budget	2025- 26 Budget	Total Budget
		£000	£000	£000	£000	£000
<b>Mar 2022 Council Approved 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>
Slippage/ Acceleration	(73,961)	73,961	0	0	0	0
Additions	1,189	26,400	1,760	1,470	0	30,819
Deletions	0	0	0	0	0	0
<b>July 2022 P&amp;R Revised Programme</b>	<b>270,242</b>	<b>437,885</b>	<b>251,030</b>	<b>138,435</b>	<b>83,580</b>	<b>1,181,172</b>

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

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

#### Summary of Net Slippage

Theme Committee	Net Slippage	Net Acceleration
	£000	£000
Adults and Safeguarding	1,111	0
Housing and Growth (Brent Cross)	25,689	0
Children, Education & Safeguarding	655	(836)
Community Leadership and Libraries	541	
Environment and Climate Change	8,322	(68)
Housing and Growth Committee	25,855	(1,734)
Policy & Resources	6,647	0
<b>Total - General Fund</b>	<b>68,819</b>	<b>(2,637)</b>
Housing Revenue Account	10,969	(3,189)
<b>Total - All Services</b>	<b>79,787</b>	<b>(5,827)</b>

#### Additions

2.5.8 Modernisation – Primary & Secondary (£3.467m) - The DfE have awarded the London Borough of Barnet £3,467,000 for School Condition allocations for the FY 2022/23. This funding is used for the modernisation programme across different primary & secondary maintained schools. This funding is given by the DfE to help maintain and improve the condition of school buildings and grounds.

2.5.9 Meadow Close Children's Homes (£0.093m) – A budget amendment of £0.093m related to the investment in a relocated Children's Home at 27 Woodside Avenue. The project made use of existing resources within the programme to fund expenditure in 2021/22.

2.5.10 Asset Management Fund: Barnet Pavilion Heat Decarbonisation Refurbishment (£0.411m)  
- The repurposing and refurbishment of the Old Cricket Pavilion on Barnet Lane to accommodate the Rainbow community centre which is a key element of the Dollis Valley's regeneration scheme.

- 2.5.11 Public Sector Decarbonisation Scheme Phase 3 (£8.228m) - to install heat pumps at approximately 19 schools in Barnet, along with additional energy saving measures (insulation, solar PV, solar thermal). £5.9m of this project is funded by the Department of Business, Energy and Industrial Strategy, and administered by Salix Finance; £1.7m is funded by borrowing from the Mayor's Energy Efficiency Fund (which is cheaper than the PWLB borrowing and is only eligible to use on projects intended to achieve net zero); and the balance of £0.571m will be funded from S106 contributions.
- 2.5.12 Colindale Future of Works (FOW) Modifications (£0.550m) – phase 2 of the FOW modifications including installing CCTV in Patterson Square, Depot and Hendon Town Hall refurbishment, digital display and signage in the Colindale building.
- 2.5.13 School place planning (primary and secondary) (1.644m) – Additional S106 funding for a school build, providing alternative provision school places for the Borough. The total build is funded through a combination of CIL, S106 and a grant from the Department for Education.
- 2.5.14 ICT strategy (£4.480m) - a 3 year programme enabling investment to support a digital delivery programme profiled over a 3 year delivery period to enable better use of technology and automation of business processes to deliver better outcomes for residents, businesses and staff.
- 2.5.15 Enforcement - CCTV (£1.633m) - The CCTV transformation programme includes the construction of a new CCTV control room in the civic centre and the procurement of a contractor to install and maintain the CCTV system.
- 2.5.16 Barnet EV 500 Project (£4.815m) - The Barnet EV500 Project involves the installation of 510 EV charge points across 34 residential streets and will ensure that the infrastructure is future proofed in terms of being able to meet future increasing demand.
- 2.5.17 Solo Provision Bid (£1.100m) - funding to create a unique in-house solo provision that will be available to support our most vulnerable children and young people who are currently housed in external high-cost crisis placements.
- 2.5.18 Pan-London Secure Children's home (£3.209m) - Provision of secure residential accommodation and education facility for high-dependency young people. To provide care, support and opportunity for our most vulnerable adolescents across London.

### Transfers

- 2.5.19 £11.512m transfer from the Strategic Opportunities Fund (SOF) to fund works and other maintenance works at care homes. The transfer would be funded by existing SOF borrowing already in the capital programme.
- 2.5.20 The profiling of the additions and transfers described above is set out in the below summary table:

### **Summary of Proposed Additions and Transfers to the Capital Programme**

Budget Movement Type	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Budget	Total Budget
	£000	£000	£000	£000	£000
Asset Management	411	0	0	0	411
Public Sector Decarbonisation Scheme Phase 3	8,228	0	0	0	8,228

Colindale FOW Modifications	550	0	0	0	550
School place planning (Primary )	822	0	0	0	822
School place planning (Secondary)	822	0	0	0	822
Meadow Close Children's Homes	93	0	0	0	93
ICT strategy	1,250	1,760	1,470	0	4,480
Modernisation - Primary & Secondary	3,467	0	0	0	3,467
Enforcement - CCTV	1,633	0	0	0	1,633
Barnet EV 500 Project	4,815	0	0	0	4,815
Solo Provision Bid	1,100	0	0	0	1,100
Borough Cycling Programme	331	0	0	0	331
Local Implementation Plan 2016/17 and onwards	858	0	0	0	858
Pan-London Secure Children's home	3,209	0	0	0	3,209
Works and other maintenance works at care homes	11,512	0	0	0	11,512
Strategic opportunities fund	(11,512)	0	0	0	(11,512)
<b>Total Additions</b>	<b>27,589</b>	<b>1,760</b>	<b>1,470</b>	<b>0</b>	<b>30,819</b>

2.5.21 The funding for the capital programme is set out below:

#### Financing for Proposed Capital Programme

Theme Committee	Grants	S106	Capital Receipts	RCCO/ MRA	CIL	Borrowing (Mayor's Energy Efficiency Fund)	Borrowing (PWLB)	Total
Adults and Safeguarding	9,752	367	38	0	3,471	0	205	13,833
Housing and Growth (Brent Cross)	109,533	0	900	1,011	0	0	11,280	122,724
Children, Education & Safeguarding	34,568	1,644	158	0	363	0	2,691	39,423
Community Leadership and Libraries	0	0	0	0	3,363	0	111	3,474
Environment and Climate Change	3,795	6,163	395	0	42,290	0	35,692	88,335
Housing and Growth Committee	55,662	7,368	14,636	491	38,868	1,700	180,110	298,835
Policy & Resources	1	45	166	0	4,183	0	12,902	17,297
<b>Total - General Fund</b>	<b>213,312</b>	<b>15,587</b>	<b>16,292</b>	<b>1,502</b>	<b>92,538</b>	<b>1,700</b>	<b>242,990</b>	<b>583,921</b>
Housing Revenue Account	23,824	1,267	10,988	56,028	0	0	234,902	327,009
<b>Total - All Services</b>	<b>237,135</b>	<b>16,854</b>	<b>27,281</b>	<b>57,530</b>	<b>92,538</b>	<b>1,700</b>	<b>477,892</b>	<b>910,930</b>

#### Borrowing

2.5.22 £478m of the total capital programme will be funded from borrowing of which £127m is on-lent to Opendoor Homes for the acquisition or delivery of new housing.

2.5.23 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).

2.5.24 Included in the total Capital programme, there is £1.7m borrowing from the Mayor's Energy Efficiency Fund. This borrowing is cheaper the PWLB borrowing and is only eligible to use on projects intended to achieve net zero.

#### Capital Receipts

2.5.25 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.

- 2.5.26 £27.3m of the above capital programme is planned to be funded by capital receipts. Of the £27.3m, £10.9m will be funded from HRA capital receipt (RTB Receipts) and £16.3m from General Fund Receipts.
- 2.5.27 Current receipts are standing at £18.96m with £16.12m being HRA receipts and the remaining £2.83m are General Fund receipts. The current disposal programme estimates General Fund disposals of £0.6m in 2022/23 and £12.67m for 2023/24.
- 2.5.28 Assuming no further General Fund disposals during 2022/23 there would be a gap of £12.86m. This gap would be replaced by borrowing which would result in additional £0.476m interest costs (at a long term borrowing rate of 3.7%) in 2022/23 and £0.191m of MRP increase in 2023/24 and future years.
- 2.5.29 Of the £10.9m capital receipts planned to fund HRA expenditure in 2022/23, £7.59m will be funded from Right to Buy Receipts and the balance will be funded from other HRA capital receipts. HRA funding will also finance Open Door New Build Housing (£6.28m), of which is shown in the above table under Housing and Growth Committee. Current HRA capital receipt balances plus future estimates suggest that there will be enough HRA capital receipts to fund the relevant projects.

#### Capital Grants & Contributions

- 2.5.30 The current capital programme shows £237.135m will be funded from Capital Grants. S106 and CIL are standing at £16.854m and £92.538m, respectively.
- 2.5.31 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).
- 2.5.32 S106 contributions are a developer contribution towards infrastructure; confined to specific area and to be used within specific timeframe.
- 2.5.33 Community Infrastructure Levy (CIL) funds are developer contribution towards infrastructure; can be used borough wide but still has time restrictions on use.
- 2.5.34 Current capital programme forecasts plus future estimates suggest that there will be enough S106 contributions to fund the relevant.

## **2.6 2021/22 Quarter 4 Risk Register**

- 2.6.1 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.
- 2.6.2 The Q4 review of risks showed 25 strategic risks (see Appendix C), of which four were scored at a high-level (15+): Market performance and economic downturn impacting the pace of development (STR010); Cyber security leading to widescale disruption to services (STR013); Negative long-term effects of climate change on the local environment (STR008); and Another wave of Covid-19 infections or pandemic such as influenza placing severe pressure on resources (STR015).



2.6.3 In addition, there were 18 service level risks scored at a high-level (15+), which can be found in Appendix D. This quarter saw significant rises in inflation and energy costs placing additional pressure on service budgets and residents' cost of living, which the council is proactively managing. We also held a local election in May 2022 and have been working closely with the new Leader and Labour administration to implement their initial priorities.

### 3. BUSINESS PLANNING FOR THE YEARS 2023-27

3.1 The MTFs approved at March 2022 Full Council set out a savings requirement of £60.361m between 2022/23 and 2025/26. The budget for 2022/23 was balanced, and the remaining savings to be found for 2023/24 to 2025/26 were £41.026m of which £19.226m was in 2023/24.

#### 2022-2026 MTFs Summary as at March 2022

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>
	<b>In year savings requirement</b>	<b>7.954</b>	<b>23.510</b>	<b>15.961</b>	<b>12.937</b>

3.2 The assumptions underlying the MTFs have been updated and the revised MTFs is set out in para 3.9.

3.3 The delivery of savings is a key challenge given their scale therefore officers are prioritising their delivery accordingly. Savings are being actively monitored, with progress and operational progress being discussed and challenged in all service areas. The council's financial management arrangements will track savings against targets and trigger implementation of mitigation strategies where needed.

3.4 There are savings totalling £7.954m being delivered in 2023/23. Should any savings be unachievable and suitable mitigations not be sufficient, additional savings will be required in 2023/24 in order to ensure the budget deficit does not increase.

3.5 During the 2022/23 budget setting process, total savings of £4.284m were identified for 2023/24 leaving a gap of £19.226m in the MTFs that was presented to Council in March 2022.

3.6 The March MTFs included proposed Efficiencies and Income Generation options of £11.382m from 2023-2027 as shown below:

Department	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total savings £'000
Adults and Health	(867)	(555)	0	(1,422)
Assurance	0	0	0	0
Childrens and Family Services	(639)	(461)	(200)	(1,300)
Environment	(882)	(2,956)	0	(3,838)
Growth and Corporate Services	(706)	(1,485)	(297)	(2,488)
Public Health	0	0	0	0
Resources	(1,190)	(1,144)	0	(2,334)
<b>Total</b>	<b>(4,284)</b>	<b>(6,601)</b>	<b>(497)</b>	<b>(11,382)</b>

3.7 Officers are currently reviewing the deliverability of these savings and £7.954m savings expected to be delivered in 2022/23. As part of prudent financial management it is necessary to make an allowance in case of non-delivery and the MTFS presented to September Committee will factor in any that are deemed to be undeliverable. They will also be presented to Theme Committees in October and November 2022 as part of the council's usual budget setting process.

3.8 Officers have also refreshed other assumptions in the MTFS and the table below shows the assumptions that have changed for 2023/24 onwards compared to the MTFS presented to Council in March 2022.

Item	March 22 MTFS				Revised MTFS			
	2022/23	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2026/27
Business Rates Multiplier (CPI/RPI)	4.60%	2.60%	2.10%	2.00%	5.20%	2.00%	2.00%	2.00%
Council Tax Increase	0.00%	1.99%	1.99%	1.99%	0.99%	1.50%	1.50%	1.50%
Social Care Precept Increase	1.00%	1.00%	1.00%	1.00%	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	2,263	2,756	3,273	3,342
Revenue Support Grant (£m)	6.518	6.518	6.518	6.518	6.949	7.103	7.229	7.374
Expenditure Inflation	4.60%	2.60%	2.10%	2.00%	6.60%	2.23%	1.78%	2.00%
Employee Pay Award*	2.00%	2.00%	2.00%	2.00%	4.00%	4.00%	2.00%	2.00%
Borrowing Rates – Long Term	3.70%	4.00%	4.10%	4.30%	4.00%	4.10%	4.30%	4.30%

3.9 The change in assumptions have revised the gap for 2023/24 to £12.377m with a savings requirement of £44.802m to 2027.

2022/23	MTFS Summary	2023/24	2024/25	2025/26	2026/27
£m	Resources vs. Expenditure	£m	£m	£m	£m
344.546	<b>Expenditure</b>	373.484	399.127	418.926	436.723
(336.592)	<b>Resources</b>	(361.107)	(368.633)	(380.651)	(391.921)
7.954	<b>Cumulative (Surplus)/Shortfall to Balanced Budget</b>	12.377	30.494	38.275	44.802
7.954	<b>In Year Budget Gap before Savings</b>	12.377	26.210	27.390	33.420
(7.954)	Efficiencies and Income Generation options Proposed	(4.284)	(6.601)	(0.497)	0.000
(0.000)	<b>(Surplus)/Shortfall to Balanced Budget</b>	8.093	19.609	26.893	33.420

	In year savings requirement	12.377	18.117	7.781	6.527
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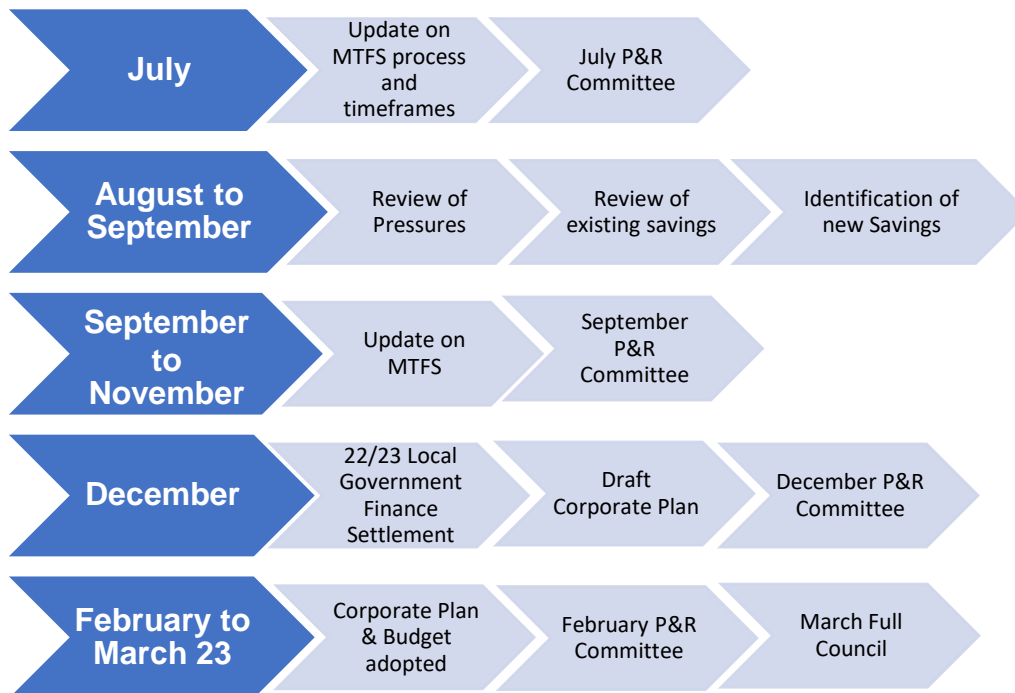
- 3.10 March MTFS included proposed Efficiencies and Income Generation options of £11.382m from 2023-2027. Officers are currently reviewing the deliverability of these savings and the MTFS presented to September Committee will factor in any that are deemed to be undeliverable.
- 3.11 The future funding position for Local Government remains uncertain and the table above makes indicative estimates of what funding could look like over the MTFS period. The three main assumptions are:
- The flexibility to raise council tax by 1.99% will remain. The MTFS assumes General council tax increases of 0.99% in 2023/24 and 1.5% each year from 2024/25 onwards;
  - The flexibility to raise the Adult Social Care precept by 1.00% will remain. The MTFS assumes Adult Social Care increases of 1.00% each year from 2023/24 onwards;
  - New Homes Bonus (NHB) will be phased out;
  - All other Government grants (including business rates top up grant) will either remain the same or increased by CPI inflation.
- 3.12 To provide more time to undertake a more detailed review and to ensure that the MTFS aligns with the new Administration's priorities and the draft Corporate Plan, the budget planning process has started earlier than normal.
- 3.13 Work is underway to develop service specific savings to bridge any remaining budget gap for 2023/24. This will all work towards developing revised budget proposals which will be presented Theme Committees and to this Committee in September and refreshed again for December 2022 Committee.
- 3.14 A workshop was held with Members in June to ensure that the MTFS reflects Members' priorities. Additional sessions were also held with Theme Committee Chairs and the Leader to understand the make-up of the Theme Committee budgets, current year savings and future year planned savings.
- 3.15 Officers are actively engaging with Members and working on proposals to bridge the gap and Star Chambers will be taking place over the summer to review and challenge new Theme Committee savings. It is being explored when resident consultation will take place and this will be brought back to a later committee.

### **Income Maximisation**

- 3.16 In line with the Administration's priorities, a project to maximise income for the council is currently underway with the proposal being that the revised fees and charges be effective from 1st January 2023.
- 3.17 The Principles, which are all subject to consultation and consideration of equality impact assessments, being worked to are:
- All fees and charges should be full cost recovery as a general rule.
  - Full cost recovery is "to the council" not "to the service," i.e. any recharges for the delivery of the service should be taken into account.

- Consideration should be given to when full cost recovery is not going to generate maximum income for the council.
- Consideration should be given to how the fees and charges increases will be prioritised, i.e. some will be frozen, some are driven by inflation so should be increased by inflation, others are not.
- Statutory fees and charges are excluded, i.e. Adult Social Care, Fixed Penalty Notices, Parking.
- Consideration must be given to consultation/ Equalities Impact Assessment (EQIA) requirements with consultation to take place over Summer 2022.

3.18 Timelines for the budget setting process are detailed below:



## 4. NATIONAL AND LOCAL CONTEXT

- 4.1 In December 2022, the Provisional Local Government Finance Settlement (LGFS) was announced as a one year settlement with no estimates for future years.
- 4.2 At the Local Government Conference on 28<sup>th</sup> June 2022, the Levelling Up Secretary For State confirmed that councils in England will receive a two-year funding settlement from 2023/24 to help plan with a greater degree of confidence. This is a welcome change as it follows four single year settlements.
- 4.3 The Levelling Up Secretary For State also announced the creation of a new oversight body, the Office for Local Government, to assess how local authorities are performing and delivering. The body will at first analyse and publish existing data on council service performance and will also look at issues such as climate change and the integration of health and social care. It will also produce a yearly local government performance report, assessing whether councils are meeting their duty to provide value for money and sharing best practice.

- 4.4 No announcement was made for implementing the delayed Fair Funding Review and Business Rates Reset which were both originally planned for 2019/20 and it looks unlikely that any potential successor of the Fair Funding Review would be in place for 2023/24. The government did however announce that they intend to make further announcements in the new year, before then consulting on any potential changes.
- 4.5 The Fair Funding Review was initially announced in 2016 to address concerns about the fairness of funding distributions to local authorities. Its aim was to:
- set new baseline funding allocations for local authorities,
  - deliver an up-to-date assessment of the relative needs of local authorities,
  - examine the relative resources of local authorities,
  - focus initially on the services currently funded through the local government finance settlement, and
  - to be developed through close collaboration with local government to seek views on the right approach
- 4.6 Implementation of the Review was previously linked with the 100% business rates retention system, also with a 2019/20 implementation date. In December 2022, the Chancellor announced that business rates will not be abolished but will be reformed and be modernised by moving to a three-yearly valuation cycle. The next valuation will take effect in 2023 and will reflect property values in 2021. This represents the first revaluation for business rates since 2015 as is expected to reduce the number of Business Rates appeals.

## **5. CORPORATE PLAN**

- 5.1 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021, however, given the fact the council now has a new administration, we expect to bring forward a new corporate plan, consistent with the new administration's priorities.
- 5.2 June 2022 P&R Committee approved that officers work with the Chair of this committee to establish both the timescale and approach to delivering a new corporate plan - an update on which, will be given at a future Committee.

## **6. FINANCIAL STRATEGY**

- 6.1 The organisational objectives in setting the MTFS are as follows:
- We will set a legal budget, balancing recurrent expenditure with estimated income within the medium term in order that the council has a sustainable financial position;
  - We will plan over a medium term of at least 3 years in order that the council is fully informed as to future scenarios and can prepare appropriate action;
  - A level of sustainable reserves will be maintained, this will be defined by the Section 151 officer during the budget setting process, considering prevailing risks and opportunities. For 2022, this has been identified as £15m for general fund balance and £40m for earmarked non-ringfenced revenue reserves;
  - We will seek to build resilience to economic shocks and insulate from the requirement for sudden cuts to vital services;
  - We will use reserves to invest in one-off investment or transformation requirements but not to the point of the organisation being in distress;

- We will ensure we have sufficient funding for on-going transformation and long term changes;
- We will provide a realistic amount of funding to support increasing demand, quickly addressing ongoing financial pressures with a permanent solution, reducing the instances where one off solutions are used;
- We will achieve the best possible outcomes within the funding available;
- We will ensure that budgets are aligned to the Barnet Plan and that we will actively disinvest where this is not the case;
- We will understand the implications of growth and ensure that both the reward and the increased costs to services are recognised, and;
- We will act lawfully and protect the integrity of regulations, ring fences and accounting rules.

6.2 Additionally, In December 2019, CIPFA introduced a Financial Management Code (FM Code) designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code provides guidance for good and sustainable financial management in local authorities and by complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability.

6.3 Councils are required to comply with the code from April 2021 with full implementation by April 2022. The FM Code is based on a series of principles which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances of a local authority
- manage financial resilience to meet unforeseen demands on services
- manage unexpected shocks in their financial circumstances.

6.4 The council has demonstrated financial sustainability as demonstrated by its compliance to the requirements of the FM Code. This was included within the council's Annual Governance Statement as presented to Audit Committee on 16<sup>th</sup> June 2022 [Appendix Ai - Compliance with CIPFA Financial Management Code.pdf \(moderngov.co.uk\)](#).

## **7. REASONS FOR RECOMMENDATIONS**

7.1 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 2023/24 and to reduce the gap savings requirement for 2024/25 to 2026/27. This ensures that Councillors and the public are informed of this work, supporting good governance.

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

7.3 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.

## **8. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 8.1 The council could consider alternative options to allocate contingency funding however these could result in service delivery problems or fail to address structural budget deficits.
- 8.2 The alternative option to reducing the capital programme would be to make revenue reductions in order to fund the cost of borrowing.

## **9. POST DECISION IMPLEMENTATION**

- 9.1 Following approval of the recommendations in this report, budget changes will be processed in the financial accounting system and reflected against service areas for 2022/23 for revenue and capital.

## **10. IMPLICATIONS OF DECISION**

### **10.1 Corporate Priorities and Performance**

- 10.1.1 The Revised Budget for 2022/23 and Business Planning process for 2023-2027 are both enablers to delivering across all the Councils priorities and will enable the delivery of the priorities and outcomes set out in the future.

### **10.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 10.2.1 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 2023.
- 10.2.2 The proposed changes to the capital programme will have an impact on the cost of borrowing and therefore support the council's revenue budget.
- 10.2.3 The council's financial regulations require that virements for allocation from contingency for amounts over £250,000 and capital programme additions must be approved by Policy and Resources Committee.

### **10.3 Legal and Constitutional References**

- 10.3.1 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.
- 10.3.2 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.
- 10.3.3 Article 7 of the Council's Constitution sets out the terms of reference of the Policy and Resources Committee which include:

- To be responsible for:
  - Strategic policy, finance and corporate risk management including recommending: Capital and Revenue Budget (including all fees and charges); Medium Term Financial Strategy; and Corporate Plan to Full Council
  - Finance including:
    - Treasury management
    - Local taxation
    - Insurance
    - Corporate procurement
    - Grants
    - Writing-off debt
    - Virements
    - Effective use of resources
  - Procurement Forward Plan
  - Local Plans (except for matters reserved to Full Council)
  
- To be responsible for the oversight of:
  - (a) the overall financial performance of the council
  - (b) the performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Housing & Growth Committee; Children, Education & Safeguarding Committee; Community Leadership & Libraries Committee; or Environment Committee.

10.3.4 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 Chairman 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.

10.3.5 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.

#### 10.4 **Insight**

10.4.1 The MTFs already makes use of data and models from different sources and these include Central Government projections e.g. forecasts from the Office of Budget Responsibility on CPI inflation, in-year trend data on changes to Council Tax as a basis for future estimates and models of budget spend e.g. on capital and the resulting impact on financing. The MTFs process for the upcoming year will place an increase focus on a data-led approach to support estimates of pressures and savings offered.

#### 10.5 **Social Value**

10.5.1 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. The Barnet living wage is an example of where the council has considered its social value powers.

#### 10.6 **Risk Management**

10.6.1 The council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. The allocation of an amount to contingency is a step to mitigate the pressures that had yet to be quantified during the budget setting process.

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

#### 10.7 **Equalities and Diversity**

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

10.7.2 Decision makers should have due regard to the public-sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Council has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public-sector equality duty are found at section 149 of the Equality Act 2010 and are as follows below.

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

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

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

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

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

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

- g. Tackle prejudice, and
- h. Promote understanding

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

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race,
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

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

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

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

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

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

## 10.8 Corporate Parenting

10.8.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. The outcomes and priorities in the refreshed Corporate Plan, Barnet 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.

10.8.2 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.

## 10.9 Consultation and Engagement

10.9.1 As a matter of public law, the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in four circumstances:

- where there is a statutory requirement in the relevant legislative framework;
- where the practice has been to consult, or, where a policy document states the council will consult, then the council must comply with its own practice or policy;

- exceptionally, where the matter is so important that there is a legitimate expectation of consultation;
- where consultation is required to complete an equalities impact assessment

10.9.2 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

10.9.3 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.

10.9.4 The council will conduct a budget consultation which will cover any proposals to increase council tax together with seeking views on proposed savings, increases in fees and charges and the council's budget overall.

## 10.10 Environmental Impact

10.10.1 There are no direct environmental implications from noting the recommendations. Implementing the recommendations in the report will lead to a positive impact on the Council's carbon and ecology impact, or at least it is neutral.

## BACKGROUND PAPERS

Committee	Item & Agenda	Link
Full Council 01 March 2022	Item 13.1 Report from Policy and Resources Committee - Business planning	<a href="#">Agenda for Council on Tuesday 1st March, 2022, 7.00 pm   Barnet Council (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="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&amp;MId=10237">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&amp;MId=10237</a>
Policy & Resources 8 February 2021	Item 9 Business Planning – Corporate Plan, Budget for	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10200">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10200</a>

	2021/22, and Medium-Term Financial Strategy 2021-25	
n/a	MHCLG MRP Guidance	<a href="#">Statutory guidance on minimum revenue provision. pdf (publishing.service.gov.uk)</a>
Policy & Resources 8 December 2020	Item 7 Business Planning 2021-2025 and Budget Management 2020/21	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10199">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10199</a>
Financial Performance and Contracts Committee 7 December 2020	Item 7 Chief Financial Officer Report Forecast Financial Outturn at Month 7 (October 2020)	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&amp;MId=10108">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&amp;MId=10108</a>
Children, Education and Safeguarding Committee 30 November 2020	Item 8 Business Planning 2021-25	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=697&amp;MId=10095">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=697&amp;MId=10095</a>
Environment Committee 25 November 2020	Item 7 Business Planning 2020-25 and Fees & Charges for 2021-22	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=695&amp;MId=10157">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=695&amp;MId=10157</a>
Housing and Growth Committee 24 November 2020	Item 8 Business Planning 2020-25	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&amp;MId=10227">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&amp;MId=10227</a>
Adults and Safeguarding Committee 23 November 2020	Item 7 Business Planning 2020-25	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=698&amp;MId=10204">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=698&amp;MId=10204</a>
Policy & Resources 24 September 2020	Item 8 Business Planning 2021 to 2025 and Budget Management 2020/21	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10198">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10198</a>
Policy & Resources 17 June 2020	Item 8 Outturn 2019/20; Budget 2020/21 and Business Planning 2021 - 2025	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10197">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&amp;MId=10197</a>
Urgency Committee 27 April 2020	Item 7 Approval of Emergency Decision and Delegation to Chief Officers	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=716&amp;MId=10375">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=716&amp;MId=10375</a>