



## Policy & Resources Committee 13<sup>th</sup> December 2022

<b>Title</b>	<b>Business Planning 2023-2027 and in-year Financial Management 2022/23</b>
<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>	<p>Appendix A: Medium Term Financial Strategy (MTFS)</p> <p>Appendix B: Breakdown of savings and income generation proposals</p> <p>Appendix C: Breakdown of service pressures</p> <p>Appendix D: Breakdown of bad debt write offs</p> <p>Appendix E: Updated Capital Programme</p> <p>Appendix F: Q2 22-23 Strategic risks</p> <p>Appendix G: Q2 22-23 High level risks</p>
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### Summary

Following the Chancellor’s budget announcement on 17<sup>th</sup> November, officers have refreshed the council’s MTFS ahead of the budget setting process. The refreshed MTFS being presented to this Committee takes into account funding announcements and revised assumptions around inflation.

A review of in year and on-going service pressures and revised savings and income generation opportunities has also been undertaken and these have been factored into the refreshed MTFS.

This report also seeks Committee approval for a series of budget management decisions for 2022/23 required as part of normal business in line with the organisations Financial Regulations.

## **Officers Recommendations**

**That the Committee:**

### **Regarding the Medium Term Financial Strategy (MTFS):**

1. Approves delegated authority to the Executive Director of Resources (S151 Officer) to amend the MTFS in line with the 2023/24 Local Government Finance Settlement, to enable the 2023/24 Budget Consultation process to commence as discussed in paragraph 2.12;
2. Notes the summary of the 2022 Autumn Statement and initial financial implications for Local Government in 2023/24;
3. Approves and note the updates to the 2023/24 MTFS and estimate of 2023-27 budget gap. This will be updated to take account of information from the December 2022 finance settlement;
4. Notes the current MTFS attached as Appendix A and key components summarised in paragraphs 2.7-2.12;
5. Agrees that the savings proposals as set out in Appendix B, subject to consultation and equalities impact assessment, come back to Policy and Resources Committee in February 2023 for referral to Full Council in March 2023 for final approval of the 2023/24 budget including Council Tax;
6. Notes the plans to address future year budget gaps as detailed in 2.13-2.14; and
7. Notes the current position on the Eight Authority Business Rates Pool for 2023/24 discussed in paragraph 2.3.7, and delegates authority to the Executive Director of Resources (S151 Officer) to take all necessary actions to participate in and execute the agreement.

### **Regarding consultation on budget and council tax proposals:**

8. Agrees to consult on the use of the Council's flexibility to raise the level of General Council Tax by 1.80% in 2023/24 as discussed in paragraph 2.4;
9. Agrees to consult on the use of the Council's flexibility to apply a 2.00% Social Care Precept, to help fund pressures in social care as set out in paragraph 2.4; and
10. Approve that the council's budget consultation will be launched in the week of 19 December 2022 for a period of 6 weeks after which the budget, with a cumulative equalities impact assessment, will be considered by this Committee on 22 February 2023, before it is referred to Full Council in March 2023.

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

11. Notes the contingency budget and allocations from it in section 3.1;
12. Approves the virement set out in 3.2.3 and 3.2.4.
13. Approves the delegation of the virements set out in 3.2.5-3.2.7 to the Chief Finance Officer (S151 Officer).
14. Approves the writes-offs for Business Rates debt, Housing Benefit Overpayments debt, Sundry Debt, Housing Revenue Account tenant arrears and General Fund tenant arrears as detailed in section 3.3;
15. Approves the revised Capital Programme and financing of it as detailed in paragraph 3.4 (also Appendix E) including reprofiling of budgets to and from future years, accelerations, additions, and deletions; and
16. Notes the Quarter 2 2022/23 Corporate Risk Register in Section 4 and Appendices F and G.

## **1. Why this report is needed**

### **1.1 Executive Summary**

- 1.1.1 This committee received an update to the Business Planning 2023-27 and Medium Term Financial Strategy (MTFS) process at its meeting in September 2022. Following the Chancellor's Autumn Statement on 17th November, this report provides a further update on the MTFS taking into account funding announcements and revised assumptions around inflation, service pressures and savings.
- 1.1.2 The main subject for this report is business planning for 2023/24 and the MTFS period to 2026/27, set out in Section 2 and Appendix A.
- 1.1.3 It also presents some routine 2022/23 items for P&R committee approval in line with financial regulations. These are set out in Section 3. The proposed revisions to the capital investment programme are detailed in Appendix E.

## **2. Business Planning for the years 2023-27**

### **2.1 National Context**

- 2.1.1 On 17<sup>th</sup> November 2022, the Chancellor delivered the 2022 Autumn Statement. In addition to the updates on the performance of the UK economy and health of the public finances, the Chancellor set two new fiscal policy rules which guide the Autumn Statement:
  - Public sector net debt (excluding the Bank of England) needs to be falling as a percentage of GDP by the fifth year of the rolling forecast; and

- Public sector net borrowing (the deficit) needs to be below 3% of GDP by the fifth year of the rolling forecast.

2.1.2 To meet these targets, the Autumn Statement presented public finance measures related to tax and spending worth £55 billion by 2027/28. Of this, around £30 billion was related to spending policy decisions and £24 billion through tax policy decisions.

2.1.3 The Autumn Statement confirmed that departmental spending levels will be protected in cash terms (2023-24 and 2024-25) but this does represent a real terms cuts due to inflationary impacts on departmental budgets.

## 2.2 Impact on residents

2.2.1 The main direct impacts of the Autumn Statement on residents include:

- The **Energy Price Guarantee** has been adjusted to £3,000 from April 2023. This means that a typical household will pay £3,000 per annum, rather than the £2,500 as it currently stands;
- An additional £900 **Cost of Living payment** in 2023/24 for residents on means-tested benefits;
- **Pensioner** households will receive an additional £300 Cost of Living payment in 2023/24;
- Individuals on **disability benefits** will receive an additional £150 Disability Cost of Living payment in 2023/24;
- In 2023/24, **benefits**, including **state pensions**, will rise in line with inflation measured by September CPI (10.1%);
- The **benefit cap** will be raised by 10.1%, from April 2023, i.e. In Greater London, this equates to an increase from £23,000 to £25,323 for families and an increase from £15,410 to £16,967 for single adults;
- Increasing the **national living wage** by 9.7% to £10.42 per hour from April 2023;
- An extension to the **Household Support Fund** over 2023-24, which equates to £1bn additional funding; and
- A cap on the increase on **social housing rents** with a maximum of 7% compared to ~11.1% under current rules.

## 2.3 Impact on Businesses

### Business Rates

2.3.1 From 1 April 2023, a revaluation will update the rateable values of all non-domestic properties in England to reflect the property market as at 1 April 2021.

2.3.2 For previous revaluations, transitional arrangements between existing and new bills have been introduced, usually lasting for 5 years and with relief to increased bills being funded by additional charges to those with reduced bills to make it revenue neutral.

2.3.3 As the revaluation period is moving to three years from 2023, so is the transitional relief scheme and the relief applied to increased bills is to be funded by the Exchequer at a cost of £1.6bn rather than additional charges to ratepayers with otherwise reduced bills.

2.3.4 The caps to increased bills are higher for the 2023 scheme than they were for the last revaluation in 2017.

## **Business Rates Reliefs**

2.3.5 The Autumn Statement also announced a £13.6 billion support package to protect ratepayers facing increase. This includes:

- Freezing of the Business Rates multipliers for 23/24;
- A Transitional Relief scheme to limit the rate at which bills can increase;
- A more generous Retail, Hospitality and Leisure relief; and
- A Supporting Small Business scheme to cap bill increases for business that lose relief due to the revaluation.

2.3.6 The government also announced that local authorities will be fully compensated for any loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

## **Business Rates Pool**

2.3.7 Given the Business Rates revaluation, there is continued uncertainty about whether or not there will be an Eight Authority Business Rates Pool for 2023/24. If the pool does go ahead, this could be a benefit of £1.7m for Barnet and, as this is a one off benefit for 2023/24, it will be used to fund transformation.

## **2.4 Council Tax**

2.4.1 The Statement announced additional flexibility for local authorities in England in setting council tax, by increasing the referendum limit for increases in council tax to 3% per year from April 2023.

2.4.2 In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year.

2.4.3 The previous policy, set at the 2021 Spending Review, was for a general limit of 2%, with an extra 1% for adult social care.

2.4.4 For Barnet, each 1% increase in Council Tax generates an additional £2m income and, based on 2022/23 Council tax rates, represents an increase of £13.51 per annum on a Band D property.

2.4.5 The revised MTFs models increases of 1.8% Council tax for 2023/24 and 2.80% for each of the years 2024/25 to 2026/27. It also models increases of 2.00% for the social care precept for each of the MTFs years and the Committee is asked for its agreement to consult on these.

## **2.5 Social Care**

2.5.1 The Statement announced the national rollout of **social care charging reforms** has been delayed from October 2023 to October 2025 but that the funding intended for implementation will be retained in local authorities to help meet current pressures.

2.5.2 An additional £1 billion of **new social care grant funding** in 2023/24 was announced for increasing to £1.7 billion from 2024/25. Of the £1bn in 2023/24,

- £600 million will be distributed through the Better Care Fund, with the intention of getting people out of hospital on time into care settings; and
- £400 million in 2023/24 will be distributed through a new grant ringfenced for adult social care which is also intended to help to support discharge.

2.5.3 Is it unclear how much of this additional funding will go to local authorities versus Integrated care systems (ICSs).

## 2.6 New Homes Bonus

2.6.1 The MTFS presented to September P&R Committee assumed that £1.2m New Homes Bonus funding would continue or be replacement by alternative funding. The Autumn budget was silent on this and the MTFS assumes it will continue.

## 2.7 Impact on MTFS

2.7.1 The various measures set out to support with the cost of living (uprating benefits, protecting pensions, continuing the Household Support Grant and the continuation of the Energy Price Cap) will provide support our the most vulnerable residents.

2.7.2 However, the council still faces a great degree of uncertainty on future funding. Increasing council tax during a period when residents are facing cost of living pressures is a very difficult decision but without adequate, longer term sustainable funding, we need to take measures to ensure we can continue to meet the increase in demand for services due to post pandemic demand, high inflation and cost of living pressures.

2.7.3 The impacts of the Autumn Budget 2022 on the MTFS are shown below:

- Additional flexibility to raise **Council Tax and Adults Social Care Precept**: increasing Council Tax to 1.99% and the Social care precept increase to 2.00% generates additional income of **£4.1m** for the council;
- **Better Care Fund and Adult Social Care Grant** increase of **£2m**;
- **Business Rates multiplier** compensated by CPI – we are still working through the implications of this for the council;
- **22/23 Services Grant**: In 2022/23, the council was provided with a grant to cover employer costs due to the increase in National Insurance Contributions (which were to fund a new Health and Social Care Levy). As the Levy is no longer being introduced as a separate tax from April 2023 the Statement announced that budgets will be adjusted to remove this compensation. For Barnet this amounts to a **loss of £4.049m** grant income; and

## 2.8 Savings and Income Generation

2.8.1 To address the budget gap identified between 2023-27, Theme Committees have been asked to consider a programme of savings for the five-year period 2023-27.

2.8.2 Theme Committees reviewed the savings proposals that were included in the MTFS presented to this Committee in September 2022. For 2023/24, £8.636m savings were included in the MTFS presented to September Committee and £16.009m across the MTFS period. Since then, additional deliverable savings have been identified which increase the total savings for 23/24 to £11.778m and £19.909m across the MTFS period as shown below. Further detail is shown in Appendix B.

Department	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total savings £'000
Adults and Health	(2,997)	(1,140)	0	0	(4,137)
Assurance	(55)	(60)	(75)	(50)	(240)
Childrens and Family Services	(1,084)	(661)	(400)	(200)	(2,345)
Customer & Place	(2,835)	(3,596)	(480)	(372)	(7,293)
Strategy & Resources	(4,807)	(797)	(300)	0	(5,894)
<b>Total</b>	<b>(11,778)</b>	<b>(6,254)</b>	<b>(1,255)</b>	<b>(622)</b>	<b>(19,909)</b>

2.8.3 Theme Committees delegated to an Executive Director in consultation with the Chair of the relevant Committee, the authority to make any amendments to the savings presented for their committee and for these to be recommended to Policy & Resources Committee to form part of the overall MTFs.

2.8.4 There are several savings proposed for which the service areas fall under the responsibility of P&R Committee for approval. These, and the rest of the savings reviewed by Theme Committees are listed in Appendix B.

2.8.5 The savings proposed have been fully recognised within the MTFs however, there are potential delivery risks which will be managed as plans progress.

## 2.9 Service pressures

2.9.1 As part of the budget setting process, council services have been consulted on the pressures that they expect to either carry forward or to emerge over the MTFs period. These include an on-going un-funded 2022/23 pressure of up to £4.6m for Adults & Health, forecasts for increases in demand or other pressures as they were identified.

2.9.2 For 2023/24, £18.995m pressures were included in the MTFs presented to September Committee and £42.696m across the MTFs period. A review of pressures and non-pay inflation has resulted in a reduction to £17.303m for 2023/24 and £34.568m across the MTFs as shown below and in Appendix C:

Department	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Adults & Health	12,026	6,372	3,270	3,183	<b>24,850</b>
Assurance	48	0	0	0	<b>48</b>
Children and Family Services	2,997	1,188	1,188	1,388	<b>6,762</b>
Place & Customer	2,232	320	330	26	<b>2,908</b>
Strategy & Resources	0	0	0	0	<b>0</b>
<b>Total Pressures</b>	<b>17,303</b>	<b>7,880</b>	<b>4,788</b>	<b>4,598</b>	<b>34,568</b>

## 2.10 Inflation Funding

2.10.1 Pay inflation of 4% has been assumed for 2023/24 and 2024/25, reducing to 2% for 2025/26 and 2026/27.

2.10.2 Inflation is a clear risk and the council will continue to review the latest data, both overall and in different sectors (e.g. construction materials).

2.10.3 The MTFs assumes non-pay inflation of 7.97% for 2023/24, and 4.0%, 1.5% and 1.9% for 2024/25, 2025/26 and 2026/27 respectively.

## 2.11 Other Grants

- **Dedicated Schools Budget (DSG)** the Autumn Statement confirmed that the core schools budget in England will receive an additional £2.3 billion of funding in 2023-24 and £2.3 billion in 2024-25. The implications of this for Barnet are still to be confirmed.
- **Public Health Grant (PH)** – in previous years, the PH Grant has been uplifted by or close to inflation but the Autumn Statement did not confirm if this would be the case for 2023/24. The MTFs assumes an uplift of 7.97% (in line with assumptions made on non-pay inflation) but this may change when further details are known.

The Public Health Grant currently funds statutory and non-statutory services such as sexual health, Healthy Child Programme, drug and alcohol, smoking cessation, healthcare public health, resilience school programme targeted to local needs and aimed at improving public health outcomes. Currently, 19.1% of the PH Grant is used to fund General Fund activities in the council deemed to improve public health outcomes. These include prevention contracts in adult social care, early help interventions in family services and green spaces projects.

## 2.12 Progress towards Balancing the MTFs

2.12.1 Taking all the changes into account, leaves a gap of £1.748m for 2023/24 and £10.333m across the MTFs as shown below:

MTFS Summary	2023/24	2024/25	2025/26	2026/27
Resources vs. Expenditure	£m	£m	£m	£m
<b>Expenditure</b>	<b>378.418</b>	<b>407.746</b>	<b>427.717</b>	<b>447.125</b>
<b>Resources</b>	<b>(364.891)</b>	<b>(381.681)</b>	<b>(399.190)</b>	<b>(416.882)</b>
<b>Cumulative (Surplus)/Shortfall to Balanced Budget</b>	<b>13.527</b>	<b>26.065</b>	<b>28.526</b>	<b>30.242</b>
<b>In Year Budget Gap before Savings</b>	<b>13.527</b>	<b>14.287</b>	<b>10.494</b>	<b>10.955</b>
Efficiencies and Income Generation options Proposed	(11.778)	(6.254)	(1.255)	(0.622)
<b>(Surplus)/Shortfall to Balanced Budget</b>	<b>1.748</b>	<b>8.033</b>	<b>9.239</b>	<b>10.333</b>
<b>In year savings requirement</b>	<b>13.527</b>	<b>12.539</b>	<b>2.461</b>	<b>1.716</b>

2.12.2 The final revisions for the 2023/24 MTFs and estimate of 2023/24 to 2026/27 budget gap will be presented to this Committee in February 2023. This will be updated to take account of the 2023/24 Local Government Finance Settlement which is expected in December 2022.

2.12.3 Subject to agreement from this Committee, the council will launch a 6 week budget consultation in the week beginning 19<sup>th</sup> December 2022.

## 2.13 Barnet's approach to the financial challenge

2.13.1 Barnet has been innovative in its approach to tackling the challenges local government faces. The council has been open to new ways of doing things and working closely with partners



across the public, private and voluntary sectors. It is vitally important that Barnet continues this approach to ensure that it is well placed to meet current and future challenges and continues to be a successful London borough.

2.13.2 The council will continue to focus on the best possible outcomes for Barnet, thus utilising a combination of internal, external, and shared service deliveries to achieve this. As part of meeting these strategic objectives, the council will ensure that all residents are treated equally, with understanding and respect, and will have access to quality services which provide value to the taxpayer.

2.13.3 The scale of the ongoing financial challenges means the way we deliver our services will continue to change and there will be some difficult choices to make to ensure that savings are achieved, but not at the expense of delivering quality services and protecting our most vulnerable residents.

## 2.14 **2024/25 and future years.**

2.14.1 A cross organisational forum for senior officers called the Think Tank has been established to engage with and get involved in the wider transformation agenda.

2.14.2 It will work on a range of initiatives that will help the council achieve the vision of being one that cares for people, our places and the planet, underpinned by being an engaged and effective council.

2.14.3 Work has already progressed to support the development of the council's MTFs and consider savings ideas relating to areas of high spend, low outcomes; high spend, prevention and efficiency. This includes discussion to progress (and identify new potential) cross-cutting initiatives that may support the delivery of the MTFs over the longer term.

2.14.4 Initial proposals from Think Tank (which require further work to assess viability and scope) include:

- Sweating our estate assets (including wider parks and green spaces);
- Service Review programme and more automation/use of IT;
- Place based working - rationalisation of management and support for services that are delivered on a locality basis;
- Recovery of losses from third parties - maximising the recovery of costs across the organisation;
- Use of agency staff/recruitment controls; and
- Use of CIL/s106 monies – better use of money received from developers.

2.14.5 Updates on these proposals and other initiatives will be reported to future committees.

## 2.15 **Contingency**

2.15.1 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, for example if there is an adverse equality impact that cannot be mitigated. 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. This therefore supports the delivery of the organisation's overall financial strategy.

2.15.2 The proposed MTFS allows a general, uncommitted contingency of £5m per annum for each year of the MTFS.

## 2.16 Risks to the MTFS

2.16.1 The below known risks which are un-predictable and difficult to quantify have not been factored into the current MTFS:

- **Demographic increases** - the MTFS factors in a significant increase in demographic pressures, however if the increases that services experience are more than this, then this could result in an overspend across those services impacted such as Adults, Children's and Housing.
- **Inflation** - the current MTFS assumes an average 7.97% increase in contract spend. Inflation is a clear risk and the council will continue to review the latest data, both overall and in different sectors (e.g. construction materials).
- **Recession** - no assumptions have been made in the MTFS of impacts of any economic recession. These impacts could present in a number of ways including:
  - Reduction in business rates;
  - Reduction in Community Infrastructure levy (CIL) income;
  - Increase in hardship/discretionary allowances;
  - Reduction in fees and charges;
  - Additional Inflationary costs;
  - Interest rates;
  - Increased demand for council services;
  - Changes in property prices;
  - Currency fluctuations.
- **Temporary Accommodation pressure** - there is an insufficient supply of affordable, local, temporary accommodation. The council is looking at options to manage this, however there is a risk that the costs of this may exceed those provided for within the budget.
- **Fair Funding Review** – the MTFS assumes no benefit or dis-benefit for the Fair Funding Review.

### 3. 2022/23 Routine Financial Matters

#### 3.1 Contingency

3.1.1 The table below shows how the contingency budget has been fully allocated for 2022/23:

<b>Contingency Budget 2022/23</b>	<b>14,376</b>
<b>Posted in 2022/23</b>	
Intelligence and Insight Post (Public Health)	(120)
Assurance Assistant Director post	(128)
LGA Membership	(72)
Procurement Services	(100)
CCTV	(301)
Climate Change	(350)
22/23 Non-Pay inflation	(7,801)
<b>Total Posted</b>	<b>(8,872)</b>
<b>22/23 Commitments not yet posted</b>	
22/23 Pay inflation	(5,474)
Balance for Inflationary Pressures	(30)
<b>To be posted</b>	<b>(5,504)</b>
<b>TOTAL Remaining</b>	<b>0</b>

#### 3.2 Virements

3.2.1 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.

3.2.2 On 19th July 2022 this committee agreed to a £0.400m virement to increase service budgets following the increase to fees and charges. This was an estimated figure and the actual virement required is £0.532m.

3.2.3 On 1st November Full Council approved the revised fees and charges schedule effective from 1st January 2023. The table below shows the virements that are required to transfer the budgets from departmental budgets to contingency.

<b>Service</b>	<b>Virement required</b>
Adults and Health	(49,901)
Childrens Family Services	(9,497)
Customer and Place	(473,181)
Strategy & Resources (Contingency)	532,579
<b>Total</b>	<b>0</b>

3.2.4 The intention is for the budget to fund Community Hubs and Ward Walks and the virement is being made to contingency as the actual final costs of these for 2022/23 are not yet known.

3.2.5 Committee are asked to approve the delegation of the final virement from the contingency budget to Assurance to the Chief Finance Officer (S151 Officer).

3.2.6 At the beginning of November, an agreement was reached on the pay award for Local Government Services for 2022/23. This equates to an increase of £2,229 for all full time equivalent staff except Chief Officers where an increase of £1,925 was agreed. As detailed in 3.1.1, £5.474m has been put aside in contingency to cover this increase.

3.2.7 Committee are asked to approve the delegation of the virement for 22/23 pay inflation from the contingency budget to departments to the Chief Finance Officer (S151 Officer).

### 3.3 Debt Write-Offs

3.3.1 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 D.

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

3.3.2 Irrecoverable Business Rates debts of £621,548.52 are requested for write off. The individual debts are all over £5,000 and cover the financial years from 2011 to 2022.

3.3.3 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.

3.3.4 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.

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

Year Debt Raised	Costs	Liability	Grand Total
2011		£751.30	£751.30
2012		£3,285.00	£3,285.00
2013		£3,372.60	£3,372.60
2014		£3,438.30	£3,438.30
2015		£1,005.25	£1,005.25
2017	£340.00	£51,687.47	£52,027.47
2018	£340.00	£99,037.81	£99,377.81
2019		£155,383.92	£155,383.92
2020	£340.00	£146,964.70	£147,304.70
2021	£340.00	£137,917.74	£138,257.74
2022		£17,344.43	£17,344.43
<b>Total</b>	<b>£1,360.00</b>	<b>£620,188.52</b>	<b>£621,548.52</b>

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

Reason	Sum of Total Debt
Administration	£74,273.04
Liquidation	£150,717.32
Insolvency	£396,558.16
<b>Total</b>	<b>£621,548.52</b>

### **Housing Benefit Overpayments**

3.3.7 Housing Benefit overpayments totalling £468,912.84 are requested for write-off. The individual debts are all over £5,000 and cover the financial years 2011 to 2022.

3.3.8 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.

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

3.3.10 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

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

<b>Year Debt Raised</b>	<b>Total Debt</b>
2011	£21,989.00
2012	£21,206.82
2013	£18,115.42
2014	£12,733.13
2015	£6,581.57
2016	£21,522.87
2017	£52,247.18
2018	£23,405.67
2019	£45,057.54
2020	£40,489.30
2021	£16,368.34
2022	£189,196.00
<b>Total</b>	<b>£468,912.84</b>

3.3.12 Breakdown of reason codes:

<b>Reason</b>	<b>Value</b>
Appeal	£21,206.82
Bankruptcy	£10,869.11
Debt Relief Order	£5,389.61
Deceased	£170,385.59
Individual voluntary Arrangement*	£30,527.99
LA Error**	£230,533.72
<b>Total</b>	<b>£468,912.84</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)**

3.3.13 Sundry income totalling £216,769.69 are recommended for write off. The individual debts are over £5,000 and cover the financial years 2010–2019.

3.3.14 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
2010	£65,500.33
2012	£103,965.75
2016	£5,096.30
2019	£30,291.75
2020	£11,915.56
<b>Total</b>	<b>£216,769.69</b>

Reason for Write-Off Totals	Value
Insufficient funds in estate	£204,877.24
Recovery action exhausted	£11,892.45
<b>Total</b>	<b>£216,769.69</b>

### **Tenant Arrears Write Offs - HRA**

3.3.15 Tenant Arrears relating to HRA are recommended for write off. Individual debts over £5,000 totalling £105,026.54 covering the financial year 2016/17 & 2017/18 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £158,262.28 covering the financial years 2016/17 through to 2022/23 which are being written off.

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

- 'statute barred' which means the Council cannot lawfully recover any debt from the former tenants because the debt is more than six years old and so the time period allowed by law for such recovery has passed.
- 'uneconomical to pursue' which means that the debt is too small to warrant any recovery action.
- 'deceased no estate' which means that there is no estate for the deceased which can be considered to recover from
- 'unsuccessful from debt collection agency' which means that the tracing agent has been unsuccessful in obtaining a forwarding address
- 'vulnerability' which means that the former tenant is particularly vulnerable and the debt is not being pursued
- 'final settlement' meaning an agreement has been made for part payment towards the debt as full & final settlement
- 'senior management decision' which means that senior managers have requested that the debt be written off due to particular circumstances
- 'debt relief and/or bankruptcy orders' have been applied and as such the debt is not being pursued

3.3.17 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.

3.3.18 The table below details the breakdown of the write offs by year for balances less than £5,000

totalling £158,262.28 are:

Debt Category	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	CURRENT*	Total
Deceased Without Estate		£437.78	£2,604.78		£772.04	£1,256.42			£5,071.02
Statute Barred	£93,994.90								£93,994.90
Debt Relief Order/Bankruptcy				£1,347.00				£3,197.75	£4,544.75
Uneconomical to Pursue	£620.66	£897.64	£935.90	£577.95	£134.02	£82.54			£3,248.71
Unrecoverable - Vulnerability	£272.43		£986.24		£1,100.92	£501.07		£451.75	£3,312.41
Unsuccessful from Agency	£45,989.79		£1,230.81						£47,220.60
Settlement agreement with agency		£304.42	£199.64						£504.06
Management discretion					£301.24		£64.59		£365.83
<b>Grand Total</b>	<b>£140,877.78</b>	<b>£1,639.84</b>	<b>£5,957.37</b>	<b>£1,924.95</b>	<b>£2,308.22</b>	<b>£1,840.03</b>	<b>£64.59</b>	<b>£3,649.50</b>	<b>£158,262.28</b>

\*no termination date as these apply to active accounts.

3.3.19 The breakdown of the write offs greater than £5,000 totalling £105,026.54 are as follows:

Debt Category	2016/17	2017/218	2018/19	2019/20	2020/21	2021/22	CURRENT*	Total
Deceased Without Estate								£0.00
Statute Barred	£42,151.90							£42,151.90
Debt Relief Order								£0.00
Uneconomical to Pursue								£0.00
Unrecoverable - Vulnerability								£0.00
Unsuccessful from Agency	£38,780.98	£24,093.66						£62,874.64
Settlement agreement with agency								£0.00
<b>Grand Total</b>	<b>£80,932.88</b>	<b>£24,093.66</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£105,026.54</b>

\*no termination date as these apply to active accounts.

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

3.3.20 Tenant Arrears relating to the general fund are recommended for write off. Individual debts over £5,000 totalling £394,954.58 covering the financial year 2016/17 to 2022/23 are recommended for write off. In addition, P&R are asked to note individual debts under £5,000 totalling £396,818.37 covering the financial years 2016/17 through to 2022/23 which are being written off.

3.3.21 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;
- '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;
- 'final settlement' meaning an agreement has been made for part payment towards the debt as full & final settlement; 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.

3.3.22 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.

3.3.23 The breakdown of the write offs less than £5,000 totalling £396,818.37 are as below:

Debt Category	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Deceased Without Estate	£6,155.66							£6,155.66
Statute Barred	£214,950.13							£214,950.13
Debt Relief Order				£455.10				£455.10
Uneconomical to Pursue	£13.00	£3,762.54	£2,199.44	£3,053.11	£3,801.18	£1,850.87	£19.20	£14,699.34
Unrecoverable - Vulnerability/ SWEP	£434.05							£434.05
Unsuccessful from Agency	£158,272.33					£904.10		£159,176.43
Settlement agreement with agency		£787.73	£121.53		£18.47	£19.93		£947.66
<b>Grand Total</b>	<b>£379,825.17</b>	<b>£4,550.27</b>	<b>£2,320.97</b>	<b>£3,508.21</b>	<b>£3,819.65</b>	<b>£2,774.90</b>	<b>£19.20</b>	<b>£396,818.37</b>

3.3.24 The breakdown of the write offs greater than £5,000 totalling £394,954.58 are as below:

Debt Category	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	CURRENT*	Total
Deceased Without Estate								£0.00
Statute Barred	£177,405.89							£177,405.89
Debt Relief Order	£5,072.43						£6,087.39	£11,159.82
Uneconomical to Pursue								£0.00
Unrecoverable - Vulnerability/ SWEP								£0.00
Unsuccessful from Agency	£206,388.87							£206,388.87
Settlement agreement with agency								£0.00
<b>Grand Total</b>	<b>£388,867.19</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£6,087.39</b>	<b>£394,954.58</b>

\*no termination date as these apply to active accounts.

## 3.4 Capital Programme

3.4.1 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.

3.4.2 The Capital Programme, incorporating changes approved at this Committee's September 2022 meeting and subsequent additions, is described in the following sections.

3.4.3 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	2026-27	Total
	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	5,254	4,606	3,762	0	0	13,621
Housing and Growth (Brent Cross)	75,283	39,151	24,939	0	0	139,373
Children, Education & Safeguarding	16,275	9,179	9,376	5,431	5,821	46,082
Community Leadership and Libraries	2,274	200	0	0	0	2,474
Environment and Climate Change	31,935	25,774	17,864	12,960	0	88,533
Housing and Growth Committee	87,373	123,847	56,287	35,345	860	303,713
Policy & Resources	20,475	7,984	4,770	0	0	33,229
<b>Total - General Fund</b>	<b>238,869</b>	<b>210,741</b>	<b>116,998</b>	<b>53,736</b>	<b>6,681</b>	<b>627,025</b>
Housing Revenue Account	110,139	100,569	68,053	60,847	46,774	386,382
<b>Total - All Services</b>	<b>349,007</b>	<b>311,309</b>	<b>185,051</b>	<b>114,584</b>	<b>53,455</b>	<b>1,013,407</b>



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

### **Slippage/Acceleration**

3.4.5 The net slippage/acceleration was £58.250m with £61.550m spend being slipped out of the 2022/23 financial year into future periods and £3.300m accelerated into 2022/23.

#### **Capital program changes since July 2022 P&R Committee**

Budget Movement Type	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	Total Budget
	£000	£000	£000	£000	£000	£000
September 2022 Council Approved Programme	424,669	260,174	149,434	101,507	860	936,645
Slippage/ Acceleration	(58,250)	30,610	13,458	6,248	7,934	0
Additions	13,949	19,006	12,532	11,270	29,561	86,317
Deletions	(215)	(9,337)	0	0	0	(9,552)
December 2022 P&R Revised Programme	380,153	300,453	175,424	119,025	38,355	1,013,407

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

#### **Summary of Net Slippage**

Theme Committee	Net Slippage	Net Acceleration	Net Slippage/ Acceleration
	£000	£000	£000
Adults and Safeguarding	(531)	0	(531)
Housing and Growth (Brent Cross)	(9,350)	1,295	(8,055)
Children, Education & Safeguarding	(1,200)	912	(287)
Community Leadership and Libraries	0	0	0
Environment and Climate Change	(3,502)	1,093	(2,409)
Housing and Growth Committee	(31,437)	0	(31,437)
Policy & Resources	0	0	0
<b>Total - General Fund</b>	<b>(46,020)</b>	<b>3,300</b>	<b>(42,720)</b>
Housing Revenue Account	(15,530)	0	(15,530)
<b>Total - All Services</b>	<b>(61,550)</b>	<b>3,300</b>	<b>(58,250)</b>

3.4.7 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.

### **Additions**

3.4.8 Replacement Finance, HR and Procurement systems (11.012m) - This programme covers the replacement of Finance, HR and Procurement systems. Integra 2, the finance ledger, becomes unsupported in March 2024 and as a result the council can no longer remain as is. A comprehensive review and options analysis of the systems showed they no longer meet business need, provide poor value for money and there is a mature market for a modern replacement. The review concluded and subsequently signed off that an ERP replacement provides the best value for money for the Council in the medium term in the form of both quality and revenue savings for the MTFs.

3.4.9 Pan-London Secure Children's home (£0.080m) – 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.

3.4.10 Brent Cross West Station (0.033m) - BXW Station Gowlings legal fees related to the Side Agreement.

3.4.11 Barnet Homes GLA development programme (£11.228m) - In line with the HRA business plan to cover the costs across three schemes.

3.4.12 Graham Park NE (£2.550m) - In line with the HRA business plan to cover the costs of the next stages of the redevelopment.

3.4.13 Extra Care - housing (Stag) (£2.088m) – Final works costs for Stag House which will deliver 51 homes for extra care.

3.4.14 HRA Additions in line with HRA 30-year business plan (£49.774m) - The HRA Capital programme budgets have been updated to reflect the next 5 years of the 30-year HRA Business plan. The forecast for HRA developments have been updated to reflect the latest delivery requirements in terms of cost, profiling and forecast funding for the next 5 years.

3.4.15 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	155	38	0	3,471	0	205	13,621
Housing and Growth (Brent Cross)	109,566	0	17,517	1,011	0	0	11,280	139,374
Children, Education & Safeguarding	39,931	2,809	158	0	363	0	2,823	46,083
Community Leadership and Libraries	0	0	0	0	2,363	0	111	2,474
Environment	3,795	6,354	395	0	42,290	0	35,698	88,532
Housing and Growth Committee	54,369	7,938	13,676	491	38,841	11,700	176,698	303,713
Policy & Resources	1	45	166	0	4,183	0	28,834	33,229
<b>Total - General Fund</b>	<b>217,414</b>	<b>17,301</b>	<b>31,949</b>	<b>1,502</b>	<b>91,510</b>	<b>11,700</b>	<b>255,649</b>	<b>627,026</b>
Housing Revenue Account	25,819	3,700	10,989	53,586	0	0	292,288	386,381
<b>Total - All Services</b>	<b>243,233</b>	<b>21,001</b>	<b>42,938</b>	<b>55,088</b>	<b>91,510</b>	<b>11,700</b>	<b>547,937</b>	<b>1,013,407</b>

#### **Borrowing**

3.4.16 £548m of the total capital programme will be funded from borrowing of which £125m is on-lent to Opendoor Homes for the acquisition or delivery of new housing.

3.4.17 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).

3.4.18 Included in the total Capital programme, there is £11.7m 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**

3.4.19 The council has previously highlighted a risk in the level of capital receipts that it currently holds or forecasts to receive. Capital Receipts are proceeds of capital sales (land, buildings,

etc.) and are re-invested into purchasing other capital assets.

3.4.20 £42.9m of the above capital programme is planned to be funded by capital receipts. Of the £42.9m, £10.9m will be funded from HRA capital receipt (RTB Receipts) and £31.9m from General Fund Receipts.

3.4.21 Current receipts are standing at £30.026m with £28.582m being HRA receipts and the remaining £1.443m are General Fund receipts. The current disposal programme estimates General Fund disposals of £2.5m in 22/23, £9.158m in 23/24 and £8.325m in 24/25.

3.4.22 Assuming no further General Fund disposals there would be a shortfall of capital receipts which would be replaced by borrowing which would result in additional interest and MRP costs.

3.4.23 Of the £10.9m capital receipts planned to fund HRA expenditure in 2022/23, £8.143m 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**

3.4.24 The current capital programme shows £243.4m will be funded from Capital Grants. S106 and CIL are standing at £21.0m and £91.5m, respectively.

3.4.25 Capital grants are mainly received from central government departments (such as the Brent Cross grant from MHCLG) or other partners or funding agencies (such Transport for London, Education Funding Authority).

3.4.26 S106 contributions are a developer contribution towards infrastructure; confined to specific area and to be used within specific timeframe.

3.4.27 Community Infrastructure Levy (CIL) funds are developer contribution towards infrastructure; can be used borough wide but still has time restrictions on use.

3.4.28 Current capital programme forecasts plus future estimates suggest that there will be enough S106 contributions to fund the relevant projects.

## **4. 2022/23 Quarter 2 Risk Register**

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

4.1.2 The Q2 review of risk showed 25 strategic risks (see Appendix F), of which three were scored at a high-level (15+):

- Impact of economic downturn on the delivery and pace of future development (STR010);
- Cyber security leading to widescale disruption to services (STR013); and
- Cost of living impact on residents and businesses (STR027).

4.1.3 In addition, there were 23 service risks which were scored at a high-level (15+), which can be found in Appendix G. This quarter saw ongoing pressure on service budgets and residents' cost of living, which the council continues to proactively manage. Two new service risks were identified and scored at a high-level relating to the increase in Education, Health and Care Plans (ECHPs) in the borough that could potentially place a strain on staffing and transport arrangements for Special Educational Needs (SEN) children. These risks are being managed jointly with the Barnet Education and Learning Service (BELS).

## 5. Corporate Plan

5.1 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

## 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;
- We will act lawfully and protect the integrity of regulations, ring fences and accounting rules; and
- We will be mindful of equality impacts and public consultation responses.

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; and
- 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 16th June 2022 [Appendix Ai - Compliance with CIPFA Financial Management Code.pdf \(modern.gov.co.uk\)](#)

## **7. Reasons for recommendations**

7.1 The council is legally obliged to set a budget each year, which must balance service expenditure against available resources. It is also a key element of effective financial management for the council to put together a financial forward plan to ensure that it is well placed to meet future challenges, particularly in the context of reductions to local authority funding, demographic increases and legislative changes.

7.2 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.

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

7.4 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 This report sets out a range of options across the council's remit to meet the budget challenge. This includes proposals for efficiency savings, as well as generating income. Alternatives to this could include more significant reduction to the services that the council provides but those are not included in this report.

8.2 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.

8.3 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 Approved recommendations will inform the next steps in the budget preparation for 2023/24 and the engagement in the budget consultation. The savings proposals will then

be reviewed in light of the results from the consultation and individual and cumulative equality impact assessment and a further set of proposals along with the findings from the consultation will be presented to Policy and Resources committee on 22 February 2023.

- 9.2 Policy and Resources Committee will then, after considering the consultation responses and the equalities impact assessments, refer the proposals to Council. Council will set the budget envelope. Some savings proposals may need individual detailed consultation and this will be carried out before individual decisions are made. If the consultation and equality impact assessment results are such that the decision makes decide not to implement the proposals then alternative proposals will be considered including the use of reserves.
- 9.3 Savings proposals along with the council tax requirement will then be taken to Council on the 8 March 2023.
- 9.4 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 Each fee or charge has its own legislative framework which determines whether it is based on cost recovery or gives guidance to how the fees or charges may be set.

10.3.4 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; and
  - (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.

10.3.5 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.

10.3.6 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; and
- 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; and
- 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 assist with the Council meeting 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. An equality impact assessment on the budget will be completed taking into account the

consultation responses to the budget.

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 More information on the council's Equalities, Diversity and Inclusion policy can be found on our website at [Equality and diversity | Barnet Council](#). The Finance and Business Planning EqlAs for 2023/24 can also be found on this link.

## 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, and the council's budget overall. The consultation will begin week commencing 19<sup>th</sup> December 2022 and will run for a period of 6 weeks.
- 10.9.5 The consultation will be published on <https://engage.barnet.gov.uk/> and cover any proposals to increase council tax together with seeking views on the council's budget overall.
- 10.9.6 Residents and National Non-Domestic Rate (NNDR) Payers will be invited to give their views through an online questionnaire published on Engage Barnet. Paper copies will also be available on request.
- 10.9.7 As part of the Council's statutory duty to consult with National Non-Domestic Rate (NNDR) Payers, letters will be sent out to all the council's NNDR payers inviting them to take part in the consultation.
- 10.9.8 Alternative formats of the consultation will also be made available on request.
- 10.9.9 The consultation will be widely promoted via the Council's Residents' magazine, Barnet First; Barnet Online; local press; Twitter; and Facebook.
- 10.9.10 Super-users, i.e. users of non-universal services, will also be invited to take part in the consultation through the Communities Together Network, Youth Board, and service user newsletters, circulars and super user mailing lists.
- 10.9.11 The consultation findings and the final budget will then be recommended to P&R committee on 22 February 2023 ahead of the final approval at Full Council on the 8 March 2023.
- 10.9.12 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties, where there is a legitimate expectation or legislative requirement to consult. Service specific consultations will take place where necessary in line with timescales for any changes to be implemented.
- 10.9.13 Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2023/24 savings. The outcomes of these consultations have or will feed into committee decision making process.

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

## 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.

## 11. Background papers

Committee	Item & Agenda	Link
Policy & Resources 29 September 2022	Item 9: Business Planning 2023-2027 and in-year financial management 2022/23	<a href="#">Agenda for Policy and Resources Committee on Thursday 29th September, 2022, 7.00 pm (moderngov.co.uk)</a>
Policy & Resources 19 July 2022	Item 9: Revised Budget 2022/23 and Business Planning 2023-2027	<a href="#">Agenda for Policy and Resources Committee on Tuesday 19th July, 2022, 7.00 pm   Barnet Council (moderngov.co.uk)</a>
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 2021/22, and Medium-Term Financial Strategy 2021-25	<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>