


Council
28th February 2023

	
<p style="text-align: center;">Title</p>	<p style="text-align: center;">Business planning – Budget 2023/24 and Medium Term Financial Strategy 2023-27</p>
<p style="text-align: center;">Report of</p>	<p>Chair of Policy & Resources Committee</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>Yes</p>
<p style="text-align: center;">Key</p>	<p>Yes</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix A – Medium Term Financial Strategy (MTFS) Appendix B – 2023/24 Council Tax Resolution Appendix C – Detailed Revenue Budgets, Savings and Income Generation, Pressures and Council Tax Summary Appendix D – Breakdown of service pressures Appendix E – Summary of Savings & Income generation Proposals Appendix F – Fees and Charges Appendix G – Final Budget Consultation Report Appendix H – Cumulative Equalities Impact Analysis Appendix I1 – Capital Strategy Appendix I2 – Proposed Capital Programme Appendix J – Treasury Management Strategy Statement (TMSS) Appendix K – Housing Revenue Account Business Plan Appendix L – Reserves & Balances Policy Appendix M – Debt Management Policy Appendix N – Strategic Risk Register</p>
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Summary

This report sets out the proposed budget for 2023/24 and the council's Medium Term Financial Strategy (MTFS) which include the assumptions for 2024-27 with regards to council tax, other funding, expenditure forecasts and the savings and income generation plans necessary to set a balanced budget. This helps to ensure resources are aligned to the strategic outcomes set out in the draft Corporate Plan which is being developed alongside the MTFS.

The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and a requirement to submit budget returns to the Department for Levelling Up, Housing and Communities (DLUHC). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

It should be noted that a set of budget proposals were presented to Policy & Resources in December 2022. This offered an early opportunity to note and approve budget changes in principle for 2023/24. These proposals were assessed at the time as to whether they required consultations and equality impact assessments (EIA). Consultation on the budget and the contents of the December Policy & Resources committee paper took place between 23 December 2022 and 4 February 2023. Results from the consultation have been fed back to lead officers within the council and the recommendations contained within this report are cognisant of the views expressed and have been recommended to Council for approval by the Policy & Resources Committee.

This report forms a key part of the budget setting process for 2023/24 onwards. It provides the key budget headlines on both a local and national level. In addition, the report seeks to provide an update on the council's underlying financial strategy.

This report is urgent as asks Full Council to approve the 2023/24 budget and it is a legal requirement for a balanced budget to be set. These proposals have been consulted on and have been referred by Policy and Resources Committee on to Council so that Council can approve the budget envelope and set the Council Tax.

The revised Capital Programme, Treasury Management Strategy Statement (TMSS), fees and charges and other appendices linked to budget setting are included with this report for approval.

In addition, this paper sets out the council's intended approach to recent government announcements around the cost of energy bills which are centred on two policy interventions.

Officers Recommendations

That Council:

In respect of the Budget and Council Tax for 2023/24 and the MTFs 2024-27, that Council:

1. Approve the Medium Term Financial Strategy (MTFS), attached as Appendix A, and the detailed revenue budgets in Appendix C, including the proposed savings and funding for pressures in 2023/24;
2. Approve that the budget 2023/24 is prepared on the basis of a 1.80% increase for the general element of Council Tax in 2023/24 as discussed in paragraph 1.3.12 to 1.3.19;
3. Approve that the budget for 2023/24 is prepared on the basis of an increase of 2% for the Social Care Precept, to help fund social care as detailed in paragraph 1.3.12 to 1.3.19;
4. Approve the resolutions relating to Council Tax contained within Appendix B;
5. Approve, on the advice of the Chief Finance Officer, that it determines that the council's basic amount of Council Tax for 2023/24 as set out in Council Tax resolution Appendix B, 2(iv) is not excessive in accordance with the principles approved under section 52ZB and 52ZC of the Local Government Finance Act 1992, set out in the Referendums relating to Council Tax increases (Principles)(England) Report 2023/27;
6. Approve in accordance with Section 38(2) of the Local Government Finance Act 1992 the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 5 above within a period of 21 days following the Council's decision; and
7. Considers the issues that have emerged from the consultation discussed in Appendix G when making their decisions. That Council make the decisions outlined in this report being mindful of the consultation responses and equalities impact assessments including the cumulative equalities impact assessments; and
8. Note and have due regard to the opinion of the Chief Finance Officer as set out in section 1.7 of this report.

In respect of Capital Strategy and proposed capital expenditure that Council:

9. Approve of the Capital Strategy as set out in Appendix I1;
10. Approve the Capital Programme as set out in Appendix I2 and set out in paragraph 1.8; and
11. Approve delegation to Chief Finance Officer to adjust capital programme and financing in 2023/24 in line with the 2022/23 outturn position;

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

12. Approve the TMSS for 2023/24 as set out in Appendix J.

In respect of the Dedicated Schools Grant (DSG):

13. Approve the Gross Schools Budget of £426.879m for 2023/24 as set out in Section 1.5; and

14. Approve that any changes to the Schools Budget reasonably required as a result of the final 2023/24 DSG and Post-16 settlement are delegated for decisions to the Executive Director – Children’s & Family Services in consultation with the Executive Director of Resources;

In respect of the Housing Revenue Account (HRA):

15. Approve Council dwelling rents increases as set out in paragraphs 1.6.3-1.6.8;

16. Approve Temporary accommodation rents increases in line with Local Housing Allowance (LHA) rate as set out in paragraphs 1.6.9-1.6.13; and

17. Approve services charge and garages increases as set out in paragraph 1.6.14-1.6.28.

1. WHY THIS REPORT IS NEEDED**1.1 Executive Summary**

1.1.1 On 12 December 2022, the government issued a Policy Statement on the 2023/24 local government finance settlement and, on the 19 December 2022, we received the Provisional Local Government Finance Settlement figures for 2023/24. The Final settlement was announced on 6th February 2023.

1.1.2 The 12 December Policy Statement had indicated that the settlement would cover 2 years (2023/24 and 2024/25) but the final settlement provided funding figures for 2023/24 only – the fifth single year funding settlement in a row since 2019/20. This means there are still uncertainties over funding for 2024/25 which hinder the council’s ability to plan effectively over the medium-term and strategically invest in services.

1.1.3 The impacts of the settlement have been factored into the MTFs which now shows a balanced position for 2023/24 with no use of reserves. Across the MTFs there is a total savings requirement of £29.056m with savings of £19.630m having been identified resulting in a budget gap of £9.426m.

MTFS Summary	2023/24	2024/25	2025/26	2026/27
Resources vs. Expenditure	£m	£m	£m	£m
Expenditure	380.885	410.214	430.184	449.592
Resources	(369.686)	(386.985)	(402.987)	(420.536)
Cumulative (Surplus)/Shortfall to Balanced Budget	11.199	23.229	27.197	29.056
In Year Budget Gap before Savings	11.199	12.030	9.444	10.048
Efficiencies and Income Generation options Proposed	(11.199)	(6.554)	(1.255)	(0.622)
(Surplus)/Shortfall to Balanced Budget	0.000	5.476	8.189	9.426
In year savings requirement	11.199	12.030	3.968	1.859

1.1.4 As shown above, the budget position for 2023/24 is balanced and officers have begun to look at the MTFs process and options to balance future years. A review of proposals and future plans will be brought to Cabinet in the new financial year.

1.2 Strategic Context

1.2.1 The draft Corporate Plan is being considered by Council and sets out the council's vision to Care for People, our Places and the Planet. Placing residents and sustainability at the heart of everything we do, the Plan is built around the three pillars of People, Places, and Planet and the foundation of an Engaged and Effective Council.

1.2.2 The MTFs is an integral part of the council's overall planning and strategy to ensure a financially sustainable and stable platform from which to deliver its strategic objectives through the council's Corporate Plan.

1.2.3 With demand on local services continuing to increase and local authorities having to generate more and more of their income locally, the next few years will present further financial challenges.

Local Government Finance Settlement (LGFS) 2022

1.2.4 The LGFS outlined funding allocations for local authorities for 2023/24 only but gave confirmation of the majority of funding streams for 2024/25.

1.2.5 At the England level, Core Spending Power (CSP): will increase by 5.8% in real terms when compared to 2022/23 with the same real terms increase of 5.8% across London boroughs. This increase does factor in the assumption that all authorities eligible to raise adult social care precept and council tax, will raise the maximum amount. It also assumes increases in the council tax base will continue to increase on the same trajectory as the previous 5 years.

1.2.6 The main points to note from the settlement are:

- The Council Tax referendum threshold will increase from 2% to 3% for 2023-24 and the Social Care Precept will increase from 1% to 2% in 2023-24.
- Settlement Funding Assessment will increase by 5% to £15.7bn (£2.9bn London boroughs).
- Compensation for under-indexation of the business rates multiplier will total £2.2bn in 2023-24, an increase of £930m.
- The Social Care Grant will increase by £1.5bn in 2023-24 to £3.9bn (£612m in London).
- The Adult Social Care (ASC) Market Sustainability and Improvement will be supported by a £562m ringfenced grant with £400m added to the existing £162m Market Sustainability and Fair Cost of Care Fund.
- The Improved Better Care Fund (IBCF) continues alongside an additional ASC Discharge Grant worth £300m nationally.
- The 22/23 Services Grant will reduce by 44% in 2023-24 to £464m (England) and £86m in London.
- The Lower Tier Services Grant will be discontinued.
- There will be a new one-off CSP funding guarantee to ensure all authorities receive a minimum 3% increase (no London boroughs will receive this).

- The New Homes Bonus will continue in 2023-24 as an annual grant. Legacy payments will end, and the future of the grant will be confirmed before the 2024-25 LGF Settlement.
- Four existing grants (worth £239m) will be rolled into Settlement Funding Assessment and the Social Care Grant.
- There would be a full revaluation of business rates on 1 April 2023. This is the first revaluation since 2017 and will be based on property values as of 1 April 2021. Business Rates tariffs/top-ups will be adjusted to ensure the 2023 Revaluation, as far as practicable, will not impact on boroughs' retained business rates.
- The business rates multiplier will continue to be frozen for 2023-24 and local authorities will be compensated for the shortfall in income for under indexation of the multiplier.
- Neither fundamental reform to needs assessments nor the business rates reset will be implemented before 2025-26.

1.2.7 For the 2024/25 local government finance settlement, the Government has set out some planning assumptions as below:

- The Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years;
- The council tax referendum principles will continue the same as 2023/24;
- Revenue support grant will continue and be uplifted in line with baseline funding levels (assumed now to be now based on September 2023 CPI), while social care grants will increase as set out in the table above;
- Business rates pooling will continue; and
- The Government will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement.

1.3 Medium Term Financial Strategy

1.3.1 The MTFS provides a way to plan resource allocation decisions by taking into account both current and future levels of resources. It allows adequate time to align wider organisational priorities with resource allocation decisions, and to test previous resource allocation decisions in the light of current financial performance.

1.3.2 In putting together the MTFS due regard has been given to the CIPFA Code of Financial Management (the 'CIPFA FM Code' published last year and recommended for adoption by all councils from April 2021). This MTFS complies with the relevant sections of the FM code.

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

- We will set a legal budget, balancing recurrent expenditure with estimated income within the medium term in order that the council has a sustainable financial position;
- We will plan over a medium term of at least 3 years in order that the council is fully informed as to future scenarios and can prepare appropriate action;
- A level of sustainable reserves will be maintained, this will be defined by the Section 151 officer during the budget setting process, considering prevailing risks and opportunities. For 2023, this has been identified as £15.000m for general fund balance and £40.000m for earmarked non-ringfenced revenue reserves;
- We will seek to build resilience to economic shocks and insulate from the requirement for sudden cuts to vital services;

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

1.3.4 In December 2022, Policy & Resources Committee received a report identifying a base case forecast for expenditure and resources and presented a 2023/24 gap of £1.748m as below:

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

1.3.5 The LGFS has provided more certainty for one year on core spending powers and some specific grants which have now been built into the MTFS.

Key assumptions in the MTFS

1.3.6 The key assumptions included in the MTFS are as follows:

Item	2023/24	2024/25	2025/26	2026/27
Business Rates Multiplier (CPI)	10.10%	5.50%	0.00%	0.00%
Council Tax Increase	1.80%	2.80%	2.80%	2.80%
Social Care Precept Increase	2.00%	2.00%	2.00%	2.00%
Increase in Council Tax Base (No of Band D Equivalents)	2,240	2,755	3,272	3,341
Revenue Support Grant (£m)	7.759	11.507	11.507	11.507
Expenditure Inflation	7.97%	4.00%	1.50%	1.90%
Employee Pay Award	4.00%	4.00%	2.00%	2.00%

1.3.7 The 1.80% increase in General Council Tax for 23/24 reflects a 2.80% increase reduced by 1% to reflect a rebate of the 22/23 increase to residents.

Service Pressures

1.3.8 As part of the budget setting process, council services were 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.

1.3.9 £17.680m pressures have been built into the MTFS for 2023/24 and £34.946m across the MTFS. Further details are included in Appendix D.

Department	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Adults & Health	12,030	6,372	3,270	3,183	24,854
Assurance	48	0	0	0	48
Children and Family Services	3,040	1,188	1,188	1,388	6,805
Customer & Place	2,562	320	330	26	3,239
Strategy & Resources	0	0	0	0	0
Total Pressures	17,680	7,880	4,788	4,598	34,946

Savings & income generation

1.3.10 To address the budget gap 2023-27, services have identified £11.199m savings in 2023/24 and £19.630m across the MTFS. Further details are given in Appendix E.

Savings & Income generation					
Department	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total savings £'000
Adults and Health	(2,841)	(1,433)	(12)	(12)	(4,298)
Assurance	(55)	(60)	(75)	(50)	(240)
Childrens and Family Services	(784)	(961)	(400)	(200)	(2,345)
Customer & Place	(2,721)	(3,303)	(468)	(360)	(6,852)
Strategy & Resources	(4,797)	(797)	(300)	0	(5,894)
Total	(11,199)	(6,554)	(1,255)	(622)	(19,630)

Fees and Charges

1.3.11 In line with the Council's priorities, a project was undertaken to maximise cost recovery for the council, through administration of fees and charges, where revised fees and charges will be effective from January 2023. Full Council in November 2022 approved the revised fees and charges which are attached at Appendix F for information

Council Tax

1.3.12 The council receives 58% of its income from council tax. The Council has the largest (billable) tax base in London, consistent with having the highest population of any London borough.

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

- The total number of dwellings created from one year to the next;
- The number of dwellings which may be subject to council tax support; and
- The overall rate of collection (currently 98% over 4 years).

- 1.3.14 Taking those factors into account the historic tax base growth has been 1-2% per year. The budget for the current year (2022/23) assumed growth of 1.85%, with 1.50% next year (2023/24). This position is kept under review during the year and current results indicate that these forecasts will be achieved.
- 1.3.15 The LGFS has confirmed that the council has the flexibility to raise council tax by up to 2.99% before a referendum and apply a social care precept of up to 2% to fund pressures in adult social care.
- 1.3.16 Calculating the Council Tax base is an important step towards setting the basic amount of Council Tax. The detailed Council Tax base schedule is included in Appendix C. The Chief Finance Officer, under delegated powers, has determined the 2023/24 Council Tax base to be 153,073 (Band D equivalents), the calculations are show in the following table:

	2022/23	2023/24
Band D Equivalents	Band D Equivalents	Band D Equivalents
Total Properties	180,654	182,427
Exemptions, disabled relief, discounts and premiums	(15,904)	(16,294)
Ministry of Defence Contributions	4	4
Council Tax Support Scheme Discount	(14,741)	(14,457)
Adjustments (projections):		
New properties	3,117	4,635
Exemptions (Students)*	0	(119)
Non-collection @ 2.0%	(2,297)	(3,124)
Total Council Tax Base and Yield (£)	150,834	153,073

*Students exemptions were not adjusted for in 2022/23 due to a reduction in numbers at Middlesex University of over 1,000 in Oct/Nov 21 and the impact of the Omicron wave

- 1.3.17 The provisional Greater London Authority (GLA) precept is £66,455,212 making the total estimated demand on the Collection Fund and Council Tax requirement £281,067,622.

Council Tax Requirement Summary	2022/23 Original	2022/23 Current	2023/24 Original
Total Service Expenditure	336,592,022	336,380,372	369,686,186
Contribution to / (from) Specific Reserves	0	0	0
Net Expenditure	336,592,022	336,380,372	369,686,186
Other Grants	(60,985,325)	(60,773,674)	(66,204,554)
Budget Requirement	275,606,697	275,606,698	303,481,632
Business Rates Retention	(42,825,304)	(42,825,305)	(57,278,212)
Business rates top-up	(19,731,211)	(19,731,211)	(22,132,016)
Business Rates 8 authority pool income	(2,800,000)	(2,800,000)	(1,700,000)
Business Rates Income	(65,356,516)	(65,356,516)	(81,110,228)
RSG	(6,518,401)	(6,518,401)	(7,758,994)
Barnet's Element of Council Tax Requirement	203,731,781	203,731,781	214,612,410
Greater London Authority – Precept	59,668,313	59,668,313	66,455,212
Total Council Tax Requirement	263,400,094	263,400,094	281,067,622

Barnet's Council Tax Requirement	£214,612,410
Greater London Authority	£66,455,212
Total Requirement for Council Tax	£281,067,622

1.3.18 Should the proposed 1.80% increase in general council tax and the 2.0% increase in Social Care Precept be applied, the Council Tax for Barnet each category of dwelling will be:

Council Tax Band	Barnet (£)	GLA (£)	Total (£)
A	934.68	289.43	1,224.11
B	1,090.46	337.66	1,428.12
C	1,246.24	385.90	1,632.14
D	1,402.02	434.14	1,836.16
E	1,713.58	530.62	2,244.20
F	2,025.14	627.09	2,652.23
G	2,336.70	723.57	3,060.27
H	2,804.04	868.28	3,672.32

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

Components of Band D Council Tax Rate (£)	2022/23	2023/24
Mayor's Office for Policing and Crime	277.13	292.13
London Fire & Emergency Planning Authority and Mayor, Administration, Transport for London, Olympic Games and Boroughs' Collection Fund balances.	118.46	142.01
GLA Precept	395.59	434.14
London Borough of Barnet	1,350.70	1,402.02
Total Council Tax Rate (£) Band D Equivalent	1,746.29	1,836.16

Business Rate Pooling

1.3.20 The LGFS approved the 8-authority London pool with City of London (as lead authority) and seven other London authorities, including Barnet. The group will act as a pool for 2023/24 only, in order that the levy that City of London and Tower Hamlets would normally pay to central Government can be retained.

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

1.3.22 As with all business rates pool there is a risk that the pool could make a loss. However, this pool has been designed to be low risk. The basis of the distribution of the retained business rates are still being discussed but if successful, Barnet could seek to benefit from a one-off payment of £1.7m in 2023/24.

Balancing the MTFS

1.3.23 The table below shows the budget gap, while 2023/24 is balanced, there is still a gap in future years:

MTFS budget gap	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Cumulative Savings requirement	11.199	23.229	27.197	29.056
In year Savings requirement	11.199	12.030	9.444	10.048
Savings & income generation proposed	(11.199)	(6.554)	(1.255)	(0.622)
Remaining budget gap	0.000	5.476	8.189	9.426

1.3.24 The future gap is challenging, particularly as there is uncertainty around funding reforms and how this will impact local government finances. Officers have begun to look at the MTFS process and options to balance future years. A review of proposals and future plans will be brought to Cabinet in the new financial year.

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

Adults and Health

1.3.26 There remain significant levels of uncertainty regarding future levels of demand across all settings for adult social care with upward increase in activity and costs associated with placement accommodation. Overall activity and costs will continue to be monitored through the coming years, and these budget proposals are based on a reasonable assessment of likely levels of demand and costs.

1.3.27 2022/23 discharges from hospital are on track to exceed 2021/22 levels and are expected to continue to increase resulting in pressures on social care and staffing budgets.

1.3.28 From data used to set the 2022/23 placements budget, the service have seen a 5% increase in activity and a 9% increase in average unit costs signifying an increase in packages becoming more complex in nature and the markets response to the utility cost pressure.

1.3.29 Scarcity of placement accommodation, in particular at the acute end of support, is also a driver for increased market rates. The service is working closely with the market to mitigate this impact.

1.3.30 The service is attempting to mitigate any further rises in costs above current projections by:

- Reviewing large packages of care that may be eligible for NHS funding;
- Robust negotiation with providers on rates; and
- Further expansion of the enablement offer.

1.3.31 Leisure income through the delivery partner GLL was significantly impacted by the pandemic and this budget includes provision for the expected impact in the next financial year while services and revenues recover.

Customer and Place

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

1.3.33 The macro-economic environment is to remain challenging for businesses and personal households as inflation risks continue. Increases in energy and utilities costs, may cause Temporary Accommodation (TA) demand to rise, if more households are evicted due to inability to pay rents and mortgages.

1.3.34 Across London, market forces are applying upwards pressure to the costs of TA, making it more difficult for the council to secure affordable, good quality housing. This includes the availability of properties in the private rented sector, and the increasing cost of nightly-paid, short term TA.

Children's and Family Services

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

1.3.36 There continues to be pressure in education services arising from demand for services for pupils with special educational needs and disabilities (SEND) and increasing numbers with education and health care plans (EHCP). Despite increased funding recently announced by government it is not yet clear if this will be sufficient to cover costs arising, for example in home to school transport.

Sustainability and Climate Change

1.3.37 We recognise that the council faces pressures on both revenue and capital budgets around achieving its sustainability targets of being a net zero council by 2030 and a net zero borough by 2042. To address this, the MTFS for 2024 will extend out to 2030 to ensure that the MTFS aligns with the council's sustainability strategy and the resources required to deliver it. Expected pressures include decarbonising, adapting and retrofitting council properties.

1.3.38 The 2022 Progress Report to Parliament (shown in the background papers to this report) recognises that across the country, tangible progress is lagging behind policy ambition and that successful delivery of changes on the ground requires active management of delivery risks.

1.3.39 The council is considering options to fund this work through different financing options and work is ongoing to identify the benefits of various options. A paper will be presented to Environment and Climate Change Committee in March 2023 to provide further details on the various options and recommendations on the way forward.

Other risks

1.3.40 There are possible risks detailed below that the council is aware of and will monitor throughout the year. The council maintains a contingency budget to deal with unanticipated items. Should any of the risks listed below materialise, the contingency budget will be the primary mechanism with which to deal with it.

Council Tax Collection

1.3.41 The cost of living crisis could impact adversely on the collection of council tax due to cost resulting in increased bad debt provisions and possibly higher demand for Council Tax Support.

Income from residents / service users

- 1.3.42 The council's income from fees and charges, has not yet recovered to pre-pandemic levels, e.g. leisure, parking. There is also increased risk around non-recovery of Adult Social Care income from client contributions to care. Some of these pressures are factored into the MTFs but officers will continue to review these.

Supply chain emergency

- 1.3.43 Social Care services continue to see pressures on budgets due to issues around the supply chain. There is pressure on the supply of residential and nursing placements in Adults Social Care and fostering placements in Children's and Family Services.

Inourced transformation

- 1.3.44 The in-sourcing of services from Capita and Re could create additional pressures resulting from staffing costs and transformation work needed to re-design in-coming services.

NLWA

- 1.3.45 The Council is one of seven constituent boroughs of the North London Waste Authority (NLWA). NLWA handles waste disposal on the council's behalf and recovers the costs from the council by way of a levy. Borough levies are apportioned between the constituent boroughs in accordance with an Inter-Authority Agreement entered in 2015.

- 1.3.46 The NLWA is presently undertaking a refresh of its treatment infrastructure in the North London Heat & Power Project (NLHPP). This project involves £1.2bn (2019 cash price base) of expenditure on new assets including a 700,000 tonne Energy Recovery Facility and a Resource Recovery Facility.

- 1.3.47 As a result of this and partly because the current treatment assets are fully depreciated, the NLHPP will cause an increase to the Council's levy, by 2033-34 the increase will be in the range £3m-£7m per year. This increase will impact on the levy as the assets come into use, with most of the increase being in place by 2027-28. Constituent boroughs have been kept up to date by NLWA on likely levy increases arising from the NLHPP since 2019.

1.4 Reserves

- 1.4.1 The council holds reserves to deal with future pressures where the value or the timing of the pressure is uncertain, or where the funding can only be spent on specific objectives (e.g., grant funding). Reserves are divided into 'ringfenced' reserves, where the spending objective is known with some clarity, and 'committed' reserves, intended to mitigate the impact of wholly unforeseeable costs. The levels of reserves are set out under Section 25 of the Local Government Act and prudent levels are determined by the Chief Finance Officer (CFO). Ringfenced reserves are usually held by specific services, while committed reserves are held corporately.

- 1.4.2 The use of reserves is not intended to replace savings or income generation opportunities as part of the MTFs. Reserves can only be used once and then they are gone. Any use of reserves to replace savings or income generation opportunities is a delaying action, storing up pressures into future years. This could be part of investing in transformational service delivery and is the ultimate last resort during budget setting when a gap cannot be bridged despite best efforts.

1.4.3 The council's earmarked reserves are forecast to be £129.449m at the end of 2022/23. It is estimated that the level of reserves used in 2022/23 will be £29.376m, of which £6.757m is the drawdown of Covid-19 grant funding for eligible expenditure and £16.302m is in support of the Collection Fund where grant funding from Government has been held in reserves before being applied to any deficit arising from Covid-19 reliefs. Earmarked revenue reserves are forecast to be used to a value of £5.267m and £1.052m use of capital reserves.

1.4.4 The table below incorporates the 2022/23 forecast outturn position and other known or expected plans in order to create a forecast of the council's reserves position over the MTFS period. This table assumes that the funding deficits in future years of the MTFS are resolved and that there is no call on reserves through an unbalanced budget or overspend in each of the years. The proposed MTFS includes no reserves funding in 2023/24 towards getting to a balanced budget.

	Balance at 31 March 2022	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
	£000	£000	£000	£000	£000	£000
Capital - Community Infrastructure Levy	28,226	27,174	20,174	13,174	6,174	2,174
Revenue implications of capital	3,921	3,921	3,421	2,921	2,421	1,921
Total Capital Reserves	32,147	31,095	23,595	16,095	8,595	4,095
Public Health	1,828	1,828	1,828	1,628	1,428	1,228
Dedicated Schools Grant	4,870	4,870	4,870	4,670	4,470	4,270
Special Parking Account	1,311	1,311	1,311	1,311	1,311	1,311
Earmarked Revenue Grants	5,837	5,837	4,837	3,837	2,837	1,837
Brent Cross Designated Area S31	13,449	13,449	13,449			
Council tax and NNDR smoothing	24,018	7,717	5,717	5,217	4,717	4,217
Total Ringfenced Reserves	51,313	35,012	32,012	16,663	14,763	12,863
Local Welfare Provision	4,658	2,658	658	0	0	0
Covid-19 Recovery	6,756	0	0	0	0	0
Service Specific Revenue Reserves	10,782	10,498	8,998	7,498	5,998	4,498
Climate change	1,600	618	0	0	0	0
Council Tax Rebate	2,100	2,100	0	0	0	0
Transformation Reserve	4,053	3,053	2,053	1,053	553	53
Financial Resilience Reserve	45,416	44,416	43,416	42,416	41,416	40,416
Total Committed Reserves	75,366	63,343	55,126	50,967	47,967	44,967
Total Earmarked Reserves	158,826	129,449	110,732	83,725	71,325	61,925

1.4.5 In terms of financial sustainability, the Committed Reserves is the key measure. This is due to reduce over the MTFS but then level out to around £40m in keeping with the stated aim of maintaining at least that value in order to manage the prevailing risks and uncertainty.

1.4.6 Although several of the reserves appear to maintain a steady balance (e.g. Capital – CIL and Service Specific Revenue Reserves) there will be movements in and out throughout the year. The assumption is that income will offset expenditure in each year.

1.5 Dedicated Schools Budget (DSG)

National funding announcements and the Schools National Funding Formula

- 1.5.1 In the Autumn Statement 2022, the government announced an additional £2.3 billion in schools funding in the 2023 to 2024 financial year. However, after the removal of compensation for employer costs of the health and social care levy, the core schools budget will increase by £2.0 billion over and above totals announced at the Spending Review 2021. Mainstream schools will be allocated additional funding through mainstream schools additional grant (MSAG) 2023 to 2024, on top of schools' allocation through the National Funding Formula (NFF). High Needs also benefits from additional funding and has an allocation of £400 million on top of the high needs national funding formula allocation.
- 1.5.2 The Schools Block funding allocations to local authorities were calculated by aggregating the amount of funding for pupils in Reception to Year 11 in Maintained schools and Academies and is calculated for each school under the National Funding Formula.
- 1.5.3 2023/24 is the first year of the transition to the direct schools NFF, whereby all mainstream schools across England will be funded through the same national formula without allowing for adjustment through local funding formulae. From 2023/24, local authorities will be required to start bringing their own formulae closer to the schools NFF. The council already mirrors the NFF for schools, alongside 78 of 150 English Local Authorities.
- 1.5.4 The DfE has set a minimum funding level of £6,786 per secondary pupil and £5,150 per primary pupil in 2023/24. This compares to £6,457 per secondary pupil and £4,922 per primary pupil in 2022/23, an increase of 5.1% and 4.6%, respectively.
- 1.5.5 The Barnet Schools Forum, which is made up of governor and headteacher representatives from all types and phases of state-funded schools in Barnet, has agreed to continue to use the National Funding Formula with protection through the Minimum Funding Guarantee and no changes are proposed for 2023/24.

The Barnet Schools Budget for 2023/24

- 1.5.6 The Schools Budget is mainly funded through the Dedicated Schools Grant (DSG). For 2023/24 this is made up of four main funding streams, also known as blocks, under the National Funding Formula (NFF) arrangements:
- **Schools Block:** allocates funding for pupils in Reception to Year 11 in state-funded mainstream schools and academies;
 - **Early Years Block:** funds early education entitlements for 2, 3 and 4-year-olds in private, voluntary and independent settings, maintained nursery schools and school nursery classes. The funding for 2-year olds is specifically for pupils from households with low incomes;
 - **High Needs Block:** supports provision for vulnerable children and young people, mainly those with special educational needs and disabilities (SEND) from their early years to age 25, enabling both local authorities and institutions to meet their statutory duties under the Children and Families Act 2014; and
 - **Central School Services Block (CSSB):** The CSSB receives funding for central functions local authorities carry out on behalf of maintained schools and academies.

It allocates funding for two purposes: ongoing responsibilities and historic commitments.

1.5.7 On 16th December 2022, the DfE announced allocations of the gross DSG to local authorities. The figures confirmed the Schools Block and the Central School Services Block. However, the High Needs Block and the Early Years Block were indicative at that stage and will change during 2023.

1.5.8 The indicative DSG budget for 2023/24 by block is set out in the table below:

	Schools	High Needs	Early Years	Central Services	Total
Final Allocations for 2022-23	£m	£m	£m	£m	
Gross DSG	£ 297.756	£ 68.153	£ 30.720	£ 2.266	£ 398.895
Academies Recoupment	-£ 139.835	£ -	£ -	£ -	-£ 139.835
NNDR	-£ 2.881	£ -	£ -	£ -	-£ 2.881
HN Place Funding	£ -	-£ 5.720	£ -	£ -	-£ 5.720
Net DSG	£ 155.040	£ 62.433	£ 30.720	£ 2.266	£ 250.459
	Schools	High Needs	Early Years	Central Services	Total
Indicative Allocations for 2023-24	£m	£m	£m	£m	
Gross DSG	£ 317.168	£ 74.823	£ 32.519	£ 2.369	£ 426.879
Academies Recoupment	-£ 150.894	£ -	£ -	£ -	-£ 150.894
NNDR	-£ 2.898	£ -	£ -	£ -	-£ 2.898
HN Place Funding	£ -	-£ 5.864	£ -	£ -	-£ 5.864
Net DSG	£ 163.376	£ 68.959	£ 32.519	£ 2.369	£ 267.223
Additional Funding	£ 19.395	£ 6.670	£ 1.799	£ 0.103	£ 27.967

1.5.9 The allocation for the Schools Block is based on October 2022 school census data. A proposed Minimum Funding Guarantee of +0.5% means that every Primary or Secondary school will receive at least this percentage increase per pupil through the formula in 2023/24 (through the pupil-led element of the schools funding formula) above the amount it received in 2022/23. In addition, each primary school is guaranteed a minimum of £4,405 per pupil and each secondary school is guaranteed to receive at least £5,715 per pupil in 2023/24.

Allocations by block

1.5.10 **Schools Block** – The 2023/24 Schools Block Income is based on the following rates:

- £5,149.51 Primary unit of funding based on 29,671.5 primary pupils (October 2022 census)
- £6,786.19 Secondary unit of funding based on 23,383.5 secondary pupils (October 2022 census)
- £5.690m of funding for Pupil Growth and Premises factors

- **TOTAL = £317.168m** (Gross funding – subject to deductions for recoupment and NNDR)

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

- £65.334m - Actual High Needs National Funding Formula allocation
- £4.509m - based on a £5,200.81 per pupil Area Cost Adjustment (ACA) weighted base rate * 867 (pupils in special schools/special academies based on the October 2022 census)
- £0.756m - Import/export adjustment for net 75 imported pupils
- £0.306m – Additional High Needs Funding for Special Free School
- £0.918m – Hospital education and teachers’ pay and pension
- £3.000m – Additional High Needs Funding
- **TOTAL = £74.823m**

The final import/ export adjustment data will be amended based on January 2023 school and FE providers’ High Needs pupil census data.

1.5.12 **Early Years Block (EYB)** – The Early Years Block is estimated using early years numbers taken from the Early Years and Schools census in January 2022. An update to the 2023/24 EYB allocation will be made once the January 2023 Early Years and Schools census numbers are finalised. The allocation will be updated in July 2023 based on the January 2023 census numbers.

- It has been confirmed that the hourly rate received by Barnet for 3- and 4-year-olds has increased from £6.24 to £6.41.
- It is proposed to increase the passthrough basic hourly rate for 3 and 4 year by £0.42 to from £5.45 to £5.87.
- It is proposed that the deprivation rate based on IDACI is increased by £0.01 from £0.29 to £0.30 per hour, therefore passing on the increase from the government directly to providers.
- The DfE funding rate for 2-year-olds has been increased by £0.63 and it is proposed to pass this increase on to providers, thus increasing the rate from £6.29 an hour in 2022-23 to £6.92 an hour in 2023-24.
- From April 2023, funding for Maintained Nursery Schools is included within the Early Years Block. Each part-time equivalent is funded at £3.80 per hour and it is proposed to pass this funding onto our Maintained Nursery Schools in full.

TOTAL = £32.519m

1.5.13 **Central School Services Block** – The 2023/24 Central Schools Services Block for Barnet includes the following:

- £2.179m – allocation for ongoing responsibilities (includes retained duties, admissions, licensing and Schools Forum administration)
- £0.190m – Historic commitments allocation, a 20% reduction from 2022/23.

TOTAL = £2.369m

TOTAL GROSS DSG BUDGET = £426.879m

Allocation of budgets to Schools, Settings and Institutions:

- 1.5.14 Following the Government's consultation on reforms to the national funding formula (NFF), the DfE confirmed its plans to move forward to implement a direct NFF, whereby funding will be allocated directly to schools based on a single, national formula. As set out in the consultation response there will be a gradual approach to transition. To ensure a smooth transition, Local Authorities will be required to start bringing their own formulae closer to the schools NFF from 2023/24. For Barnet, there is no impact as the council mirrors the NFF.
- 1.5.15 For the Early Years Block there is a strict NFF requirement to allocate at least 95% of the hourly funding rate to settings for 3 to 4-year olds; 2 year-old funding is paid out at 100% of the hourly funding rate. Barnet's formula matches these requirements.
- 1.5.16 For the High Needs Block there is LA discretion over place funding, top up and commissioning arrangements. For Barnet, these are published via the Local Offer which is available on the Barnet website. The Local Offer helps children and young people with Special Educational Needs and/or Disabilities and their families find information and support across the Barnet local area.
- 1.5.17 The DSG currently has a surplus which we are not expecting to reduce significantly.

1.6 Housing Revenue Account and Temporary Accommodation

- 1.6.1 The Local Government and Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account. Any surpluses generated from the HRA can be used to support the account if it fails to break even. Whilst it is acceptable to draw on balances, it is not permissible for an overall HRA budget deficit to be set. It is for the council to determine what level of balances should be maintained and this is set as a part of the HRA Business Plan (see Appendix K).
- 1.6.2 The principal items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met by rent and service charge income from dwellings, garages, and commercial premises.

Council Dwelling Rents

- 1.6.3 The Department for Levelling Up, Housing, and Communities' (DLUHC) Policy Statement on Rents for Social Housing 2020 (the 'Rent Policy Statement') permits all registered providers, including local authorities, from 2020 to apply annual rent increases on social and affordable rent properties of up to CPI (the general index of consumer prices, taken as of September of the previous year) plus one percentage point, for a period of at least five years. This limit is a ceiling and providers can apply a lower increase or freeze rent in line with the market in which they operate.
- 1.6.4 The Secretary of State for Levelling Up, Housing, and Communities recently consulted on making a temporary amendment to the rent policy for 2023/24 to provide a backstop of protection for social housing tenants from significant nominal-terms rent increases. The council submitted a response to the consultation. Following a review of all the responses,

on 17 November 2022 the Chancellor announced in his Autumn Statement a 7% ceiling to social housing rent increases from 1 April 2023.

1.6.5 It is proposed that from 1 April 2023 the council increases social housing rents by the national cap of 7% for existing tenants. All new tenancies will be let at target rent, which can continue to be set at CPI+1%; this is recommended for new tenancies, which are subject to affordability assessments prior to letting.

1.6.6 The table below shows examples of how the weekly average and formula rents would change in 2023/24.

Scenario	2022/23	2023/24 increase applied
Average current rent (for existing tenants) ^{1, 2}	£118.75	£127.05
Average formula rent (for new tenant on re-let) ^{1, 2}	£120.88	£134.30

1.6.7 The majority of social housing dwellings within the HRA are charged at a social rent; however, there is also a small proportion (2.5%, or 226) of newly developed properties that are charged an Affordable Rent level, meaning they cannot exceed 80% of the equivalent market rent, inclusive of service charges. New homes being delivered on the council's land will be subject to rents set at 50% of average private sector market rent levels or lower in accordance with the Administration's commitment to providing more low-cost rented social housing (or, where the council could not afford to build new homes if rents were limited to 50%, will be subject to rents set at Affordable Rent levels of 65% of average private sector market rent levels or the Local Housing Allowance (LHA), whichever is lower as per the previous year), or they will be set at an alternative rent level such as London Affordable Rent if Greater London Authority (GLA) conditions dictate this. This ensures these properties generate sufficient revenue to offset their ongoing associated costs without a wider impact on the HRA.

1.6.8 It is proposed that for existing households, the council increase Affordable Rents by 7% from 1 April 2023. The table below shows examples of how weekly average. Affordable Rents would change in 2023/24 upon the application of the 7% increase.

Scenario	2022/23	2023/24 with 7% increase applied
Average Affordable Rent ¹	£229.12	£245.16

Temporary accommodation rents

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

¹ All charges in this table are shown on a 52-weeks basis and show an average of the rents charged across the stock. Note that Barnet charges on a 48-week basis with 4 rent-free weeks; the increase as illustrated has been calculated by 52 weeks in line with the Rent Standard. Based on 48 weeks, the average rent for existing tenants will therefore be £137.64 per week, with 4 weeks rent-free.

² Existing tenant rents increased by 7%; formula rents for re-lets increased by 11.1% (CPI + 1%).

1.6.10 All newly let Barnet temporary accommodation properties are let at the applicable LHA rate. Where temporary accommodation was already occupied prior to April 2021, the rents are charged at the LHA rate that was applicable at the time of the letting, as adjusted by any subsequent approved rent increases which were capped at the then current LHA rate. In 2022/23, the council increased those temporary accommodation rents that were not then at LHA rates by the same formula as the council dwellings; this was CPI+1% or 4.1%.

1.6.11 As of 8 December 2022, there are 1,304 households subject to temporary accommodation rents, for which 708 properties are currently set at full LHA rates, and the remaining 530 are let below LHA rates.

1.6.12 It is proposed that those temporary accommodation rents for 2023/24 that are charged less than current LHA rates are increased in line with the rent increase proposal for council dwellings of 7%, up to a maximum of the applicable LHA level.

1.6.13 For those properties currently being charged below LHA rates, the proposed increase would result in an average rent increase of £15.68 per week from £316.46 to £322.14. Due to the LHA cap, the average rent increase applied would be 5.07%. Following the rent increase, 164 properties' rent would remain below the April 2020 LHA rate. The average increases have been broken down by broad rental market area below:

Scenario	Broad Market Rental Area: +7%		
	Outer and North-West London	Inner London	Outer and North-West London
Number of rents increased	419	85	26
Average weekly rent increase	£16.02	£16.18	£6.92
Average % increase	5.43%	3.88%	3.38%

Service Charges and garages

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

1.6.15 The most significant impact is in energy costs, for which households paying service charges have largely been protected from significant cost increases that have affected other households. It is recommended that service charges are not kept artificially low, as this is detrimental to the council's ability to recover its costs, provide essential services, and invest in existing properties and new social housing. Rather than subsidise those who may not need additional support, it is recommended that the council aim to maximise the recovery of costs while ensuring support is in place for those who may need it. It is proposed that service charges are increased from 1 April 2023 to reflect the increased costs of providing the services, as outlined in the table3 below:

Service ³	2022/23	2023/24	(£) Increase	(%) Increase
Covered by Housing Benefit / UC				
Caretaking (quarterly)	£1.45	£1.59	£0.14	9%

³ All charges in this table are shown on a 48-weeks basis and are rounded to the nearest penny.

Caretaking (weekly)	£6.49	£7.07	£0.58	9%
Digital TV	£1.76	£1.83	£0.07	4.4%
Door entry systems	£2.67	£2.79	£0.12	4.4%
Enhanced housing management (sheltered housing)	£23.72	£26.09	£2.37	10%
Fire safety equipment	1 Bed £4.26	1 Bed £4.77	1 Bed £0.51	12%
	2 Beds £5.00	2 Beds £5.60	2 Beds £0.60	
	3 Beds £5.55	3 Beds £6.82	3 Beds £1.27	
Grounds Maintenance	£3.17	£3.49	£0.32	10%
Lighting	£1.52	£3.04	£1.52	100%
Not covered by Housing Benefit / UC				
Alarm services (sheltered housing)	£3.22	£3.54	£0.32	10%
Garage rents	7% increase applied to existing rent			
Heating and hot water (Grahame Park)	1 Bed £13.28	1 Bed £33.81	1 Bed £20.53	254.6%
	2 Beds £18.40	2 Beds £46.84	2 Beds £28.44	
	3 Beds £19.87	3 Beds £50.59	3 Beds £30.72	
Heating and hot water (excluding Grahame Park)	254.6% increase applied to existing variable charges			

1.6.16 Alarm services (sheltered housing) - Costs have been reviewed and consist predominantly of labour costs and incidental costs. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 means that a 9% increase is proposed.

1.6.17 Caretaking – Costs have been reviewed and consist predominantly of labour costs and incidental costs. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 means that a 9% increase is proposed.

1.6.18 Digital TV and door entry systems – The Royal Institute of Chartered Surveyors' (RICS) Building Cost Information Service (BCIS) guidance provides guidance on the cost of rebuilding houses and flats and is commonly used across the housing sector used to facilitate accurate cost planning. It is the nearest and most reliable reference to trade costs in the round and can reasonably be applied to servicing and repair works to installations such as digital TV and door entry systems. The BCIS guidance indicates a 4.4% inflationary adjustment; the proposed 4.4% increase to service charges therefore reflects this.

1.6.19 Enhanced housing management (sheltered housing) – Costs have been reviewed and consist predominantly of labour costs and incidental costs. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 means that a 9% increase is proposed.

1.6.20 Fire safety - Tender returns for these contracts that were received in 2022 were extremely wide-ranging, reflecting the current volatile market, and following tender analysis it was

⁴ Pay increases relate to Barnet Homes employees, many of whom were TUPE transferred from Barnet Council and so retain council Terms and Conditions. Pay increases therefore are as per nationally negotiated Greater London Provincial Council rates.

decided to retender for these servicing and inspection works. Barnet Homes' cost consultants expect revised tender returns to be c.12% higher and this increase should be applied to service charges for 2023/24. For future years, we will be better informed based on the new contract being in place for 12 months. Service charges for any new installations will be charged in line with successful tender. It should be noted that no increase in tenants' service charges was applied in 2021/22, the year following the first installations of the fire safety equipment.

- 1.6.21 Garages - The rental costs of garages are proposed to increase by 7% in line with the council dwellings rent increase proposal. Costs associated with managing the garages are largely related to labour, in addition to materials and costs associated with maintaining property condition. Barnet Council has 1,200 garages of which 557 are occupied, and which are let at an average weekly rent of £17.30.
- 1.6.22 Grounds maintenance – These costs relate to labour, materials, and fuel and fleet expenses. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 along with significantly increases in fuel and fleet costs means that a 10% increase is proposed.
- 1.6.23 Heating and hot water (Grahame Park) and heating and hot water (excluding Grahame Park) – Due to the significant uncertainty regarding energy prices in November 2021 when service charge adjustments were last proposed, only a 3.5% increase was applied for the year April 2022 to March 2023. Actual cost to the council has increased by 207%, meaning that the council, via the HRA, is subsidising those residents living on Grahame Park, and those in other properties who have heating and hot water charges, by more than £1m in 2022/23. The energy price cap in April 2021 was £1,138 per home; this will be £3,000 (with government support) from April 2023, meaning a 263.6% increase in the last 2 years, and this is what all other social housing tenants will have been subject to over the period. The provision of heating and hot water at Grahame Park is considered a commercial supply, and therefore is not subject to the price cap. These costs are forecast to increase by another 200% in 2023/24.
- 1.6.24 Whilst it will mean the council will not be able to fully recover the costs incurred, it is recommended that the properties are treated as if they were subject to the consumer price cap, and therefore it is proposed to increase these service charges in line with the recent two-year increase, adjusted by the 3.5% increase that was applied in 2022/23. This means a proposed 254.6% increase. If actual costs are lower than the estimated charges, the service charges could be reviewed and adjusted during the year with committee approval.
- 1.6.25 Without increases of this scale, the cost pressure on the HRA will be more than £2.5m and will mean a limited number of households are receiving support that nearly 8,500 other council households, in addition to private tenants and owner-occupiers in the borough, are not able to access. For many tenants, other service charge increases they may be affected by will be covered by Housing Benefit or the housing element of Universal Credit. If tenants find it more difficult to pay their rent and/or service charges there is support available from Barnet Homes and the council, as set out in paragraphs 2.8 and 5.6 of the Council Dwelling Rent and Service Charges paper that was presented to Housing & Growth Committee on 17th January 2023⁵.

⁵ [Council Dwelling and TA Rents 2023-24](#)

- 1.6.26 Lighting - Barnet Homes' electricity rates have been fixed until May 2023. No certainty on pricing can be achieved but we do know prices will be substantially higher than they are currently, and therefore it is recommended an increase of 100% is applied. Whilst significant, this would be at a similar rate to that which other social housing households will have been subject to.
- 1.6.27 Improvement works and new technologies are being implemented that may have a positive impact on the costs incurred by residents; however, it should be noted may be more likely to offset the present level of subsidy the council is providing on service charges. Barnet Homes has been delivering an Electrical Rising Mains programme since 2012 which is now nearing completion, with the final blocks to be completed in 2023/24; this has incorporated lighting sensors at all locations. On completion, this will affect over 900 blocks and their communal areas.
- 1.6.28 In February 2023, Barnet Homes also expects to be notified of its success or otherwise in gaining grant funding from the Social Housing Decarbonisation Fund (Wave 2 bid). Barnet Homes' sustainability budget is primarily intended to match this funding and works completed will be 'fabric first' including insulation to internals and externals. Barnet Homes plans to pilot some different approaches using the remainder of this budget in 2023/24 and 2024/25, which may include solar panels / photovoltaics and heat pumps.

HRA Balances and Business Plan

- 1.6.29 The council projects the HRA position over a 30-year period, considering changes in stock, capital programme requirements, and anticipated policy changes.
- 1.6.30 A summary of the proposed updated HRA forecast for 2022/23 and Capital Programme are included in Appendix K.
- 1.6.31 There is an increase in borrowing from £360m currently, to £817m at the end of the 30-year plan. This increase in borrowing, means that the primary sensitivity to the business plan is interest rates.
- 1.6.32 Over the last few years (and particularly the last 12 months) the HRA has seen various adverse factors affecting the financial viability and sustainability of the Business Plan.
- Additional legislation regarding fire safety in buildings over 11 metres, has meant additional costs per annum of £0.9m
 - Interest rate levels have more than doubled meaning additional interest costs to deliver the capita programs that have been agreed (£230m over 30 years).
 - The rent cap for 2023/24 means an approximate 3% erosion of margins, as costs increase in line with CPI, but rents are limited to 7% (£1.5m per annum).
 - Limiting utility costs for residents on estates where large panel or communal heating systems are in place, to equate rate rises to other residents (annual cost of between £1m to £2m depending on procurement prices).
 - Inflation for repairs being double (and higher) than CPI, and also additional costs relating to disrepair claims promoted by legal services (£1.4m per annum).
 - Most recently, an additional £1.2m of revenue and £1m of capital works to deal with damp and mould issues.

- 1.6.33 The result of all the above challenges means that the current business plan will not be able to sustain the current policy of the minimum Reserve position increasing by CPI each year, but it will do again by year 11. However, the current plan shows that the HRA will maintain positive reserves (the lowest level being £1.2m in year 7).
- 1.6.34 The amendment of the current policy of increasing the minimum reserve position by CPI each year has not year been presented to Housing & Growth Committee but will do so in March 2023.
- 1.6.35 Other options/solutions are being reviewed, but any further reductions in cost, will currently, either mean reduced service levels, or additional pressure on the General Fund.

1.7 View of Section 151 Officer

Robustness of the budget and assurance from Chief Finance Officer

- 1.7.1 In order to comply with Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Executive Director of Resources) is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.
- 1.7.2 This information enables a longer-term view of the overall position to be taken. It also reports on the Director of Finance's consideration of the affordability and prudence of capital investment proposals. The level of general balances to support the budget and appropriate earmarked reserves maintained by the Council in accordance with the agreed Council Policy on Earmarked Reserves are an integral part of its continued financial resilience. The council's reserves and balance policy is attached at Appendix L. Details of the council's in-year financial performance are reported to the Policy and Resources Committee on a regular basis.
- 1.7.3 The council is a large, complex organisation with a diversity of assets, interests, liabilities and other responsibilities. These require considerable on-going monitoring and review particularly in light of the challenging financial climate. With this in mind, the council has recognised the on-going need to identify risks and have measures in place to mitigate them should they occur.
- 1.7.4 The council's revenue related risks include:
- Ongoing medium and long term impacts of the pandemic and the cost of living crisis resulting in rising demand pressures on Special Education Needs budgets, children's social care, homelessness and adult social care;
 - General operational risks relating to service delivery;
 - Changes in legislation;
 - risk of non-delivery of savings;
 - future funding uncertainty;
 - interest rate risk;
 - inflation risk;
 - commercial values risk, e.g. income rental values;
 - increase to the council's NLWA levy as detailed in 1.3.45-1.3.47; and
 - contract failure risk and step-in obligations for the council

- 1.7.5 More acutely than ever, we're seeing the escalating costs in services particularly Adults, Childrens and Family Services and homelessness. Income shortfalls continue to be a concern and, while we have provided for these in pressures funding and allocated £2m more in the 2023/24 contingency budget, there continues to be concern about delivering services to budget.
- 1.7.6 The Council has undertaken a robust process to produce its MTFS in order to address the changing budget pressures and the risks mentioned above (as far as possible). The council's management team have considered regular budget updates, including analysis of the cost impact of the pandemic. Additionally, the Policy and Resources Committee have received regularly refreshed Business Planning reports.
- 1.7.7 While the Council Management Team and the Policy and Resources Committee meets to ensure the over-arching issues are robustly considered, a full schedule of meetings are arranged at various levels within the council to ensure all stakeholders fully understand the MTFS process and their savings proposals. Theme Committee meetings then consider the reports and recommendations produced. These Theme Committee recommendations are then reflected back through Policy and Resources Committee to ensure all aspects are captured.
- 1.7.8 These processes are necessary to ensure all budget proposals are:
- aligned to the Corporate Plan that is being developed alongside this MTFS;
 - fully evaluated for any legal, HR equality and procurement issues;
 - assessed thoroughly to ensure if stakeholder consultations are needed and if so to ensure these are completed in time; and
 - appropriately challenged to ensure they are feasible.
- 1.7.9 Risks related to pensions and treasury are specifically addressed and discussed separately in the Pension Funding Strategy and the Treasury Management Strategy Statement.
- 1.7.10 The 2023/24 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the finance department leads on:
- monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances, risks and opportunities are being suitably identified and mitigated; and
 - continuing to protect reserves and balances in order to provide an adequate buffer for any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way.
- 1.7.11 A summary of selected key, strategic risks / weaknesses and mitigating actions are noted in Appendix N.

Robustness of estimates

- 1.7.12 The council is a going concern and the budget process is part of a continuous service planning and financial cycle. Therefore, knowledge and understanding of the previous and current national and local financial and economic environments are used to make informed

assumptions and judgement about the future. This activity seeks to establish a robust budget which is appropriate and realistic having taken a practical assessment of risks.

- 1.7.13 The financial planning process has been managed at senior officer level through the Council Management Team meetings. This Executive level group has overseen the process for financial planning, including medium-term resource projections, the strategic context for the borough, and the quantification of new pressures on resources, and the identification of potential budget savings.
- 1.7.14 Consideration has been given to the known and possible future financial impacts of the pandemic to ensure that changes to the budget are made where this is appropriate.
- 1.7.15 Extensive consultation has taken place in respect of the budget proposals in general, and also in respect of specific planned changes. Consultation feedback has been taken into consideration as final proposals to the council have been formulated.
- 1.7.16 The Capital Programme presents the council with a significant challenge in terms of delivery and affordability. The cost of borrowing is accounted for based on the current plans however any overestimation in spend leads to overestimation of capital financing requirement and any under-achievement of its capital receipts expectations will require either an increase in borrowing, with associated revenue implications, or the deletion of schemes.

Robustness of Budget Setting Process

- 1.7.17 The process that has been undertaken to set the budget has included engagement of officers from service departments throughout the year, regular reporting of financial and service issues to Theme Committees, consultation with the public, along with due consideration of statutory duties, particularly in respect of equalities.
- 1.7.18 Following this Committee's endorsement of the budget proposals in February 2022 officers have undertaken a readiness assessment of the council's ability to deliver the savings required for the MTFs with particular emphasis on 2022/23. Where there is a risk of non-achievement of savings, adequate mitigations have been put in place in order to ensure a legal budget is set and that value for money is achieved from public funds.
- 1.7.19 For these reasons, it can be confirmed that the budget setting process has been robust.

Effectiveness of Budget Management

- 1.7.20 The council has robust arrangements for managing budgets and performance. Close attention will continue to be paid to the net cost arising from the pandemic response, implementation of agreed savings and monitoring of the Council's current position, with regular reporting to the Policy and Resources Committee.
- 1.7.21 The council has a legal responsibility to set a balanced budget which can include the planned use of its reserves. The council does not anticipate using reserves in order to fund recurrent expenditure in 2022/23. The council, however, maintain reserves for other, non-recurrent purposes such as the ongoing response to the pandemic, transformation work, expenditure linked to previous grant receipts or for unplanned one-off items.

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

1.8 Capital Programme

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

1.8.2 The Capital Programme, incorporating changes approved at February 2023 Policy and Resources Committee is described in the following sections.

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

Summary of Capital Programme

Theme Committee	2022-23	2023-24	2024-25	2025-26	2026-27	Total
	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	4,860	5,000	3,762	0	0	13,621
Housing and Growth (Brent Cross)	73,894	39,597	25,882	0	0	139,373
Children, Education & Safeguarding	13,282	12,173	9,374	5,431	5,821	46,082
Community Leadership and Libraries	461	2,013	0	0	0	2,474
Environment	26,866	30,843	17,864	12,960	0	88,533
Housing and Growth Committee	53,319	135,688	67,911	45,936	860	303,713
Policy & Resources	20,475	18,767	4,770	0	0	44,012
Total - General Fund	193,157	244,081	129,562	64,327	6,681	637,808
Housing Revenue Account	97,969	110,188	76,941	63,848	47,376	396,321
Total - All Services	291,125	354,269	206,504	128,175	54,057	1,034,129

1.8.4 A more detailed breakdown of the capital programme is shown in Appendix I2 to this report.

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

Financing of the 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	2,822	46,082
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	39,617	44,012
Total - General Fund	217,415	17,301	31,949	1,502	91,510	11,700	266,430	637,808

Housing Revenue Account	25,819	3,700	10,989	53,586	0	0	302,228	396,322
Total - All Services	243,234	21,001	42,939	55,088	91,510	11,700	568,657	1,034,129

Borrowing

- 1.8.6 £569m 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.
- 1.8.7 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).
- 1.8.8 Included in the total Capital programme, is £11.7m borrowing from the Mayor's Energy Efficiency Fund. This borrowing is cheaper than PWLB borrowing and is only eligible to use on projects intended to achieve net zero.

Capital Receipts

- 1.8.9 The council has previously highlighted a risk in the level of capital receipts that it currently holds or forecasts to receive. Capital Receipts are proceeds of capital sales (land, buildings, etc.) and are re-invested into purchasing other capital assets.
- 1.8.10 £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.
- 1.8.11 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.
- 1.8.12 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.
- 1.8.13 £10.9m HRA expenditure will be funded from Capital receipts from Right to Buy sales. 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

- 1.8.14 The current capital programme shows £243.2m will be funded from Capital Grants. S106 and CIL are standing at £21.001m and £91.5m, respectively.
- 1.8.15 Capital grants are mainly received from central government departments (such as the Brent Cross grant from MHCLG) or other partners or funding agencies (such Transport for London, Education Funding Authority).
- 1.8.16 S106 contributions are a developer contribution towards infrastructure; confined to specific area and to be used within specific timeframe.

- 1.8.17 Community Infrastructure Levy (CIL) funds are developer contribution towards infrastructure; they can be used borough wide but still has time restrictions on use.
- 1.8.18 Current capital programme forecasts plus future estimates suggest that there will be enough S106 contributions to fund the relevant projects.

1.9 Strategic risk register

- 1.9.1 The council has an established approach to risk management, which is set out in the risk management framework. The strategic and service level risks are reviewed on a quarterly basis to ensure they remain relevant and the controls/mitigations in place to manage the risks remain effective.
- 1.9.2 The Q3 2022/23 risk review is underway and the strategic and high level risks will be reported to Policy and Resources Committee in April 2023. The Q2 2022/23 strategic and high level risks were reported to P&R Committee on 13 December 2022 and are attached at Appendix N for information.

2. Reasons for recommendations

- 2.1.1 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.
- 2.1.2 The council's MTFS sets out the estimated overall financial position of the council over a period of time. This report details measures undertaken to set a balanced budget for 2023/24 onwards in order to ensure Councillors and the public are informed of this work, supporting good governance.
- 2.1.3 The revisions to the Capital Programme ensure that the council's financial planning accurately reflects what is happening with scheme delivery. This ensures that the council can make effective decisions on the deployment of its scarce resources.

3. Alternative options considered and not recommended

- 3.1.1 Services have considered alternative options in proposing savings and identifying pressures. These have been reported to theme committees and Policy and Resources Committee. Alternatives to this could include more significant reduction to the services that the council provides but those are not included in this report.
- 3.1.2 The council could consider alternative options to allocate service pressures funding however these could result in service delivery problems or fail to address structural budget deficits.
- 3.1.3 The alternative option to reducing the capital programme would be to make revenue reductions in order to fund the cost of borrowing.

4. Post decision implementation

- 4.1.1 Following approval of these recommendations, the authority's Council Tax will be set, and residents will receive their Council Tax bills over the next few weeks.
- 4.1.2 Following approval of these recommendations, the budget changes will be processed in the financial accounting system and reflected against service areas for 2023/24.

5. Implications of decision

5.1 Corporate Priorities and Performance

- 5.1.1 The Revised Budget for 2023/24 and Business Planning process for 2024-2027 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.
- 5.1.2 The budget preparation process ensures alignment between resources and the council's updated Corporate Plan.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 This report considers the council's financial position and provides the recommendations which allow a decision to be made on the Council Tax to be charged for 2023/24.
- 5.2.2 The revenue budget proposals will enable the council to meet its savings target as set out in the MTFs. These budgets will be formally agreed each year, after appropriate consultation and equality impact assessments, as part of the council budget setting process. For this reason, the proposals are subject to change annually.

5.3 Legal and Constitutional References

- 5.3.1 Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. This requires consideration of the Council's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund. The Council is required to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget.
- 5.3.2 Section 25 of the Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. This opinion is contained in the main body of this report.
- 5.3.3 The Local Government Act 2003 sets out the framework for local authority capital finance. This confers a broad power to borrow, subject to affordable borrowing limits. This

framework is supplemented by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, and by codes of practice and statutory guidance.

- 5.3.4 These collectively require the Council to set out its treasury strategy for borrowing and to prepare an annual investment strategy, setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 5.3.5 Approval of the Capital Programme, Capital Strategy and Treasury Management Strategy are reserved to full Council as part of the budget and policy framework.
- 5.3.6 The DSG is a ring-fenced specific grant, provided outside the local government finance settlement. It must be used in support of the schools budget for the purposes defined in the School and Early Years Finance (England) Regulations for the requisite year. The conditions of grant require that any local authority with an overall deficit on its DSG account or whose surplus has substantially reduced during the year, must present a plan to the Department for Education for managing their future DSG spend.
- 5.3.7 Under section 74 of the Local Government and Housing Act 1989 the Council, as a Local Housing Authority, must maintain a HRA which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. The HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore, the HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. Section 76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year. This requires that the income from rents and other charges and the expenditure in respect of repair, maintenance, supervision and management of such properties balance.
- 5.3.8 Compliance with the Direction on the Rent Standard 2023 is required. This required the Regulator for Social Housing to set a rent standard that applies to rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024 for low cost rental accommodation. Social housing rent and affordable rent housing may not be increased by more than 7%. Service charges are chargeable to some tenants to reflect additional services which may not be provided to every tenant or which are connected to communal facilities. The Council is expected to set reasonable and transparent service charges which reflect the services being provided to tenants and tenants should be provided with clear information on how service charges are set. Service charge increases are not governed by the Rent Standard 2023, however it is expected that social landlords will keep increases within the limit on rent charges of CPI plus 1% or 7% to keep charges affordable.
- 5.3.9 Article 7 of the Council's Constitution sets out the terms of reference of the Policy and Resources Committee which include:
- Responsibility for strategic policy finance and corporate risk management including recommending: Capital and Revenue Budget; Medium Term Financial Strategy; and The Barnet Plan to Full Council

- To be responsible for the overall strategic direction of the Council including strategic partnerships, Treasury Management Strategy and internal transformation programmes
- To be responsible for those matters not specifically allocated to any other committee affecting the affairs of the Council.

5.3.10 Article 4 sets out the role of Full Council “approving the strategic financing of the council upon recommendations of the Policy and resources committee, determination of financial strategy, approval of the budget, approval of the capital programme”. Council will set the budget and Policy and Resources Committee will work within that set budget subject to the rules on virements contained in the Financial Regulations.

5.4 Insight

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

5.5 Social Value

5.5.1 None that are applicable to this report, however the council must take into account the requirements of the Public Services (Social Value) Act 2012 to try to maximise the social and local economic value it derives from its procurement spend.

5.6 Risk Management

5.6.1 The Council has an established approach to risk management, which is set out in the Risk Management Framework. The allocation of an amount to contingency is a step to mitigate the pressures that had yet to be quantified during the budget setting process.

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

5.7 Equalities and Diversity

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

5.7.2 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.

5.7.3 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.

5.7.4 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.

5.7.5 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.

5.7.6 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.

5.7.7 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

5.7.8 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.

5.7.9 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 has been completed taking into account the consultation responses to the budget. The results of the finding are shown in Appendix H.

5.7.10 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.

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

5.7.12 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](#).

Cumulative Equalities Impact Assessment on the budget

5.7.13 The full Cumulative Equalities Impact Assessment (CEqlA) of the budget savings proposals for 2023/24 is shown at Appendix H.

5.7.14 For the 2023/24 budget, ten saving / income proposals carried out EqlAs. Overall, seven EqlAs have forecasted the outcome of an outcome of positive impact and three are forecast to give a minor negative impact.

5.7.15 Analysis of the cumulative effect of these EqlAs on residents has been summarised below:

- Overall, it has been identified that there may be some cumulative negative impact on older residents, younger residents, and dependents (children and young people), disabled residents, and residents who are pregnant who are on maternity leave.
- In addition to those with protected characteristics, the following groups may be negatively impacted by the 23/24 budget: lone parents, and residents who are unemployed or on benefits.
- It has also identified some cumulative positive impacts. These were on older people.

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

5.7.17 The council is satisfied that this CEqlA demonstrates how we have paid due regard to equalities, analysed the individual and cumulative impacts of our proposals, taking account of any negative impact from previous years and making every effort to avoid, minimise and

mitigate any negative impacts wherever possible (as outlined in the individual EqlAs). However, given the scale of savings the council is obliged to make, change is inevitable.

5.7.18 The EqlA process is an iterative process. As Budget proposals are implemented, they will be kept under review and further equalities analysis will be undertaken and individual EqlAs updated as proposals develop. Some proposals will be subject to a separate decision making process working within the budget envelope set by Council. The equalities impacts will be reviewed prior to these separate decisions being made.

5.8 Corporate Parenting

5.8.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. The outcomes and priorities in the Corporate Plan that is being developed alongside this MTFs reflect the council's commitment to the Corporate Parenting duty to ensure the most vulnerable are protected and the needs of children are considered in everything that the council does. To this end, great attention has been paid to the needs of children in care and care leavers when approaching business planning, to ensure decisions are made through the lens of what a reasonable parent would do for their own child.

5.8.2 The Council, in setting its budget, has considered the Corporate Parenting Principles both in terms of savings and investment proposals. The Council proposals have sought to protect front-line social work and services to children in care and care leavers and in some cases, has invested in them.

5.9 Consultation and Engagement

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

- where there is a statutory requirement in the relevant legislative framework;
- where the practice has been to consult, or, where a policy document states the council will consult, then the council must comply with its own practice or policy;
- exceptionally, where the matter is so important that there is a legitimate expectation of consultation; or
- where consultation is required to complete an equalities impact assessment.

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

- comments are genuinely invited at the formative stage;
- the consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;
- there is adequate time given to the consultees to consider the proposals;
- there is a mechanism for feeding back the comments and those comments are considered by the decision-maker / decision-making body when making a final decision;
- the degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and

- where relevant and appropriate, the consultation is clear on the reasons why and extent to which alternatives and discarded options have been discarded. The more intrusive the decision, the more likely it is to attract a higher level of procedural fairness.

General Budget Consultation 2023/24

Overview

- 5.9.3 The general budget consultation began after Policy and Resources Committee on 13 December 2023 where the committee agreed to consult on the council's budget proposals for 2023/24.
- 5.9.4 The consultation opened on 23 December 2022⁶ and concluded on 4 February 2023.
- 5.9.5 In terms of service-specific consultations the council has a duty to consult with service users where there are proposals to vary, reduce or withdraw services. Where appropriate, separate service-specific consultations have already taken place. The outcomes of these consultations are being reported into the committee decision making process.
- 5.9.6 The following paragraphs set out the headline findings from the general budget consultation for 2023/24 which were presented to Policy and Resources Committee on 22 February 2023. The detailed findings can be found in Appendix G.

Summary of consultation approach

- 5.9.7 The 2023/24 general budget consultation asked for views on the:
- Overall budget, and savings and income generation proposals for 2023/24;
 - Proposal to increase General Council Tax by 1.8% in 2023/24; and
 - Proposal to apply an Adult Social Care Precept on Council Tax of 2% to help pay for adult social care.
- 5.9.8 The consultation was published on Engage Barnet together with a summary consultation document and the full Finance and Business Planning Report.
- Respondent's views were gathered via an online questionnaire;
 - Paper copies and other alternative formats of the consultation were made available on request;
 - As part of the council's statutory duty to consult with National Non-Domestic Rate (NNDR) Payers, letters were sent out to all the council's NNDR payers inviting them to take part in the consultation;
 - The consultation was widely promoted via the council's residents' magazine (Barnet First delivered to all households), the council resident's e newsletter, the council's website, local press, Twitter and Facebook; and

⁶The launch of the consultation was delayed until after the Government Financial Statement to see if there were any other implications that could affect the budget.

- Super-users, i.e., users of non-universal services, were also invited to take part in the consultation through the Barnet Together Newsletter, and other LBB service user newsletters and circulars.

Response to the consultation

5.9.9 A total of 140 questionnaires were completed – all were submitted online. The table below shows the profile of those who responded to the consultation. It should be noted that the vast majority of responses were from residents.

Stakeholder	%	Base
Barnet resident	96%	89
A person working within the London Borough of Barnet area	0%	0
Barnet business	1%	1
Representing a school	0%	0
Representing a voluntary/community organisation	1%	1
Representing a public-sector organisation	0%	0
Other	0%	0
Prefer not to say	2%	2
Total who answered this question	100%	93
Not Answered		47
Total response to the consultation		140

There was also one written response via e mail. The response has been incorporated into the findings and further details are provided in section 3.6 of Appendix G.

Calculating and reporting on results

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

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

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

Summary of key findings

Views on the overall budget for 2023/24

5.9.13 Respondents were asked to what extent they agree or disagree with the proposed budget for 2023/24:

- A third of respondents agree (31%, 43 out of 140 respondents) with the council's proposed budget for 2023/24 (3%, 4 out of 140 respondents strongly agree, and 28%, 39 out of 140 respondents tend to agree).
- Just under half disagree (46%, 64 out of 140 respondents) with the council's proposed budget for 2023/24 (20%, 28 out of 140 respondents tend to disagree, and 27%, 36 out of 140 respondents strongly disagree).
- The remainder were either neutral (18 %, 25 out of 140 respondents) or said they did not know or were not sure (6%, 8 out of 140 respondents).

Views on proposals to increase both general Council Tax by 1.8% and to apply a 2% Adult Social Care precept to Council Tax 2023/24

5.9.14 Overall, around half of respondents (51%, 48 out of 94 respondents) support some sort of Council Tax increase to help fund the budget gap in 2023/24 - a third support both Council Tax increases - the proposal to increase general Council Tax by 1.8% and the proposal to apply a further 2.0% Social Care Precept in 2023/24. However, half of respondents do not support any increases in Council Tax in 2023/24 (48%, 45 out of 94 respondents):

- A third of respondent's (33%, 31 out of 94 respondents) support both the council's proposals on Council Tax: the proposal to increase general Council Tax by 1.8% and the proposal to apply a further 2.0% Social Care Precept in 2023/24.
- A minority of respondents (11%, 10 out of 94 respondents) support only the proposal to increase general Council Tax by 1.8% in 2023/24.
- A smaller minority of respondents (7%, 7 out of 94 respondents) support only the proposal to apply a 2% Adult Social Care Precept to Council Tax in 2023/24.
- Around half of respondents (49%, 45 out of 94 respondents) do not support either of the council's proposals to increase Council Tax in 2023/24: the proposal to increase general Council Tax by 1.8% and the proposal to apply an Adult Social Care Precept on Council Tax of 2% in 2023/24.

Table 4: Respondents' level of support for proposed Council Tax increases

Please indicate which of the statements below most closely aligns to your opinion in terms of our Council Tax proposals?	%	Base
I support the proposal to increase general Council Tax by 1.8% in 2023/24 and also support the proposal to apply an Adult Social Care Precept on Council Tax of 2% in 2023/24	33%	31
I support the proposal to increase general Council Tax by 1.8% in 2023/24 only	11%	10
I support the proposal to apply an Adult Social Care Precept on Council Tax of 2% in 2023/24 only	7%	7
I do not support any of the proposals to increase general Council Tax or any increase on the Adult Social Care Precept on Council Tax 2023/24	49%	46
Total	100%	94

Savings and income proposals for 2023/24

5.9.15 Respondents were asked to what extent they agree or disagree with the savings and income proposals identified for each of the theme committees in 2023/24:

- **Children’s, Education and Safeguarding Committee received the highest level of support**, with half of respondents (50%, 47 out of 94 respondents) indicating they agree with the saving and income proposals identified within this committee for 2023/24.
- **Public Health and Wellbeing Board**, which had no savings or income generation proposals, received **the second highest level of support**, with just under half of respondents (48%, 45 out of 94 respondents) agreeing.
- **Adults and Safeguarding Committee received the third highest level of support** with two fifths of respondents (39%, 37 out of 94 respondents) agreeing with the saving and income proposals identified within this committee for 2023/24.
- **Community Leadership and Libraries Committee, Housing and Growth Committee, and Environment and Climate Change Committee** all had similar levels of support, with around **a third of respondents agreeing** with the saving and income proposals identified within these committees for 2023/24:
 - Community Leadership and Libraries 35% agreed (32 out of 92 respondents)
 - Committee and Housing and Growth Committee 34% agreed (32 out of 93 respondents)
 - Environment and Climate Change Committee 33% agreed (31 out of 94) respondents).
- **Policy and Resources Committee** received the least support for their saving and income proposals, with a quarter of respondents (27%, 25 out of 93 respondents) agreeing with the saving and income generation proposals identified within this committee for 2023/24.

Further comments on theme committee saving and income proposals for 2023/24

5.9.16 Respondents were also asked if they had any comments to make about the saving and income proposals identified for each theme committee for 2023/24. Of those who responded to the consultation, 40 out of 140 gave a response to this question.

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

- Disagree with / Can't afford Council Tax increases (Seven comments)
- Too much spent on Policy and Resources Budget/ management (Seven comments)
- Improvements needed to parks, pavements and facilities (Five comments)
- Increase spending needed on environment, climate change, public transport and active travel (Five comments)
- Not enough detail on where the money will be spent (Five comments)
- Concern with the level of funding on Adult Social Care and the impact on the most vulnerable (Four comments)
- Concern over pressure from NHS for continuing care costs (Four comments)
- Need for more housing especially social/ affordable (Four comments)

Further comments on the overall budget for 2023/24

5.9.18 Respondents were also asked if they had any further comments to make about the councils proposed budget for 2023/24. Of those who responded to the consultation, 53 out of 140 gave a response to this question.

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

- Cost of living means council tax should be minimised: (Seventeen Comments).
- I would support a higher increase in Council tax: (Nine comments).
- Reduced Policy and Resources Budget/ management costs/ insourcing (Three comments).
- This seems to go against labour's manifesto promise: (Three comments)
- Budget not sustainable / Not credible: (Three comments)

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

5.9.21 The council launched a budget consultation in the week beginning 23 December 2022. The consultation ran for six weeks and closed on 4 February 2023.

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

5.9.23 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.

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

6. Background papers

Committee	Item & Agenda	Link
Policy & Resources 22 February 2023	Item 8: Business Planning (including BOOST Plan)	Agenda for Policy and Resources Committee on Wednesday 22nd February, 2023, 7.00 pm (moderngov.co.uk)
Policy & Resources 13 December 2022	Item 8: Business Planning 2023-2027 and in-year Financial Management 2022/23	Agenda for Policy and Resources Committee on Tuesday 13th December, 2022, 7.00 pm (moderngov.co.uk)
Policy & Resources 29 September 2022	Item 9: Business Planning 2023-2027 and in-year Financial Management 2022/23	Agenda for Policy and Resources Committee on Thursday 29th September, 2022, 7.00 pm (moderngov.co.uk)
Policy & Resources 19 July 2022	Item 9: Revised Budget 2022/23 and Business Planning 2023-2027	Agenda for Policy and Resources Committee on Tuesday 19th July, 2022, 7.00 pm Barnet Council (moderngov.co.uk)
Full Council 01 March 2022	Item 13.1 Report from Policy and Resources Committee - Business planning	Agenda for Council on Tuesday 1st March, 2022, 7.00 pm Barnet Council (moderngov.co.uk)