

	<h2>Cabinet</h2>
<b>Title</b>	Business Planning 2024-2030 and In-Year Budget Management 2023/24
<b>Date of meeting</b>	12 <sup>th</sup> December 2023
<b>Report of</b>	Councillor Barry Rawlings, Leader of the Council and Cabinet Member for Resources & Effective Council
<b>Wards</b>	All
<b>Status</b>	Public
<b>Key</b>	Key
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A: Medium Term Financial Strategy (MTFS) Appendix B: Breakdown of savings and income generation proposals Appendix C: Breakdown of service pressures Appendix D: Sustainability Budget Update Appendix E: Breakdown of bad debt write-offs Appendix F: Updated Capital Programme
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<b>Summary</b>	
<p>Officers have refreshed the council’s MTFS ahead of the budget setting process and incorporated any changes required to reflect announcements made on the Chancellor’s Autumn Statement on 22 November. To ensure the budget is accurate and sustainable, the refreshed MTFS being presented to Cabinet takes into account funding announcements, revised assumptions around inflation, demand pressures and other on-going pressures on the council’s finances.</p> <p>This report forms a key part of the budget setting process for 2024/25 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.</p>	

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

The MTFS and the financial forecasts contained herein are based on the most up to date planning assumptions. It should be noted that the Local Government Finance Settlement is due to be received before Christmas. It is possible that the settlement could differ from the assumptions made. The implications of the differences, if any, will be brought back to Cabinet in February 2024 for consideration.

This report also presents for approval a number of routine financial management matters for 2023/24, in line with financial regulations, including updates to the programme of capital investment, budget amendments and debt management.

## Recommendations

### **That Cabinet:**

#### **In respect of business planning for 2024-30:**

1. Notes the issues facing local government finance nationally and across London as set out in 2.1-2.15;
2. Notes the key headlines from the Autumn Statement on 22 November 2023 as set out in 2.16-2.21;
3. Notes the updated MTFS attached as Appendix A and the underlying assumptions as set out in Section 3;
4. Notes the updates to the 2024/25 MTFS and estimate of 2024-30 budget gap. This will be updated to take account of information from the 2023 Provisional Local Government Finance Settlement due on 19 December 2023;
5. Notes that the MTFS assumed that the Eight Authority Business Rates Pool will continue for 2024/25 and that £2m benefit has been assumed in the MTFS (paragraph 3.3);
6. Delegates authority to the Executive Director of Resources (S151 Officer) to take all necessary actions to participate in and execute the Eight Authority Business Rates Pool agreement;
7. Notes the actions being taken to address the 23/24 forecast overspend of £26m as outlined in paragraph 3.9-3.10;
8. Notes the plans to address the remaining budget gap for 2024/25 as detailed in 3.18-3.20;
9. Agrees public consultation on the savings proposals as set out in Appendix B. These will come back to Cabinet on 6<sup>th</sup> February 2024 for referral to Full Council on 27<sup>th</sup> February 2024 for final approval of the 2024/25 budget including Council Tax;
10. Approves delegated authority to the Executive Director of Resources (S151 Officer) to amend the MTFS in line with the 2024/25 Provisional Local Government Finance Settlement due on 19 December 2023, to enable the 2024/25 Budget Consultation process to commence as discussed in paragraph 3.21;
11. Notes the council's reserves position as detailed in paragraphs 3.22-3.24;

12. Consider the recommendations that Overview & Scrutiny in November 2023 made on the proposed MTFS as detailed in the additional paper being presented to this Cabinet.
13. Notes the issues facing the Housing Revenue Account and the mitigating actions that the council and Barnet Homes are taking to ensure the viability of the HRA over through the 30-year Business Plan period – as outlined in Section 4;
14. Notes the actions the council are taking towards meeting its sustainability goals as set out in Section 5 and Appendix D; and
15. Notes the approach to Digital Transformation that the council has adopted and the update provided in Section 6.

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

16. Agrees to consult on the use of the council's flexibility to raise the level of General Council Tax by 2.98% in 2024/25 as discussed in paragraph 3.4;
17. Agrees to consult on the use of the council's flexibility to apply a 2.00% Social Care Precept, to help fund pressures in social care as set out in paragraph 3.4; and
18. Approves that the council's budget consultation will be launched in the week of 18<sup>th</sup> December 2023 for a period of 6 weeks after which the budget, with a cumulative equalities impact assessment, will be considered by Cabinet on 6<sup>th</sup> February 2024, before it is referred to Full Council on 27<sup>th</sup> February 2024.

**In respect of routine financial matters for 2023/24:**

19. Notes the contingency budget and allocations from it in section 7.1-7.4;
20. Notes the revenue budget virements for 2023/24 as detailed in sections 7.5-7.6;
21. Approves the debt writes-offs for Business Rates (NNDR), Council Tax, Housing Benefit Overpayments, Income (Sundry Debt) and Tenant Arrears (HRA and General Fund) as detailed in sections 7.7-7.34; and
22. Approves the changes to the existing Capital Programme in relation to additions as set out in section 8 in accordance with the virement rules.

## **1 Reasons for the Recommendations**

- 1.1 Business planning and strategic financial management enable the council to plan its future direction on the basis of the best strategic fit between the resources available to meet stakeholder needs and expectations, the priorities of the Administration, and the environmental conditions which prevail.

- 1.2 The council is legally obliged to set a balanced 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, increasing market pressures, demographic increases and legislative changes.
- 1.3 The MTFS sets out the estimated overall financial position of the council over a period of time. This report gives an overview of the work undertaken towards a balanced budget for 2024/25 and to reduce the gap savings requirement for 2025/26 to 2029/30. This ensures that Councillors and the public are informed of this work, supporting good governance.
- 1.4 This report also sets out further options that are being explored to address the remaining budget gap for 2024/25.
- 1.5 An overview of the process and progress to date was presented to Overview and Scrutiny (O&S) Committee on 21 November 2023. Any recommendations from O&S are presented as a separate paper on this Cabinet agenda.
- 1.6 While the main subject of this report is business planning and the MTFS, it also presents some routine items for Cabinet approval in line with financial regulations.
- 1.7 The revisions to the capital programme discussed in this report ensure that the council's financial planning accurately reflects what is happening with scheme delivery. This ensures that the council can make effective decisions on the deployment of its scarce resources.

## **2 Business Planning for the years 2024-2030**

### **The National Landscape**

- 2.1 On 20 October 2023, the Local Government Association (LGA) warned that local government councils in England face a widening gap in their finances that threatens cuts to services in towns and cities as inflation worsens an existing shortfall in funding.
- 2.2 It warned that England's local councils collectively are £4billion short of what they need to maintain services at current levels over the next two years. The estimated gap has risen by a third from £3billion in July 2023 due to updated national inflation forecasts.
- 2.3 The LGA argued that council tax increases are not a viable solution to raising more money during a cost-of-living crisis and called on the Government to provide extra funding in its Autumn budget in November.
- 2.4 It further highlighted that councils have seen a 27% real terms cut in core spending power since 2010, when the Government began an austerity drive following the global financial crisis.
- 2.5 The sharp spike in inflation and energy prices, which could not have been predicted by either central or local government when the Government finalised the 2022 local government finance settlement, is an unprecedented crisis and councils now face continuing increases in the demand for services just as the price of providing them is also escalating dramatically. This risks hampering the council's efforts to help level up communities and support residents through the cost-of-living crisis.

- 2.6 The report called on the Government to ensure councils have the resources they need to meet these unpredicted costs and protect the services that are helping communities recover from the pandemic and residents cope through the cost-of-living crisis.
- 2.7 It further highlighted that only with adequate long term funding – to cover increased cost pressures and invest in local services – and the right powers, can councils deliver for our communities, tackle the climate emergency, and level up all parts of the country.

### **The London Picture**

- 2.8 The many recent warnings of financial pressure by authorities across the sector shows local government is undergoing a period of extreme financial stress. This is particularly acute in London with the growing homelessness crisis, and significant overspending in adult social care and children’s services.
- 2.9 To highlight the serious financial challenges currently facing London local government, London Councils have, on behalf of all 32 London Boroughs and the City of London, made representations to the Government ahead of the Autumn Statement on 22 November 2023.
- 2.10 Their submission was set out in three sections:
- A. The first section set out the scale of the financial challenge facing London local government and the services facing the most acute financial pressure, namely: housing; adult social care; children’s services; and pressures driven by London’s higher level of asylum seekers and refugees;
  - B. The second section outlined the need to invest in London local government to protect the economy and deliver sustainable growth; and
  - C. The final section considered what the Government should do to reform local government funding to deliver more efficient and effective local public services in a tight fiscal environment.
- 2.11 Their submission highlighted that pressure on budgets in 2023-24 are worse than at any point since the height of austerity in 2016 with councils being much leaner and having less capacity to deal with the current period of sustained high inflation which is driving higher costs and more demand from residents struggling with the cost-of-living crisis.
- 2.12 In 2023/24, London boroughs’ overall resources remain around 18% lower than 2010-11 in real terms whilst over the same period, London’s population has grown by almost 800,000 increasing demand for services. London boroughs’ continue to see latent demand following the pandemic with persistent high inflation driving up prices for care.
- 2.13 New burdens and responsibilities that have been given to local government without requisite funding have also added to pressures including Council Tax Support schemes, underfunding for implementing the fair cost of care, and the shortfall in the costs of concessionary fares.
- 2.14 London Councils launched its key priorities for the Autumn Statement 2023, which included:
- An overall funding increase of at least 9% (in line with what was received in 2023/24).
  - Investment to reduce homelessness, including through uplifting the Local Housing Allowance and Homelessness Prevent Grant.
  - Reforms to the broken local government finance system, such as giving councils longer-term funding settlements and more devolved powers.

2.15 The full Representation made by London Councils can be found in the background papers to this report.

### **Autumn Statement**

2.16 The Chancellor of the Exchequer delivered the 2023 Autumn Statement on 22nd November 2023 and gave the usual updates on the state of public finances and the performance of the economy. The Chancellor organised his policies into five key areas:

1. reducing debt;
2. cutting tax and rewarding hard work;
3. backing British business;
4. building domestic and sustainable energy; and
5. delivering world-class education.

### **Key Headlines:**

#### 2.17 Local Government Funding:

- No new funding was announced for local government for 2024-25 for adult or children's social care or any general local government funding, beyond what was announced last year.

#### 2.18 Housing and Homelessness:

- Local Housing Allowance rates will be raised to a level covering 30% of local market rents;
- Additional funding of £120m in 2024/25 was announced for homelessness prevention. This allocation is UK-wide and no details of individual allocations were announced;
- The Local Authority Housing Fund is to be extended with a third round worth £450m to deliver new housing units and temporary accommodation for Afghan refugees;
- For the Housing Revenue Account, there is a rate extension of £5m to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023;
- Plans to allow local authorities to be able to fully recover the cost of planning fees for major planning applications if decisions are made within certain timelines were announced but no specific details given; and
- Local Planning Authorities are to receive £32m to tackle planning backlogs, again no details were given.

#### 2.19 Impact on businesses:

- The standard business rate multiplier will increase by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year; and
  - The 75% Retail, Hospitality and Leisure relief will be extended for 2024-25;
- Local authorities will be fully compensated for the loss of income because of these two measures and will receive new burdens funding for administrative and IT costs.

#### 2.20 Local Government Pension Schemes (LGPS):

- Reforms to the LGPS, including confirmation of guidance that will implement a 10% allocation ambition for investments in private equity, and establish a March 2025 deadline for the accelerated consolidation of LGPS assets into pools.

#### 2.21 National Living Wage and Benefits:

- From April 2024, the National Living Wage will increase by 9.8% to £11.44 an hour and lower the age threshold from 23 to 21 years old; and.
- The triple-lock for pensions will be "honoured in full" (an increase of 8.5%) and benefits will increase in line with the September CPI (6.7%).

## Current MTFS

2.22 The MTFS approved at February 2023 Full Council set out a savings requirement of £29.056m between 2023/24 and 2026/27. The budget for 2023/24 was balanced, and the remaining savings to be found for 2024/25 to 2026/27 were £9.426m of which £5.476m was in 2024/25.

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

2.23 The delivery of savings is a key challenge and officers are prioritising their delivery accordingly. Savings are being actively monitored closely through the monthly financial monitoring process and progress and operational progress is being discussed and challenged in all service areas. The council's financial management arrangements will track savings against targets and trigger implementation of mitigation strategies where needed. Should any savings be unachievable and suitable mitigations not be sufficient, additional savings will be required in 2024/25 in order to ensure the budget deficit does not increase.

2.24 During the 2023/24 budget setting process, total savings of £6.554m were identified for 2024/25 leaving a gap of £5.476m in the MTFS that was presented to Council in February 2023. The February MTFS included proposed Efficiencies and Income Generation options of £8.431m from 2024-2027 as shown below:

Department	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total savings £'000
Adults and Health	(1,433)	(12)	(12)	(1,457)
Assurance	(60)	(75)	(50)	(185)
Childrens and Family Services	(961)	(400)	(200)	(1,561)
Customer & Place	(3,303)	(468)	(360)	(4,131)
Strategy & Resources	(797)	(300)	0	(1,097)
<b>Total</b>	<b>(6,554)</b>	<b>(1,255)</b>	<b>(622)</b>	<b>(8,431)</b>

## 3 Balancing the MTFS 2024-2030

### Financial Strategy

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

- We will set a legal budget, balancing recurrent expenditure with estimated income within the medium term in order that the council has a sustainable financial position;
- We will plan over a medium term of at least 3 years in order that the council is fully informed as to future scenarios and can prepare appropriate action;
- A level of sustainable reserves will be maintained, this will be defined by the Section 151 officer during the budget setting process, considering prevailing risks and opportunities. For 2024, this has been identified as £15m for general fund balance and £40m for earmarked non-ringfenced revenue reserves;

- We will seek to build resilience to economic shocks and insulate from the requirement for sudden cuts to vital services;
- We will use reserves to invest in one-off investment or transformation requirements but not to the point of the organisation being in distress;
- We will ensure we have sufficient funding for on-going transformation and long term changes;
- We will provide a realistic amount of funding to support increasing demand, quickly addressing ongoing financial pressures with a permanent solution, reducing the instances where one off solutions are used;
- We will achieve the best possible outcomes within the funding available;
- We will ensure that budgets are aligned to Our Plan for Barnet 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.

### **Refreshed MTFS**

3.2 The change in assumptions have revised the gap for 2024/25 to £46.195m with a savings requirement of £98.283m to 2030.

<b>MTFS Summary</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
<b>Resources vs. Expenditure</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Expenditure</b>	<b>431.494</b>	<b>463.789</b>	<b>493.445</b>	<b>523.010</b>	<b>552.848</b>	<b>582.978</b>
<b>Resources</b>	<b>(385.299)</b>	<b>(402.015)</b>	<b>(420.659)</b>	<b>(440.592)</b>	<b>(461.906)</b>	<b>(484.696)</b>
<b>Cumulative (Surplus)/Shortfall to Balanced Budget</b>	<b>46.195</b>	<b>61.774</b>	<b>72.786</b>	<b>82.418</b>	<b>90.942</b>	<b>98.283</b>
<b>In Year Budget Gap before Savings</b>	<b>46.195</b>	<b>27.738</b>	<b>31.614</b>	<b>38.408</b>	<b>39.938</b>	<b>39.712</b>
Efficiencies and Income Generation options Proposed	(34.036)	(7.135)	(2.838)	(6.994)	(7.566)	(6.200)
<b>(Surplus)/Shortfall to Balanced Budget</b>	<b>12.159</b>	<b>20.603</b>	<b>28.776</b>	<b>31.414</b>	<b>32.372</b>	<b>33.512</b>
<b>In year savings requirement</b>	<b>46.195</b>	<b>15.579</b>	<b>11.011</b>	<b>9.633</b>	<b>8.524</b>	<b>7.340</b>

### **24/25 onwards – planning assumptions**

3.3 The December 2022 Local Government Finance Settlement (LGFS) for 2023/24 outlined funding allocations for local authorities for 2023/24 only but gave confirmation of the majority of funding streams for 2024/25. The Government set out planning assumptions for 2024/25 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 (based on September 2023 CPI);
- Standard business rate multiplier will be increased by Sept CPI (6.7%) and small business rate multiplier to be frozen for a 4th consecutive year;
- Business rates pooling will continue – the MTFS assumed £2m pool benefit for 2024/25; and
- The future position of New Homes Bonus will be set out ahead of the 2024/25 local government finance settlement.



3.4 Given the uncertain future funding position for Local Government, the refreshed MTFS shown in section 3.2 makes indicative estimates of what funding could look like over the MTFS period. The main assumptions are:

- The flexibility to raise council tax by up to 3.00% will remain. The MTFS assumes General council tax increases of 2.98% each year from 2024/25 onwards;
- The flexibility to raise the Adult Social Care precept by 2.00% will remain. The MTFS assumes Adult Social Care increases of 2.00% each year from 2023/24 onwards;
- New Homes Bonus (NHB) no longer exists;
- Grant funding amounts specified in the Dec 22 LGFS, are assumed to remain unchanged;
- For 25/26 onwards, the Revenue Support Grant, ASC Market Sustainability & Improvement Fund, Better Care Fund & Social Care Grant all increase by 2% p.a. All other Government grants will remain the same; and

### **Inflation Funding**

3.5 Pay inflation of 4% has been assumed for 2024/25, reducing to 2% for 2025/26 onwards.

3.6 The MTFS assumes non-pay inflation of 4% for 2024/25, reducing to 2% for 2025/26 onwards. Inflation is a clear risk and the council will continue to review the latest data, both overall and in different sectors (e.g. construction materials).

### **Pressures**

3.7 Since 31 March 2022 there has been a seismic shift in the macro-economic environment with high inflation and high interest rates. This is twinned with latent demand from Covid, increases in demand for social care and reductions in income on parking. This is further exacerbated by the 2023/24 in year overspend which was forecast to be £26m at Month 6.

3.8 There are a number of national and local factors driving this position:

- Inflation: When the 2023/24 budget was set, the Bank of England, Office for National Statistics and other forecasting organisations were estimating inflation to be around 5-6% in 2023. Based on this intelligence the council budgeted for non-pay inflation to be just under 8%. The average non-pay inflation across contracts (including fuel, electricity and social care contracts factoring London Living Wage) was just under 10%;
- Interest rates: while interest rates are slowly decreasing, the Bank of England base rate rose to 5.25% in August 2023, this means externalising internal borrowing at a time of decreasing cash reserves is expensive;
- Contingency hotels: Barnet has 5 hotels in the borough being used by the Home Office to house approx. 1,600 asylum seekers. The Home Office's change in procedure for discontinuation of asylum support for those who have received a decision – from 28 / 21 days to 7 days and pursuing hotel maximisation through room sharing, means that more people on receiving their right to remain could become eligible for housing within the borough. Good quality, housing at Local Housing Allowance (LHA) rate is in low supply and therefore increases costs for the council. Also the Housing Benefit Subsidy is only claimable for temporary accommodation at 90% and landlords are charging rates over LHA rates;
- Changes to tax benefits for landlords: The Government's changes to tax benefits to landlords and increasing mortgage rates has seen a number of them exit the market further reducing the supply of housing available;
- Adult social care: assumptions were made around the increase in demand and actuals have exceeded this. Discharges from hospitals – where statistics show that Barnet is now the 2nd highest in London (887/100k, London average: 687/100k) – has driven further increases in use of homecare and reablement;

- Independent Fostering Agencies (IFA): more IFA placements are needed for sibling groups and children with more complex behaviours. Delays within the court system have meant existing placements have had to be extended, compounding the issue;
- Increase in solo provision placements: while exceptional in nature, these placements - for the safety of the child and / or others – are very high. Placements for six young person this year have resulted in an overspend of about £1.7m;
- Special Parking Account: changes in parking and travel behaviours associated with cost of living crisis and increased prevalence of working from home has resulted in reduced parking income. This year the deficit is estimated to be £3m, this is on top of funded deficits in the previous two years of similar amounts.

3.9 Officers are working on the below actions to mitigate the 2023/24 forecast overspend and 2024/25 pressures:

Areas of focus	Expected saving	
	2023/24 £m	2024/25 £m
<u>Placements reviews</u> : Review of high cost packages in both Adults and Childrens Social Care;	(1.000)	(1.500)
<u>Adults Social Care</u> : More effective care purchasing	(0.300)	
<u>Adults Social Care</u> : Enablement	(0.325)	
<u>Adults Social Care</u> : Transitions/ supported living negotiation	(0.025)	
<u>Adults Social Care</u> : Fees and Charges	(0.280)	
<u>Adults Social Care</u> : Direct Payment recouping (18-25)	(0.150)	
<u>Adults Social Care</u> : Sheltered plus	(0.050)	
<u>Adults Social Care</u> : Assistive Technology ~ contract + preventative tech	(0.250)	
<u>Your Choice Barnet (YCB)</u> : reviewing the YCB operational model to transform it to eliminate operational losses;	(0.500)	(2.000)
<u>Parking</u> : undertaking an operational cost review and considering a capital bid for Controlled Parking Zones implementation;	tbc	(1.427)
<u>SEN Transport</u> : review increased use of Personal Travel budgets for children who require SEN support;	(0.200)	(0.800)
<u>Independent Foster Agency</u> reduction in placement duration assumptions from 36 weeks to 33 weeks	(0.321)	0.000
<u>UASC under 18s</u> - additional grant income due to NTS scheme,	(0.240)	0.000
<u>Review operating / income model</u> : for Highways, Planning & Regulatory Services	(1.121)	(1.280)
<u>Assurance - vacancy management</u> . Income review in Pest control and Licencing	(0.400)	
Other mitigating actions underway include: <ul style="list-style-type: none"> <li>• Housing Benefit overpayment recovery;</li> <li>• Maximise debt recovery;</li> <li>• Maximising the Housing Benefit subsidy claim;</li> <li>• Council Tax income maximisation (direct debits and collection);</li> <li>• Business Rates income maximisation; and</li> <li>• Review of capital programme: to explore the impact on financing costs of re-assessing projects in the capital programme.</li> </ul>	tbc	tbc
<b>TOTAL</b>	<b>(5.162)</b>	<b>(7.007)</b>

3.10 The following actions are also being undertaken:

- Working with the Local Government Association: including peer support in Adults Social Care;
- Representation on regional forums: these include London Councils, the Association of Directors of Childrens Services, the Association of Directors of Adult Social Services. Discussions to encourage joint working and try to influence market shaping;
- Capital programme: review of the council's capital programme to reduce the revenue impact of funding; and
- Spend Controls: introducing spend controls across the council including:

- Actively managing recruitment to vacant posts vacancies and agency costs;
- Reviewing contract spend. Particularly in relation to contract renewals; and
- Tighter controls on discretionary spend.

3.11 The MTFs demonstrates that the impact of this is felt more acutely in 2024/25 and the allows for non-inflationary pressures demand of £42.537m in 2024/25 with total service pressures of £52.094m across the MTFs. In addition to identified pressures, the MTFs allows for unforeseen pressures totalling £65.444m across the MTFs bringing the total non-inflationary pressures allowance to £117.537. Further detail of the pressures submitted by services is provided in Appendix C.

Department	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Total £'000
Assurance	495	0	0	0	0	0	495
Children and Family Services	7,427	639	869	0	0	0	8,935
Communities, Adults and Health	23,993	87	0	0	0	0	24,079
Customer & Place	6,244	2,503	3,192	659	412	69	13,080
Public Health	600	0	0	0	0	0	600
Strategy & Resources	3,778	420	438	240	29	0	4,905
<b>Sub-total</b>	<b>42,537</b>	<b>3,649</b>	<b>4,499</b>	<b>899</b>	<b>441</b>	<b>69</b>	<b>52,094</b>
Additional pressures	0	11,351	10,501	14,101	14,559	14,931	65,444
<b>TOTAL</b>	<b>42,537</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>117,537</b>

3.12 Ideally we would provide for all risks that could materialise but doing so will further increase the budget gap and so at this stage, officers are continuing to monitor the likelihood of the below risks happening and identifying mitigating actions that can be taken:

- Non-pay inflation could be more than 4%:
  - Reflecting the increase in the London Living Wage, will have an increase between 5-7%;
  - Increases in specific resources like fuel and electricity may also continue to be over and above the assumptions made; and
  - An extra 1% increase on non-pay inflation for all contracts would be £1.8m for 2024/25.
- Pay inflation could be more than 4% - the 23/24 settlement for Outer London Boroughs was a salary increase of £2,226 to the majority of staff with staff on a salary above £57,102 (bottom of Grade L) receiving an uplift of 3.88%. This equates to ~8% for 23/24 and this could be a pressure for 24/25 if the same model is applied.
- Operational pressures on waste collection based on borough growth are estimated to be £580k (over 6 years);
- There is a risk that there is additional cost regarding the storage of Passenger Transport vehicles £930k (2024/25);
- To meet commitments on tree planting, another £430k is needed over and above current grant awards. This has not been provided for, if further grants cannot be found, the risk is less trees will be planted (2024/25);
- Housing Support Fund has been announced to cease in 2023/24, Barnet's allocation was £4.9m this year with just under 70% of this going to children via schools, there is a risk that while this funding will cease, the demand doesn't; and
- One off pressures which are intended to be funded from reserves in 2024/25 and will have an adverse impact on reserves:
  - Car parking income until it recovers (£1.3m) – from the Special parking Account Reserve;
  - Your Choice Barnet operational deficit (£1.05m) – from general reserves;
  - Sexual Health Services (CNWL) increasing contract cost and Agenda for Change (£.0200m) – from the Public Health Reserve; and

- Substance misuse service increase in Tier 4 treatment that has not been accounted for (£0.150m) – from the Public Health Reserve.

### **Community Infrastructure Levy (CIL) Funding**

3.13 The MTFS proposals assume £9.183m of eligible revenue funding will be paid for from CIL contributions thereby freeing up the equivalent amount of revenue to help balance the budget.

	2024/25 £'000
Libraries	565
Green Spaces & Leisure	2,014
Estates	1,654
Employment Skills & Economic Development	799
Fund Library books through CIL	450
NCIL to support street cleansing services	200
Telecare	1,000
Highways	2,500
<b>TOTAL</b>	<b>9,183</b>

3.14 CIL funding has been allocated only to expenditure that meets the requirement for CIL and has been allocated to ensure that there is sufficient CIL remaining over the MTFS period to meet existing commitments and Capital expenditure that is expected to be funded from CIL. There is the risk that CIL receipts for future years will fall short of those anticipated in the modelling but this will be reviewed as part of future years' MTFS.

### **Savings**

3.15 Just under half of the savings requirement of £98.079m to 2030 (£45.816m) falls in 2024/25. This is driven primarily by the forecast 2023/24 overspend and on-going pressures as detailed in section 3.7-3.11.

3.16 Departments have considered a programme of savings to address the budget gap identified between 2024-30 and the savings proposed have been fully recognised within the MTFS. There are potential delivery risks around savings which will be managed as plans progress.

3.17 The savings identified by Department are as below with further detail provided in Appendix B:

Department	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Total £'000
Assurance	(577)	(50)	(50)	0	0	0	(677)
Children and Family Services	(3,666)	(453)	(835)	(725)	(725)	(725)	(7,129)
Communities, Adults and Health	(10,600)	(630)	(3,000)	(3,000)	(3,000)	(3,000)	(23,230)
Customer & Place	(7,504)	(3,652)	(3,333)	(1,249)	(1,821)	(460)	(18,020)
Public Health	(54)	(20)	(20)	(20)	(20)	(15)	(149)
Strategy & Resources	(735)	(330)	0	0	0	0	(1,065)
Cross-Council	(10,900)	(2,000)	4,400	(2,000)	(2,000)	(2,000)	(14,500)
<b>Sub-total</b>	<b>(34,036)</b>	<b>(7,135)</b>	<b>(2,838)</b>	<b>(6,994)</b>	<b>(7,566)</b>	<b>(6,200)</b>	<b>(64,771)</b>

### **The Remaining Gap**

3.18 The refreshed MTFs shows that despite savings of £34.036m having been identified for 2024/25, there still remain a gap of £11.780m to be found.

3.19 Officers are exploring further options to balance the 2024/25 budget including:

- Continuing Care Income: Maximising income from Health for contributions to Continuing Care and maximising the recovery of existing debt;
- Employer Pension Contribution: The Pension Fund is currently 130% funded and therefore in surplus and the MTFs currently includes £6.4m saving due to a temporary easement in employer contribution. Options for increasing this easement are being explored and the mechanism of this are being advised by the actuary, legal advisors and internal policies;
- Further reduction in adults pressures as a result of in year actions (£2.0m);
- Further reduction in children's pressures as a result of in year actions (£1.0m);
- Further reduction in customer/place pressures (0.5m);
- Increase digital transformation savings/income (£1.0m);
- Increase income from NHS on CHC/CC (£1.5m);
- Recharges to DSG/HRA and ringfenced grants (£1.0m);
- Further reduction of posts across the organisation (redundancy/exit) (£1.0m);
- Review of non-statutory functions (£2.0m);
- Other misc. savings/staff ideas (£0.25m); and
- Introduce a vacancy factor (strictly managed and adhered to) (£1.909m).

3.20 The final revisions for the 2024/25 MTFs and estimate of 2024/25 to 2029/30 budget gap will be presented to Cabinet in February 2024. This will be updated to take account of the 2024/25 Provisional Local Government Finance Settlement which is expected in December 2023.

3.21 Subject to agreement from Cabinet, the council will launch a 6 week budget consultation in the week beginning 18<sup>th</sup> December 2023.

### **Reserves**

3.22 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.

3.23 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.

3.24 At the end of 2022/23, the council's earmarked reserves were £126.7m. Of this:

- £17m are forecast to be drawn down in 2023/24. This is before draw down to cover any 2023/24 overspend); at Month 6, there is a forecast overspend of £26m. Any overspend at the end of the year that has not been reduced by mitigating actions will need to be drawn down from reserves.
- £24m are CIL reserves to finance new infrastructure;

- £33m relate to grants that have to be used for the purpose stated otherwise could be clawed back; and
- £52m while earmarked, could all be re-purposed.

#### **4 Housing Revenue Account (HRA)**

- 4.1 The current inflation and interest rate environment putting chronic pressure on HRA's across London and the diminishing ability for HRA's to self-fund (through rental income) sustainably into the future. The current outlook would indicate this may be the situation with the HRA and thus it will likely require General Fund support in 2/3 years.
- 4.2 Significant on-going financial and operational challenges include:
- Increased cost of repairs/ major repairs due to the inflationary cost of labour/ materials significantly above CPI
  - The current high interest rate environment affecting affordability of capital investment and development programmes, as well as meeting our statutory duties – e.g. Damp and Mould, Fire Safety, building safety regulations on Regeneration sites.
  - Increasing cost of utilities rising above prior assumptions, meaning higher subsidy by the council for some households
  - Increasing damp and mould costs, beyond the significant originally estimated investment the council has previously committed.
  - Potential cap on Rents. For 2023/24, Central Government applied a 7% cap on rent, which was significantly lower than the increased cost of repairs. Central Government has not yet notified local authorities of a cap for 2024/25.
- 4.3 The council and the Barnet Homes are working through mitigations to ensure the viability of the HRA through the 30-year Business Plan period:
- Looking at internal operations, a review of the management fee process
  - Networking with neighbouring boroughs and London Councils to identify best practice and opportunities across the sector.
- 4.4 The revised HRA Business Plan for 2024/25 will be presented to Cabinet on 6th February 2024 with the wider council MTFs, ahead of Full Council for final approval on 27th February 2024.

#### **5 Progress towards Sustainability**

- 5.1 The council has an ambition to become one of London's most sustainable boroughs, including to become Net Zero as a council by 2030 and as a place by no later than 2042. This is currently being delivered through the council's sustainability programme.
- 5.2 A key part of this ambition is the integration of a "Sustainability budget" within the council's annual budget process. The Sustainability budget highlights the measures that are being funded in the budget to deliver the council's net zero target. In doing so, the Sustainability budget clearly visualises how the council is prioritising efforts to achieve its sustainability aims, and any challenges faced in doing so.
- 5.3 Appendix D gives an update on progress so far, future plans, funding and next steps.

#### **6 Digital Transformation**

- 6.1 After years of austerity, the council is now faced with abnormally high levels of inflation and relentless pressures on demand across all core services. The need to address these challenges is firmly embedded within the central plank of the transformation programme, “doing things differently.” In respect of our approach to digital transformation, it is recognised that while traditional approaches to modernise and drive efficiencies are effective, they are also too time and resource consuming, so a more modern fast-tracked approach to identifying value was commissioned.
- 6.2 The approach adopted has been to utilise a "Digital Blueprint' that has pre-identified a suite of opportunities to drive value (business outcomes, customer experience and efficiencies/revenue). These opportunities covered most of the high spend budget areas in the council.
- 6.3 Each opportunity in the Digital Blueprint covers a specific service area and includes an outline approach to service modernisation (leveraging digital technologies), with a very high-level business case that has been compiled using data from various sources including the councils statutory returns, as well as indicative timelines to make the change and a view on the complexity for the service to adopt.
- 6.4 During a one-day workshop, the management team reviewed all of the opportunities in the Digital Blueprint and prioritised them based on the potential impact and relevance to the current service delivery models.
- 6.5 The results of this work have been fed into the MTFs and have identified £2m of potential savings across a range of service areas. Further work is now underway to conduct the necessary due diligence on these proposals and agree implementation plans.

## **7 2023/24 Budget Management**

### **Contingency**

- 7.1 The contingency budget is a useful tool in effective financial management of an organisation. It provides a mechanism to allocate additional funding on a temporary or permanent basis during the financial year. This allows the recognition and funding of costs over and above those included within the council’s base budget. It is a more appropriate mechanism than the use of one-off funding, such as reserves, in meeting the costs of pressures as it enables the council to ‘live within its means’ both in the short and longer term. Council financial regulations also should prevent expenditure being incurred for which there is no budget provision. Allocations from contingency ensure that the financial regulations can be adhered to when unexpected items occur. This therefore supports the delivery of the organisation’s overall financial strategy.
- 7.2 The contingency budget is usually forecast to be fully spent within the financial projections despite containing unallocated elements. This means that any virements to areas displaying a financial pressure will generally benefit the bottom line of the council’s projected outturn variance. At the start of the 2023/24 financial year, we had £25.232m contingency funding available.
- 7.3 When preparing the budgets, all pay and non-pay inflationary pressure allocations within the MTFs are held within the contingency budget and are allocated during the year to service areas when the true costs are better understood. Of the £25.232m contingency balance, £14.034m has been allocated to services for non-pay inflation and £8.576m has been earmarked for pay inflation.
- 7.4 The table below shows that there is £1.659m unallocated contingency remaining for 2023/24. If there are no calls on this balance, it will be carried forward into the 2024/25 contingency budget.

	£'m
<b>Contingency Budget 2023/24</b>	<b>25.242</b>
<b>Posted in 2023/24</b>	
Climate Change (Sustainability Team)	(0.508)
A1000 Cycleway maintenance	(0.160)
Help support and develop women and girls football in Barnet	(0.075)
Comms new structure	(0.200)
Non-Pay Inflation	(14.034)
Business Continuity Officer	(0.030)
<b>Total Posted</b>	<b>(15.007)</b>
<b>23/24 Commitments not yet posted</b>	
Pay inflation to be allocated	(8.576)
<b>To be posted</b>	<b>(8.576)</b>
<b>TOTAL Remaining</b>	<b>1.659</b>

### Virements

- 7.5 The constitution requires that any virement from contingency of £0.250m or above are approved by Cabinet. Further, any virements between services over £0.250m must also be approved by Cabinet.
- 7.6 The below virement is required to move the budget of the team that administers the Disabled Facilities Grant (DFG) from Customer & Place to Adults & Communities. This will align the staffing costs for DFG administration to where the DFG grant budget resides.

Department	Description	£
Adults & Health	Care & Repair	107,965
Customer & Place	Care & Repair	(107,965)
	<b>TOTAL</b>	<b>0</b>

### Debt Write-offs

- 7.7 The write-off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income, and it removes uncollectable debt from the system. All businesses suffer from uncollectable debt and the council maintains a bad debt provision against which to charge these write offs.

### Business Rates (NNDR)

- 7.8 Irrecoverable Business Rates debts of £2,417,002.56 are requested for write off. The individual debts are all over £5,000 and cover the financial years from 2003/04 to 2023/24.
- 7.9 All the debts are in respect of closed accounts. Some are in respect of debtors who have absconded, including some who are known to be abroad and out of our jurisdiction. Other debts are either limited companies that have been dissolved or wound up, or companies registered abroad. None or insufficient monies to clear these debts have been yielded as Business Rates debts do not rank as preferential debt in insolvency proceedings. Therefore, no further action can be taken.
- 7.10 Attempts to trace debtors include searches of internal systems, credit reference agencies, internet searches, enquiries with owners, agents, and new occupants of the relevant properties and visits by



the inspector and Enforcement Agents. In respect of cost effectiveness, the extent of tracing activity will correspond to the amount of individual debts and with a greater emphasis on checks made in respect of larger debts. It should be noted that where a debtor is traced following the write-off of the debt, the debt will be reinstated and further attempts made to recover, subject to statutory limitation periods and it being economical to do so.

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

Financial Year of Debt	COSTS	LIABILITY	Grand Total
2003	£100.00	£1,962.71	£2,062.71
2004	£1,175.00	£14,205.74	£15,380.74
2005	£1,620.00	£73,670.65	£75,290.65
2006	£2,009.00	£62,556.23	£64,565.23
2007	£2,678.00	£107,654.68	£110,332.68
2008	£3,197.00	£255,375.17	£258,572.17
2009	£4,250.00	£374,158.83	£378,408.83
2010	£3,740.00	£161,148.77	£164,888.77
2011	£6,097.16	£257,793.56	£263,890.72
2012	£3,060.00	£173,712.22	£176,772.22
2013	£3,060.00	£113,049.67	£116,109.67
2014	£2,040.00	£52,617.91	£54,657.91
2015	£1,170.97	£45,615.47	£46,786.44
2016	£680.00	£67,110.00	£67,790.00
2017	£340.00	£25,255.70	£25,595.70
2018	£680.00	£67,470.87	£68,150.87
2019	£1,530.00	£96,685.02	£98,215.02
2020	£170.00	£96,857.88	£97,027.88
2021	£2,000.00	£128,905.53	£130,905.53
2022	£1,360.00	£189,163.97	£190,523.97
2023	0	£11,074.85	£11,074.85
<b>Grand Total</b>	<b>£40,957.13</b>	<b>£2,376,045.43</b>	<b>£2,417,002.56</b>

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

Reason	Sum of Total Debt
ADMINISTRATION	£53,588.85
DISSOLVED	£513,439.41
GONE AWAY	£1,474,928.70
LIQUIDATION	£280,629.96
UNCOLLECTABLE	£94,415.64
<b>Grand Total</b>	<b>£2,417,002.56</b>

### Council Tax

7.13 Irrecoverable Council Tax debts of £238,037.74 are requested for write off. The individual debts are all over £5,000 and cover the financial years from 2003/04 to 2023/24.

7.14 Some debts relate to 2009 because we continue to pursue outstanding debt irrespective of age until there is no realistic/economic possibility of payment. All customer contact details have been checked to try to prompt contact from the debtor in addition to the necessary recovery notices as noted below.

We use telephone and email contact that we may hold as a couple of the methods to try and elicit contact from the debtor in addition to the necessary recovery notices as noted below.

7.15 Attempts to trace absconders include searches of our internal revenues system, credit reference agencies and land registry records. In respect of cost effectiveness, the extent of tracing activity will correspond to the amount of the individual debts with a greater intensity of checks being carried out in respect of larger debts. It should be noted that where a debtor is traced following the write off the debt then the debt will be reinstated and further attempts made to recover, subject to statutory limitation periods and it being economical to do so.

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

Financial Year of Debt	COSTS	LIABILITY	Grand Total
2004		£1,659.86	£1,659.86
2005	£88.00	£2,076.50	£2,164.50
2006	£545.00	£2,420.86	£2,965.86
2007	£605.00	£6,323.00	£6,928.00
2008	£912.95	£5,697.09	£6,610.04
2009	£838.00	£5,887.97	£6,725.97
2010	£582.00	£7,021.68	£7,603.68
2011	£388.00	£4,856.90	£5,244.90
2012	£291.00	£5,724.39	£6,015.39
2013	£679.00	£8,872.77	£9,551.77
2014	£801.00	£7,240.45	£8,041.45
2015	£1,095.00	£15,376.45	£16,471.45
2016	£660.46	£16,210.24	£16,870.70
2017	£1,197.23	£19,913.33	£21,110.56
2018	£873.00	£17,105.25	£17,978.25
2019	£1,000.00	£20,364.57	£21,364.57
2020	£1,146.14	£26,548.46	£27,694.60
2021	£1,079.66	£26,946.89	£28,026.55
2022	£875.00	£18,520.98	£19,395.98
2023	£125.00	£5,488.66	£5,613.66
<b>Grand Total</b>	<b>£13,781.44</b>	<b>£224,256.30</b>	<b>£238,037.74</b>

7.17 The breakdown of the reasons for write off are as follows:

Reason	Sum of Total Debt
Bankruptcy Order	£222,842.15
Deceased	£15,195.59
<b>Grand Total</b>	<b>£238,037.74</b>

#### Housing Benefit Overpayments

7.18 Housing Benefit overpayments totalling £906,070.77 are requested for write-off. The individual debts are all over £5,000 and cover the financial years 2005 to 2023.

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

7.20 All avenues of recovery that were economical and practical have been considered before this course of action.

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

Year Debt Raised	Total Debt
2005	£ 58,292.00
2006	£ 5,203.38
2007	£ 9,415.45
2008	£ 14,574.05
2009	£ 7,290.00
2011	£ 63,544.91
2012	£ 16,186.16
2013	£ 5,945.00
2015	£ 72,747.63
2016	£ 32,064.48
2018	£ 58,247.14
2019	£ 203,688.76
2020	£ 127,328.19
2021	£ 120,636.86
2022	£ 49,791.29
2023	£ 61,115.47
<b>Total</b>	<b>£ 906,070.77</b>

7.22 A breakdown of the reason codes are as follows:

Reason	Value
Bankrupt	£ 15,718.40
Deceased	£ 115,185.95
DWP Error	£ 26,666.63
LA Error	£ 404,689.03
Unable to trace	£ 8,903.68
Pericles	£ 334,907.08
<b>Total</b>	<b>£ 906,070.77</b>

- Bankruptcy Order - In England and Wales, a bankruptcy order is established and governed by Part IX of the Insolvency Act 1986 and constitutes as a declaration that the claimant has no means to repay any of their outstanding debts and is therefore declared bankrupt.
- Deceased – Overpayments for deceased accounts will only be considered for write-off once all attempts have been made to establish contact with the executors without success, or no funds are available from the estate to recover from.
- DWP Error (Departmental Error) - overpayments of £26,666.63 have received full subsidy meaning there is no additional cost to the council.
- LA error - overpayments of £404,689.03 have received full subsidy meaning there is no additional cost to the council.
- Unable to trace – All cases have been through the recovery cycles several times and checked by all available resources, without success.

- Pericles - Debts are because of the old Pericles system failing to transfer sufficient information regarding overpayment period and reason when converting to Civica. We are, therefore, unable to provide claimants/Landlords with evidence how the overpayment occurred.

### Income (Sundry Debt)

7.23 Sundry income totalling £90,678.36 are recommended for write off. The individual debts are over £5,000 and cover the financial years 18/19 to 21/22.

7.24 The collection procedures used for the recovery of these debts have included the issue of an invoice, a reminder and a final notice. Additionally, and where appropriate, debt collection agencies are used and where legal action was undertaken a Notice before Proceedings would have been issued. Efforts have also been made to contact the debtor where possible and to agree suitable instalment arrangements. All avenues of recovery that where economical and practical have been considered before this course of action.

7.25 The breakdown of the value of the Sundry debts by year is as follows:

Financial Year of Debt	Amount	Reason
2018/19	15,752.85	Recovery Action Exhausted
2018/19	5,934.13	Uneconomical to Pursue
2019/20	6,299.92	Recovery Action Exhausted
2020/21	9,388.39	Uneconomical to Pursue
2021/22	53,303.07	Recovery action exhausted
<b>Total</b>	<b>90,678.36</b>	

7.26 A breakdown of the reason codes are as follows:

Reason for Write-Off	Value
Recovery Action Exhausted	£75,355.84
Uneconomical to pursue further	£15,322.52
<b>Total</b>	<b>£90,678.36</b>

### Tenant Arrears Write Offs – HRA

7.27 Tenant Arrears relating to HRA are recommended for write off. Individual debts over £5,000 totalling £126,081.54 covering the financial year 2017/18 to 2022/23 are recommended for write off.

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

- 'statute barred' which means the council cannot lawfully recover any debt from the former tenants because the debt is more than six years old and so the time period allowed by law for such recovery has passed.
- 'uneconomical to recover' which means that the debt is too small to warrant any recovery action although attempts may have been attempted.
- 'deceased no estate' which means that the customer has passed away and that no contact has been received regarding an estate.
- 'vulnerability' which means that customer has vacated the premises and is also likely to be vulnerable.
- 'debt relief order and/or bankruptcy orders' have been applied and as such the debt is not being pursued.
- 'final agreement settlement' which means that the debt was being pursued by debt collectors and an agreement has been reached to settle the matter.

- 'management decision' which means that management have assessed that the case can be written off (e.g. vulnerable persons, mental health,)
- 'unsuccessful from debt collection' which means that debt collectors have been unsuccessful in attempted collection.

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

7.30 The breakdown of the write offs greater than £5,000 totalling £126,081.54 are as follows:

Debt Category	2017/18	2018/19	2022/23	Total
Deceased			£18,132.90	<b>£18,132.90</b>
Unsuccessful from debt collection	£47,070.96	£60,877.68		<b>£107,948.64</b>
<b>Grand Total</b>	<b>£47,070.96</b>	<b>£60,877.68</b>	<b>£18,132.90</b>	<b>£126,081.54</b>

#### Tenant Arrears Write Offs - General Fund

7.31 Tenant Arrears relating to the general fund are recommended for write off. Individual debts over £5,000 totalling £683,421.82 covering the financial year 2017/18 to 2020/21 are recommended for write off.

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

- 'statute barred' which means the council cannot lawfully recover the debts from the former temporary accommodation tenants as the time period allowed by law for such recovery has passed;
- 'unrecoverable' due to the former tenant either being homeless and being housed under the Severe Weather Emergency Protocol (SWEP), being imprisoned or being particularly vulnerable;
- 'deceased no estate' which means that there is no estate for the deceased which can be considered to recover from;
- 'unsuccessful from debt agency' which means the case was sent to a debt recovery agency but their collection activities were exhausted and unsuccessful;
- 'final settlement' meaning an agreement has been made for part payment towards the debt as full & final settlement; or
- low level debts (i.e. debts of £20 or under, or between £20-£100 where attempts to contact have been unsuccessful) have also been included as the recovery of these monies are deemed uneconomical to recover.
- 'Management Decision' meaning the arrears are being written off at the discretion of a senior manager.

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

7.34 The breakdown of the write offs greater than £5,000 totalling £683,421.82 are as follows:

Debt Category	2017/18	2018/19	2020/21	Total
Statute Barred	£85,166.13			<b>£85,166.13</b>
Unrecoverable - Vulnerability/ SWEP			£12,485.62	<b>£12,485.62</b>

Unsuccessful from Agency	£83,275.93	£502,494.14		<b>£585,770.07</b>
<b>Grand Total</b>	<b>£168,442.06</b>	<b>£502,494.14</b>	<b>£12,485.62</b>	<b>£683,421.82</b>

## 8 Capital Programme

### Capital Programme 2023-2028

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.

8.2 The summary of the revised capital programme for Cabinet approval broken down by Portfolio is as follows:

Cabinet	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	£000	£000	£000	£000	£000	£000
Adults and Social Care	5,570	3,762	0	0	0	<b>9,332</b>
Homes and Regeneration (Brent Cross)	52,908	25,643	7,909	0	0	<b>86,460</b>
Family Friendly Barnet	9,759	16,080	5,431	5,821	0	<b>37,092</b>
Culture, Leisure, Arts and Sports	1,846	499	0	0	0	<b>2,345</b>
Environment and Climate Change	50,701	35,250	13,742	745	837	<b>101,275</b>
Homes and Regeneration	108,425	83,831	53,472	4,556	1,072	<b>251,356</b>
Resources and Effective Council	17,942	15,153	876	310	0	<b>34,281</b>
<b>Total - General Fund</b>	<b>247,150</b>	<b>180,218</b>	<b>81,430</b>	<b>11,432</b>	<b>1,909</b>	<b>522,140</b>
Housing Revenue Account	178,021	80,956	65,092	40,269	13,908	<b>378,246</b>
<b>Total - All Services</b>	<b>425,171</b>	<b>261,174</b>	<b>146,523</b>	<b>51,701</b>	<b>15,818</b>	<b>900,386</b>

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

Budget Movement Type	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000
<b>Reported Capital Budget - November 2023</b>	<b>420,559</b>	<b>259,753</b>	<b>146,156</b>	<b>51,701</b>	<b>15,817</b>	<b>893,987</b>
Additions	4,612	1,422	366	0	0	<b>6,400</b>
Deletions	0	0	0	0	0	<b>0</b>
<b>December 2023 Revised Programme</b>	<b>425,171</b>	<b>261,174</b>	<b>146,523</b>	<b>51,701</b>	<b>15,817</b>	<b>900,386</b>

8.4 Additions to the capital programme are shown below:

- Replacement Finance, HR and Procurement systems (£2.124m) addition to build and implement a payroll system.
- Extra Care (Stag) (£0.332m) additional in order to make retention payments to sub-contractors.
- HRA 250 – New Build (£2.092m) to bring this project in line with HRA business plan in order to reflect the LBB capital 5-year budget profile.
- HRA 250 – Moss Hall (£0.558m) insurance settlements to fund the demolition and clearance of Moss Hall Grove site.
- Brent Cross West Station (£0.200m) agreed third party payments for Brent Cross plot 14 lease additions.
- Town Centre (£0.326m) GLA funding for sustainable drainage systems and semi
- mature tree planting as part of the Finchley Central public realm improvement

- Extra Care – Cheshir House (£0.650m) addition to support the additional costs of fire safety works required due to changes in regulations.
- Libraries Capital Programme (£0.118m) addition for the installation of electronic payment technology needed in 10 Libraries across the Borough

8.5 The funding for the capital programme in £'000 is set out below:

Cabinet	Grants	S106	Capital Receipts	RCCO/MRA	CIL	Borrowing (MEEF)*	Borrowing (PWLB)	Total
Adults and Social Care	6,718	0	0	0	2,471	0	143	<b>9,332</b>
Homes and Regeneration (Brent Cross)	59,436	0	17,517	1,011	0	0	8,496	<b>86,461</b>
Family Friendly Barnet	32,505	1,657	116	0	268	0	2,547	<b>37,092</b>
Culture, Leisure, Arts and Sports	439	118	38	0	1,745	0	5	<b>2,345</b>
Environment and Climate Change	16,266	7,283	382	0	38,592	0	38,752	<b>101,274</b>
Homes and Regeneration	48,128	6,107	8,545	0	35,953	1,700	150,923	<b>251,356</b>
Resources and Effective Council	1	45	54	0	0	0	34,180	<b>34,281</b>
<b>Total - General Fund</b>	<b>163,493</b>	<b>15,210</b>	<b>26,651</b>	<b>1,011</b>	<b>79,028</b>	<b>1,700</b>	<b>235,046</b>	<b>522,140</b>
Housing Revenue Account	22,427	3,550	32,490	38,930	0	0	280,848	<b>378,246</b>
<b>Total - All Services</b>	<b>185,920</b>	<b>18,760</b>	<b>59,141</b>	<b>39,942</b>	<b>79,028</b>	<b>1,700</b>	<b>515,894</b>	<b>900,386</b>

\*MEEF – Mayor’s Energy Efficiency Fund

### **Borrowing**

- 8.6 £515.890m of the total capital programme will be funded from borrowing of which £106.31m is on-lent to Opendoor Homes for the acquisition or delivery of new housing.
- 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).
- 8.8 Included in the total Capital programme, is £1.7m 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**

- 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.
- 8.10 £59.1m of the above capital programme is planned to be funded by capital receipts. Of the £59.1m, £32.5m will be funded from HRA capital receipt (RTB Receipts) and £26.6m from General Fund Receipts.
- 8.11 Current receipts are standing at £49.43m with £40.134m being HRA receipts and the remaining £9.293m General Fund receipts. The current disposal programme estimates General Fund disposals of £1.070m in 23/24 and £15.825m in 24/25.
- 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.

8.13 HRA funding will also finance Open Door New Build Housing (£7.24m of which £2.67m is expected to be funded from capital receipts), which is shown in the above table under Homes and Regeneration Portfolio. 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**

8.14 The current capital programme shows £185.92m will be funded from Capital Grants. S106 and CIL are standing at £18.76m and £79.03m, respectively.

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).

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

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

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

## **9 Post Decision Implementation**

9.1 Following approval of these recommendations, resident consultation will begin in the week commencing 18 December 2023 for a period of 6 weeks after which the budget, with a cumulative equalities impact assessment, will be considered by Cabinet on 6th February 2024.

9.2 Cabinet will then, after considering the consultation responses and the equalities impact assessments, refer the proposals to Council. Council will set the budget envelope. Some savings proposals may need individual detailed consultation and this will be carried out before individual decisions are made. If the consultation and equality impact assessment results are such that the decision makes decide not to implement the proposals then alternative proposals will be considered including the use of reserves.

9.3 Savings proposals along with the council tax requirement will then be taken to Council on the 27 February 2024.

9.4 Following approval of the recommendations in this report, budget changes will be processed in the financial accounting system and reflected against service areas for 2023/24 for revenue and capital.

## **10 Corporate Priorities, Performance and Other Considerations**

### **Corporate Plan**

10.1 This supports the council's corporate priorities as expressed through Our Plan for Barnet which sets out our vision and strategy for the borough. This includes the outcomes we want to achieve for the borough, the priorities we will focus limited resources on and, our approach for how we will deliver this.



## **Corporate Performance / Outcome Measures**

10.2 None in the context of this report

### **Sustainability**

10.3 None in the context of this report

### **Corporate Parenting**

10.4 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 Our Plan for Barnet 2023-2026, reflect the council's commitment to the Corporate Parenting duty to ensure the most vulnerable are protected and the needs of children are considered in everything that the council does. To this end, great attention has been paid to the needs of children in care and care leavers when approaching business planning, to ensure decisions are made through the lens of what a reasonable parent would do for their own child.

10.5 Council, in setting its budget, considers the Corporate Parenting Principles both in terms of savings and investment proposals. The council's proposals seek to protect front-line social work and services to children in care and care leavers and in some cases, has invested in them.

### **Risk Management**

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

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

### **Insight**

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

### **Social Value**

10.9 None that are applicable to this report, however the council must take into account the requirements of the Public Services (Social Value) Act 2012 to try to maximise the social and local economic value it derives from its procurement spend. The Barnet living wage is an example of where the council has considered its social value powers.

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

11.1 The report considers strategic financial matters and refreshes the current position of the council's MTFs. Plans will be enacted to work and identify savings and ensure they go through the appropriate governance process to set a legal budget in March 2024.

- 11.2 This report requests approval for a budget consultation to be launched in the week of 18th December 2023 for a period of 6 weeks after which the budget, with a cumulative equalities impact assessment, will be considered by Cabinet on 6th February 2024, before it is referred to Full Council on 27th February 2024.
- 11.3 The proposed changes to the capital programme will have an impact on the cost of borrowing and therefore support the council's revenue budget.
- 11.4 The council's financial regulations require that virements for allocation from contingency for amounts over £250,000 and capital programme additions must be approved by Cabinet.
- 11.5 The write off of debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income, and it removes uncollectable debt from the system. All businesses suffer from uncollectable debt and the council maintains a bad debt provision against which to charge any debt write offs. The council's debt management policy approved annually sets out the council's policy and procedures in relation to the billing, collection and recovery of monies owed to the council and is to be adopted across all services within the London Borough of Barnet.
- 11.6 The costs associated with continuing to pursue the debts identified as uneconomical to collect are likely to be more than the balances outstanding. Writing off these debts ensures value for money for our local taxpayers.
- 11.7 The debts are all within Barnet's existing bad debt provision and the current bad debt provisions are shown below:
- Housing Benefit overpayments is £32,425,562.97.
  - Council Tax is £38,908,182.09.
  - Business Rates is £13,866,497.18.
  - The bad debt provision for Sundry Debtors is held within the service areas who have approved these write offs.
- 11.8 As sufficient Bad Debt Provision exists for these write offs there is no anticipated impact on the MTFS arising from these write offs.

## **12 Legal and Constitutional References**

- 12.1 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.
- 12.2 Under Section 114 of the Local Government Finance Act 1988, the chief finance officer (S151 Officer) of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 12.3 Part 2 D of the Council's Constitution sets out the Terms of Reference and Delegation of Duties to the Cabinet which include:
- To be responsible for:

- Development of proposals for the budget (including the capital and revenue budgets, the fixing of the Council Tax Base, and the level of Council Tax) and the financial strategy for the Council;
- Monitoring the implementation of the budget and financial strategy;
- Recommending major new policies (and amendments to existing policies) to the Council for approval as part of the council's Policy Framework and implementing those approved by Council;
- Approving policies that are not part of the policy framework;
- Management of the council's Capital Programme;

➤ All key decisions - namely:

- an executive decision which is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the budget for the service or function to which the decision relates; or
- an executive decision which is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough;
- a decision is significant for the purposes of above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question;
- award of contracts over £500,000 and all matters reserved to the Executive under the Contract Procedure Rules this may be done via the Procurement Forward Plan;
- virements between budgets as required by the Financial Regulations;
- making all non-key decisions which are referred to the Executive by the relevant Portfolio Holder or Director;
- Determination of recommendations and references from the Council or any of its Committees or sub-committees and which the Cabinet considers are appropriate for collective decision;
- Approval of HRA Rents.

12.4 The council's financial regulations state that amendments to the revenue budget can only be made with approval as per the scheme of virement table below:

Virements for allocation from contingency for amounts up to and including £250,000 must be approved by the Chief Finance Officer.
Virements for allocation from contingency for amounts over £250,000 must be approved by Cabinet.
Virements within a service in a Directorate that do not alter the approved bottom line are approved by the Service Director of that Directorate.
Virements between services within the same Directorate (excluding contingency allocations) must be approved by the relevant Chief Officers of that Directorate.
Virements between different Directorates (excluding contingency allocations) up to £50,000 must be approved by the relevant Chief Officers of both Directorates.
Virements between different Directorates (excluding contingency allocations) over £50,000 and up to and including £499,999 must be approved by the relevant Chief Officer(s) and Chief Finance Officer in consultation with the Leader and reported to the next meeting of Cabinet

Virements between different Directorates (excluding contingency allocations) over £500,000 and up to £25m must be approved by Cabinet.

12.5 Article 2a of the council's constitution sets out the role of Full Council as "approving or adopting the policy framework and the budget, including setting council tax, determining borrowing limits, approval of the capital programme". Council will set the budget and Cabinet will work within that set budget subject to the rules on virements contained in the Financial Regulations.

### **13 Consulting and Engagement**

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

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

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

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

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

13.4 Subject to agreement from Cabinet, the council will launch a 6 week budget consultation in the week beginning 18<sup>th</sup> December 2023.

### **14 Equalities and Diversity**

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

14.2 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.

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

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

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

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

14.5 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.

14.6 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.

14.7 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

14.8 If deemed appropriate, a project may be subject to future individual portfolio or Cabinet 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.

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

14.10 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.

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

14.12 Progress against the performance measures we use is published on our website at <https://www.barnet.gov.uk/your-council/policies-plans-and-performance/equality-and-diversity/equality-impact-assessments-2024-25>

## 15 Background Papers

15.1 Business Planning and Medium Term Financial Strategy 2024-2030 - Overview & Scrutiny Committee,

Item 7: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=1004&MId=11562&Ver=4>

15.2 Autumn Statement 2023 – Representation by London Councils: [LC AS2023 representation to HMT - FINAL.pdf](#)

15.3 Council – Feb 2023; Agenda item 11.1 [Agenda for Council on Tuesday 28th February, 2023, 7.00 pm \(moderngov.co.uk\)](#)