

MUNICIPAL YEAR 2018/2019 REPORT NO. 26

Item: 8

MEETING TITLE AND DATE:

Cabinet
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Agenda – Part:1

Subject: Budget 2019/20 and Future Years

REPORT OF:

Executive Director of Resources

Wards: All

Key Decision No: 4715

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1. EXECUTIVE SUMMARY

- 1.1 This report sets out an update on the progress of budget development for 2019/20 to 2022/23 and puts forward proposals for savings and income generation and principles for a resilient budget.

2. RECOMMENDATIONS

- 2.1 that Cabinet agree the principles for a resilient budget as set out in paragraph 5.4 of this report
- 2.2 That Cabinet agree that the savings proposals of £2.3m and income generation proposals of £0.7m set out in Appendix A to this report be progressed; and
- 2.3 that Cabinet agree the immediate investment of £0.15m, to be funded by a one-off contribution from contingency, to help get young people out of criminal environments and work with local communities to give young people better life opportunities.

3. BACKGROUND

3.1 The 2019/20 financial year will be the ninth year in which local government has faced significant funding reductions. Enfield Council's core government funding has been reduced by over 50% since 2010/11, a cash reduction of £100m. Over this period, increasing service demand has created significant budgetary pressures. 2019/20 is also the final year of the four-year settlement, and the financial outlook beyond then is uncertain. The Government's proposed funding reforms (Fair Funding and 75% Business Rates Retention) are due to be implemented from 2020/21). There will also be a spending review in 2019. As of now, there is little information on possible future levels of government funding.

3.2 In March 2018, the National Audit Office reported on the Financial Sustainability of Local Authorities to the Ministry of Housing, Communities and Local Government. The report concluded that while the sector has done well to manage substantial funding reductions since 2010/11, financial pressure has increased markedly since the last study:

“The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams. The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.”

3.3 The report noted some common issues affecting local authority finances:

- besides funding reductions, there is growth in demand for key services, as well as other cost pressures;
- demand has increased for homelessness services and adult and children's social care;
- councils have tended to protect spending on service areas such as adult and children's social care where they have significant statutory responsibilities; and
- a growing number of councils have not managed within their service budgets and have relied on reserves to balance their books, which is not financially sustainable over the medium term.

4. THE FINANCIAL POSITION

- 4.1 A balanced budget position was achieved for 2018/19, despite the continuing cuts to core funding, with £8.6m of new savings identified. The latest Medium Term Financial Position (MTFP) projection, as reported in the February 2018 Budget report, is set out in Table 1 below.

| Table 1 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-------------------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 |
| Gap Still to be Found | 0 | (13,580) | (7,183) | (1,649) |
| Council Tax Requirement | 121,079 | 126,303 | 129,218 | 132,199 |
| Council Tax Base | 96,005 | 96,305 | 96,605 | 96,905 |
| Band D Charge | 1,261.17 | 1,311.49 | 1,337.59 | 1,364.21 |
| % tax change | 4.99% | 3.99% | 1.99% | 1.99% |

- 4.2 The 2018/19 budget was based on a 4.99% increase in council tax, being a 2.99% general Council Tax increase of which 1% is to be specifically directed at Adult Social Care, and a 2.00% Adult Social Care Precept. This would allow a further 1% Adult Social Care precept to be raised in 2019/20 if the Council chose to do so.
- 4.3 The MTFP in the February budget report projected a budget gap of £13.6m in 2019/20, £7.2m in 2020/21 and £1.6m in 2021/22. The position is being updated to include financial year 2022/23, and will be adjusted in the light of emerging issues. The position will be developed in the context of financial uncertainty and increasing pressures on demand.
- 4.4 As indicated, the period the new MTFP covers, from 2019/20 to 2022/23, is very uncertain in terms of future funding. 2019/20 is the last year of the four-year settlement agreed by the Government in 2015. In his 2018 spring statement the Chancellor confirmed that his 2018 Budget this autumn would set out the overall path for public spending for 2020 and beyond, with a detailed spending review in 2019 (SR19).
- 4.5 In addition, it is expected that there will be significant changes to local government funding arrangements in 2020/21. The Government's Fair Funding review is expected to introduce changes to the funding formula in 2020/21, and it is possible that actual funding levels for that year will not be clear until late 2019. This will be in conjunction with a proposed reset of Business Rates baselines and the planned move to 75% business rates retention. The impact of these changes, and how they will interact with each other, is not yet known. Furthermore, there is uncertainty over the economic climate and the impact of Brexit.
- 4.6 There is a separate report on today's agenda on Revenue and Capital Outturn for 2017/18. This shows that there were service overspends of £2.9m offset by favourable variances in Corporate budgets and grant income.

- 4.7 The outturn report also comments on the reserves position. It will be critical to ensure an adequate level of reserves going forward, in the light of in-year pressures on budgets and the uncertainty of future funding. It is in the context of this financial position and the need to maintain adequate levels of reserves that the budget proposals in this report are being proposed.
- 4.8 A target of £18m of savings/income generation has been set for 2019/20, weighted between departments to reflect the achievability of savings and income given previous budget rounds and cost pressures. The target has been set at £18m to manage the projected budget gap, the additional cost pressures identified in the outturn report, and over time to reduce reliance on one-off sources of funding, such as using capital receipts to fund transformational work. The aim is to create a sustainable and financially resilient medium term financial plan which will enable us to provide reliable and dependable services for our residents and deliver on the commitments in the new Corporate Plan, which is also on today's agenda.

5. APPROACH TO BALANCING THE BUDGET FOR 2019/20 AND BEYOND

- 5.1 The approach to balancing the budget for 2019/20 and future years will take the form of six work streams focused on the Council's services:
- Corporate Services and Access
 - Children's Services
 - Adult Social Care
 - Housing, Property and Regeneration
 - Public Health
 - Environment
- 5.2 These work streams are led by members of the senior leadership team. The workstreams will apply four key tests in their reviews:
- Start/stop/do less
 - Alternative service delivery models
 - Digitisation and/or automation
 - Demand management or preventative activity
- 5.3 Each workstream has been set with challenging targets to identify savings. The targets are greater than the current projected budget gap, to manage the budget process over the medium term and ensure that a balanced budget can be achieved for 2019/20 given the uncertainties and existing pressures. Budget challenge sessions will be held in the autumn for members to review savings proposals. There will also be a focus on generating additional income, with further proposals on this also coming forward in the autumn.

5.4 The development of a resilient and sustainable budget and medium term financial plan may require difficult choices. To support the process, it is proposed that the following principles be adopted:

LB Enfield's overall aim will be to keep council tax as low as possible.

We will:

- manage resources smartly and reinvest income wisely, driving efficiencies throughout the organisation to deliver excellent value for money
- target resources at services that support the most vulnerable residents
- target resources to address inequality
- seek opportunities to modernise and transform services to ensure they are effective and efficient
- drive forward a commercial strategy to increase income through fees and charges and trading opportunities
- make some tough decisions that will mean that some services will cease, reduce or be delivered differently
- be prudent in our approach to the budget, in considering reserve levels, reducing reliance on capital receipts, balancing ambition with realism when setting saving targets
- be open and transparent
- treat staff and partner organisations with respect
- undertake equality impact assessments of our budget proposals and the cumulative impact
- develop new partnerships across the public, private, voluntary and community sectors to explore opportunities for efficiencies whilst delivering better outcomes for residents
- increase income to support the council's wider budget by proactively encouraging increased housing and businesses in the borough

5.5 An update on the first proposals for savings and income generation to be identified is attached in Appendix A, and Cabinet is recommended to agree that these savings be progressed.

5.6 As Cabinet members are aware, a key commitment in the Enfield Labour Party Manifesto 2018 is the immediate investment of £0.15m to help get young people out of criminal environments and work with local communities to give young people better life opportunities. This can be funded as a one-off contribution from Contingency, and Cabinet is asked to agree that this investment be made.

5.7 A summary of the savings proposals by workstream and against target is set out in Table 2 below.

| Table 2 - Progress against Targets | 2019/20 | | |
|------------------------------------|-----------------|-----------------------|-----------------------------|
| | Target | Identified 2019/20 | (Over) Under Achieved |
| | £000 | £000 | £000 |
| Workstream Targets: | | | |
| Corporate Services and Access | (4,391) | (60) | 4,331 |
| Children's Services | (860) | (466) | 394 |
| Adult Social Care | (3,321) | (337) | 2,984 |
| Housing, Property and Regeneration | (4,291) | (1,132) | 3,159 |
| Environment | (3,137) | (984) | 2,153 |
| Public Health | (2,000) | 0 | 2,000 |
| Total | (18,000) | (2,979) | 15,021 |

6. NEXT STEPS AND TIMETABLE

- 6.1 Work streams will continue to identify savings options for the 2019/20 budget and beyond, and there will be a further progress report to Cabinet in October. The planned timetable is set out in Table 3 below.

| Table 3: Budget Timetable | Date |
|--|---------------------------------------|
| Cabinet Report – Phase 2 Savings and Income Generation Proposals | 17 October 2018 |
| Cabinet report – Phase 3 Savings and Income Generation Proposals | 12 December 2018 |
| Budget Consultation | September to December |
| Overview and Scrutiny Committee - consider budget process | 18 January 2018 |
| Final Local Government Finance Settlement | January/February |
| Cabinet and Council – Final Budget and Council Tax for 2019/20 | 13 February 2018 and 27 February 2018 |

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The Council operates a budget planning and consultation process during which a wide range of options are considered in detail.

8. REASONS FOR RECOMMENDATIONS

- 8.1 The Cabinet needs to manage the 2019/20 financial planning process having regard to constraints in public spending.

9. COMMENTS OF THE EXECUTIVE DIRECTOR OF RESOURCES AND OTHER DEPARTMENTS

9.1 Financial Implications

Financial implications are implicit in the body of the report. By planning an effective budget round and considering financial resources in the light of the Council's strategic priorities and other resources, the framework for the development of the budget is robust and in line with service delivery requirements. By considering risk as part of this process, council reserves and balances will be appropriately set to ensure the continued financial stability of the Council.

9.2 Legal Implications

The Council has various legal and fiduciary duties to arrange for the proper administration of its financial affairs. This report sets out the lawful basis upon which recommendations will be made to note progress made in preparation of the 2019/20 budget and agree savings proposals for 2019/20 and beyond. The Council's budget-setting process is set out in the Constitution.

As part of these recommendations, officers will undertake equality impact assessments to help secure compliance with the Council's ongoing duties under the Equality Act to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; and advance equality of opportunity between people who share a protected characteristic and those who do not and foster good relations between those who share a protected characteristic and those who do not. Members must consider how their decisions will contribute towards meeting these duties in the light of other relevant circumstances such as economic and practical considerations.

Members should note that some of the actions to deliver proposed savings for future years have not yet taken place and may require specific statutory and/or legal procedures to be followed.

9.3 Property Implications

There are savings proposals in this report which will impact on Property. The Director of Property, Regeneration and Environment has been fully involved in

the development of these proposals and will make appropriate arrangements to manage their impact.

10. KEY RISKS

The budget risks during 2017/18 were managed through detailed revenue monitoring reports provided monthly to Cabinet. Departments acted to minimise budget pressures and to align departmental spend to budget. Some of these pressures will also affect 2018/19 and departments are already acting to contain current year spending pressures.

11. IMPACT ON COUNCIL PRIORITIES

11.1 The savings proposals in this report are part of the budget development process for the 2019/20 budget and for future years. The budget will be developed in support of the Council's priorities:

- Fairness for All
- Growth and Sustainability
- Strong Communities

12. EQUALITIES IMPACT IMPLICATIONS

12.1 As part of the development of the 2019/20 budget, Heads of Service will carry out an equality impact assessment of savings proposals requiring change or new services and policies and evaluate how the proposal will impact on all parts of the community. Heads of Service will identify what actions will be taken to mitigate against the worst adverse impacts at the end of their EQIA.

13. PERFORMANCE MANAGEMENT IMPLICATIONS

13.1 The report provides clear evidence of sound financial management and efficient use of resources.

14. HR IMPLICATIONS

14.1 To date the Council has implemented a robust redeployment programme and worked closely with the trade unions to identify initiatives which have minimised the number of compulsory redundancies over the past three years. Given the financial pressures identified in this report, the Council will be exploring a range of options to ensure that its human resources are appropriately used and allocated in the future with a view to delivering efficient services with reduced budgets.

15. PUBLIC HEALTH IMPLICATIONS

15.1 Heads of Service will consider whether the savings proposals could have an adverse impact on Public Health and will take action to mitigate any impact.

Background Papers

None.

Savings and Income Generation Proposals

Appendix A

| Savings and Income Generation proposals July 2018 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|---|-----------------|-----------------|-----------------|-----------------|
| Savings | | | | |
| Workstream: Housing Property and Regeneration | | | | |
| Temporary Accommodation Reduction Strategy This covers a range of work streams: use of decants, large scale buy and lease back, portfolio shaping of supply, matching supply and demand, moving on, increasing private sector leasing/ private leased annexe. | (1,132) | 0 | 0 | 0 |
| Total for Housing Property and Regeneration | (1,132) | 0 | 0 | 0 |
| Workstream: Adult Social Care | | | | |
| Reardon Court - Extra Care This is a proposal to develop housing with support on the Reardon Court Site to reduce residential placements and provide more intensive community support. | 0 | 0 | (113) | (377) |
| Direct Payments The transfer of Direct Payment users from bank accounts to e-cards supports more efficient use of funding. | (50) | 0 | 0 | 0 |
| Healthcare reviews This proposal involves the identification of appropriate funding streams to meet the needs of service users with complex health and social care support needs. | (50) | 0 | 0 | 0 |
| Assistive Technology This is based on an increased use of assistive technologies as part of a wider community support offer to support independent living. | (50) | 0 | 0 | 0 |
| Reduction in placements from hospital This saving is based on a reduction of five placements. | (37) | 0 | 0 | 0 |
| Total Adult Social Care | (187) | 0 | (113) | (377) |
| Workstream: Children's Services | | | | |
| Staffing Underspend This reflects overprovision of budget which is no longer needed. | (16) | 0 | 0 | 0 |
| Children's Services This is based on reducing the number of operational support managers and staff. | (50) | 0 | 0 | 0 |
| CCTV This saving is achieved by using capital funding to purchase equipment. | (400) | 0 | 0 | 0 |
| Total Children's Services | (466) | 0 | 0 | 0 |

| Savings and Income Generation proposals July 2018 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 |
| Workstream: Corporate Access and Services | | | | |
| Internal Audit The proposal is based on changing the current Internal Audit arrangements and moving to a shared management function with a neighbouring borough. | (50) | 0 | 0 | 0 |
| Increase Finance Recharges This is based on allocating management costs to the Pension Fund. | (10) | 0 | 0 | 0 |
| Payments Programme A new system will allow efficiencies to be made in Exchequer and wider council administrative functions. | 0 | (200) | (200) | 0 |
| Total Corporate Services and Access | (60) | (200) | (200) | 0 |
| Workstream: Environment | | | | |
| Bank Holiday Waste Collection This involves the operational deployment of resources to move collections to the day after a Bank Holiday and catch up the following weekend. | (80) | 0 | 0 | 0 |
| Remodelling Regulatory Services An operational re-organisation of Regulatory Services will be developed on a risk based model with resources targeted to minimise the impact. | (250) | 0 | 0 | 0 |
| Parks - Remodelling the Service This proposal involves remodelling the parks and grounds maintenance service. | (100) | 0 | 0 | 0 |
| Total Environment | (430) | 0 | 0 | 0 |
| Total Savings | (2,275) | (200) | (313) | (377) |

| Savings and Income Generation proposals July 2018 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 |
| Income Generation | | | | |
| Adult Social Care | | | | |
| Increased Income from Fees and Charges This is additional income due to pensions and attendance allowance increases which flow into the assessment of how much clients should contribute to care packages. | (150) | 0 | 0 | 0 |
| Total Adult Social Care | (150) | 0 | 0 | 0 |
| Workstream: Environment | | | | |
| Growth of the Pest Control Service The customer base will be increased to achieve a higher income target. | (25) | 0 | 0 | 0 |
| Growth of the Commercial Waste Services The proposal is to increase the customer base and income target for operations. | (50) | 0 | 0 | 0 |
| General Cemeteries operations income This relates to additional income from sales of mausolea and vaulted graves. | (50) | 0 | 0 | 0 |
| Edmonton Cemetery Expansion This relates to additional income from sales of mausolea and vaulted graves. | (304) | (6) | (6) | (6) |
| Additional Recharge Income This relates to Traffic and Transportation income generation from recharges to capital. | (25) | 0 | 0 | 25 |
| Highways This is additional income generation from recharges to capital and other external and internal funded projects. | (50) | 0 | 0 | 0 |
| Parking Strategy There will be a review of the parking strategy across borough and council owned car parks, e.g. introduce parking charges to car parks in parks such as Trent Park and others to be identified. | (50) | 0 | 0 | 0 |
| Total Environment | (554) | (6) | (6) | 19 |
| Income Generation | (704) | (6) | (6) | 19 |
| Total Savings and Income Generation | (2,979) | (206) | (319) | (358) |