

MUNICIPAL YEAR 2019/2020 REPORT NO. 42

MEETING TITLE AND DATE:

Cabinet: 17 July 2019

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REPORT OF:

Executive Director of Resources

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Agenda - Part: One

Item: 7

Subject: Medium Term Financial Strategy 2020/21 to 2024/25

Wards: All Wards

Key Decision No: 4924

Cabinet Member consulted: Cllr Maguire

1. EXECUTIVE SUMMARY

1.1 This report refreshes the Council's financial position for the medium term which was set out in the report to Council in February, including an update on the risks and uncertainties facing local government at this time.

1.2 Further it builds on the previous work to deliver a resilient and sustainable budget and sets out the vision, timetable and approach for delivering the 2020/21 to 2024/25 Medium Term Financial Plan.

1.3 All of this is in the context of the Council's Corporate Plan - Creating a Lifetime of Opportunities in Enfield, approved by Cabinet in September 2018:

- Good Homes in Well Connected Neighbourhoods
- Sustain strong and healthy communities
- Build our local economy to create a thriving place.

2. RECOMMENDATIONS

2.1 Cabinet notes the updated financial position over the medium term.

2.2 Cabinet agrees the vision, approach and timetable to develop the 2020/21 to 2024/25 Medium Term Financial Plan.

3. BACKGROUND

3.1 A key element of the Medium Term Financial Strategy for 2019/20 to 2023/24 was the development of a resilient and sustainable budget and this remains the cornerstone for 2020/21 to 2024/25.

- 3.2 Local Government continues to experience increasing demand for its services, especially from the most vulnerable in the community but is now also facing a period of unparalleled uncertainty. 2019/20 saw the end of the four year settlement period from Government and a spending review for the next four years, Spending Review 2019 (SR19) is expected later in the year. At the current time there is speculation as to whether this will be a single or multi-year settlement. The Government implemented a new Business Rates Based funding model for local government in 2013/14 and has committed to undertake a review of this to come into effect from 1 April 2020. The Fair Funding review is ongoing and the impact of this too won't be clear until later in the year. Again, there is speculation that it may be delayed. Alongside this will be a reset of the Business Rates growth. Finally, the much anticipated Adult Social Care Green Paper has not materialised, and pressures and uncertainty will continue, especially given 2019/20 was the end of the three year period where an additional Council Tax precept for Adult Social Care was permitted.
- 3.3 With this backdrop of uncertainty, it is more important than ever to ensure that the Council's finances are both resilient and sustainable. The vision is:
- 5 Year Medium Term Financial Plan (MTFP) with detailed savings plans for all five years to drive resilience and sustainability (three year Spending Review (SR19) anticipated)
 - 10 Year Capital Programme to give greater visibility to our long term capital commitments
 - 10 Year Treasury Management Strategy to give greater visibility on the Council's Capital Financing Requirement (CFR)
- 3.4 The Council's Corporate Plan 'Creating a Lifetime of Opportunities in Enfield' was approved by Cabinet in September 2018 with three key objectives:
- Good homes in well connected Neighbourhoods
 - Sustain strong and healthy communities
 - Build our local economy to create a thriving place
- 3.5 The formulation of both the MTFP and Capital Programme will need to ensure that resources are allocated appropriately to enable these objectives to be delivered.

Refresh of the Financial Position

- 3.6 The Council has robust arrangements in place to ensure the delivery of the budget commitments for 2019/20 and started monitoring and managing its progress immediately the budget was approved. The 2018/19 outturn position is reported on this agenda and is very broadly in line with the forecast position at the end of the third quarter which was the basis on which the 2019/20 budget was set.

- 3.7 The Council is operating in a very dynamic environment and it is necessary to revisit the assumptions made less than six months ago and also to roll the plan on a year.
- 3.8 The tables below set out the current assumptions on spend and income for the next five years. There are total spend pressures of £48.9m over the next five years with only £9.9m additional funding, giving rise to an overall gap of £39.0m. The gap in the first year is £13.7m. The spending and funding assumptions are set out in the following two tables.

Table One: Spend

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£k	£k	£k	£k	£k	£k
<i>Pressures</i>						
Pay Awards & Inflation	5,500	5,525	5,550	5,576	5,602	27,753
Demographic	2,614	2,000	2,000	2,000	2,000	10,614
Investment	500	-500	0	0	0	0
NLWA	0	0	1,500	1,500	1,500	4,500
Pressures	5,875	130	0	0	0	6,005
Capital Financing	1,000	1,000	1,000	1,000	1,000	5,000
	15,489	8,155	10,050	10,076	10,102	53,747
<i>Savings</i>						
Agreed Savings	237	-1,140	-439	0	0	-1,342
Full Year Effects 2018/19	-1,124	0	0	0	0	-1,124
Waste	-1,800	-700	0	0	0	-2,500
	-2,687	-1,840	-439	0	0	-4,966
Total Spend Pressures	12,802	6,315	9,611	10,076	10,102	48,906

- 3.9 The key pressures are as broadly set out in the approved MTFP. The allowance for cost of living award of pay is assumed at 2% and there is additional allowance for inflation on contractual commitments. There is growing demand in Adults and Children's Social Care and provision for these costs are made in line with current trends. There is a planned investment of £500k in street scene which accompanies the waste savings outlined below. The North London Waste facility is over 40 years old and there are plans in place for its replacement. The MTFP set out pressures of £1.7m in 2020/21 predominantly for additional inflationary pressures in Adult Social Care and early work in the new financial year has identified further pressures in services and areas where

further investment is required. This includes further investment in Children's Social Care and pressures in Adult Social Care especially in the provision of service to the Council by IWE. These will need to be included in 2020/21 giving a revised total of £5.875m. A detailed schedule of the pressures is included at Appendix A. Additionally, it is assumed that there will need to be £1m set aside year on year to meet the financing costs arising from delivery of the Council's Capital Programme, supporting in the order of £15m new capital spend each year.

3.10 In 2019/20 the Council received a one off specific grant of £3.5m for Social Care to meet pressures in Adults and Children's Social Care. It is widely anticipated that this funding will continue which is the assumption in the Council's planning at this time. This does naturally present a risk.

3.11 There are no changes to the full year effect of savings included in the 2018/19 and 2019/20 Budgets. It is worth noting that some of the savings in those years were only one offs and hence the pressure shown in 2020/21 as the one off savings drop out. These are set out in detail in appendix B. The outcome of the Waste Collection Changes were not included in the MTFP approved by Council and the figures above reflect these along with the accompanying £500k investment.

3.12 Table Two: Income and Overall Gap

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£k	£k	£k	£	£k	£k
Total Pressures B/F	12,802	6,315	9,611	10,076	10,102	48,906
Income						
Business Rates/RSG	0	0	0	0	0	0
Local retained rates	-2,032	0	0	0	0	-2,032
Business Rates Pool	2,950	0	0	0	0	2,950
New homes Bonus	400	400	400	394	0	1,594
Housing Benefit Admin	158	142	128	115	103	646
Council Tax	-2,935	-3,001	-3,069	-3,138	-3,209	-15,352
Collection Fund CT	2,484	0	0	0	0	2,484
Collection Fund BR	-1,170	700	-700	0	0	-1,170
Reserves	1,000	0	0	0	0	1,000
	855	-1,759	-3,241	-2,629	-3,106	-9,880
Overall Gap	13,657	4,556	6,370	7,447	6,996	39,026

- 3.13 The major financial uncertainties are largely on the income side. With the outcome of the SR19 unlikely before late autumn along with the implementation of Fair Funding and the Business Rates reset, Business Rates/Revenue support Grant (RSG) is forecast to be flat for the period. Locally retained rates have been forecast at the level in the most recent regulatory submission but are currently forecast to be flat for the remainder of the Plan period. There was a one off benefit from the second year of the London Business Rates Pool of £2.950m which drops out in 2020/21 and the operation of the Pool would cease in the event of Fairer Funding being implemented. There are reductions anticipated in New Homes Bonus and Housing Benefit Admin grant with the former reducing to £nil over the five years. It is assumed Council Tax will be increased up to the referendum limit of 1.99% per annum. At this stage, even in the absence of an Adult Social Care Green Paper there is no indication that the ability to raise an Adult Social Care precept being extended. There were one of surplus and deficits on the collection funds which drop out as also does the one off use of reserves to support the 2019/20 budget.
- 3.14 At present there is a gap of £39.0m across the five years and £13.7m of this total is in 2020/21. The assumptions above will be continually reviewed, and it is likely that there will be some movement during the summer and autumn as further information becomes available.

Approach

- 3.15 Officers are approaching the identification of savings against a framework of nine themes:
- i. Digital – customer journey, channel shift, more modern Council.
 - ii. IT – commissioning of IT provision, removal of duplication of applications.
 - iii. Demand Management – strategies and mitigations to address increasing demand in Children’s and Adult Social Care and housing.
 - iv. Commissioning, Procurement and Contracting - ensure savings and efficiencies when re-procuring and having effective contract management arrangements in place.
 - v. Commercial/Income and Traded – seeking out new commercial opportunities and developing existing income streams.
 - vi. Invest to save – pump priming funds will be made available to support new initiatives that deliver an appropriate return on investment or payback in a given timescale.
 - vii. Organisational Review – testing the design of the Council’s services against its own design principles.
 - viii. Corporate Initiatives - programmes across the Council that may give rise to cost savings.
 - ix. Directorate led initiatives – savings don’t need to conform to the above themes to be considered and brought forward.
- 3.16 This will be supported by a series of benchmarking and forecasting workshops to test out the budget assumptions and responses.
- 3.17 In formulating the 2019/20 budget there were four tranches of savings brought forward for consideration which enabled extensive engagement but did stretch resources. It is planned to bring savings proposals forward in two tranches for

2020/21 with those savings that have greater consultation requirements and lead in times to come forward in October and the remainder of the proposals in December.

- 3.18 There was limited success with the consultation on the Budget for 2019/20, both in respect of process and timing. For 2020/21 there will be an enhanced programme of community engagement to ensure that the budget fairly reflects the needs of the community.
- 3.19 The approach to Budget Scrutiny will take place earlier than in previous years and there will be scrutiny of the October and December proposals at the time they are brought forward.
- 3.20 In past years the Council's fees and charges have come forward after the draft revenue Budget in the December. Fees and charges are an integral element of the Council's budget and for 2020/21 will come forward alongside the other proposals in the December.
- 3.21 Similarly, it is important that the Council's capital investment in the Borough and revenue spending are also considered at the same time and for this reason the Capital Programme will come forward in December. Given the drive for resilient and sustainable finances and the longer term nature of capital investment there will be a ten year programme.
- 3.22 There will also be a ten year Treasury Strategy to match the ten year Capital Programme. This will give a clearer picture of the Council's underlying need to borrow, its Capital Financing Requirement over the longer term, so that the full impact of spending decisions is transparent and fully understood. The existing Strategy was taken in draft to Audit Committee in January which was well received, and this process will continue.
- 3.23 At this time the level of reserves held are viewed to be appropriate for the level of risk faced by the Council. Whilst they may appear to be healthy, they are at a lower level than all but one of Enfield's London Borough statistical neighbours and would be very quickly eroded in the absence of savings proposals over the next two years. There will be a thorough review of the Council's reserves as part of the work undertaken to formulate the 2020/21 to 2024/25 MTFP. These will need to be at an appropriate level to cover risks on demand for services, delivery of savings programmes and the significant uncertainty in the funding framework.

Timetable

- 3.24 The key dates through to approval of the Budget at Council in February 2020 are:

Summer 2019	Community engagement.
October 2019	Cabinet approves first tranche of revenue savings.
	Scrutiny of first tranche of revenue savings.
December 2019	Autumn statement; update on SR19, outcome of Fair Funding review and Business Rates reset. To be confirmed.
	Cabinet Draft Revenue Budget/MTFP 2020/21 to

	2024/25 including second tranche of revenue savings and fees and charges, and Draft Capital Programme.
	Scrutiny of second tranche of revenue savings.
January	Cabinet approves Council Tax Base.
	Audit and risk committee comments on Draft Treasury Strategy 2020/21 to 2029/30.
February	Cabinet recommends/Council approves MTFP, HRA Business Plan, Capital Programme and Treasury Strategy.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 No alternatives have been considered.

5. REASONS FOR RECOMMENDATIONS

5.1 Given the uncertainty in the overall funding levels for local government and the framework for its distribution it is essential there is a clear strategy in place to manage the Council's finite resources over the medium term and for the planning process to be in place early in the financial year.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

6.1.1 The financial implications are set out in the body of the report. The Council faces continued financial pressure forecast to be in the order of £40m over the next five years and it is essential that there are robust plans in place to address this gap.

6.2 Legal Implications

6.2.1 The Council has various legal and fiduciary duties in relation to the budget. The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the setting of the overall budget and council tax.

6.2.2 Members are obliged to take into account all relevant considerations and disregard all irrelevant considerations in seeking to ensure that the Council acts lawfully in adopting a budget and setting council tax. Members should note that where a service is provided pursuant to a statutory duty, the Council cannot fail to discharge it properly.

6.2.3 This report provides a clear and concise view of future sustainability and the decisions that need to be made for the recommended actions.

6.3 Property Implications

6.3.1 There are no Property Implications to be considered at this time.

7. KEY RISKS

7.1 There are significant risks set out in the report.

- 7.2 The 2019/20 budget includes £13.1m of new savings. In the event that these are not fully delivered the overall level of savings required across the medium term will need to be reviewed. The Council has robust arrangements to ensure the delivery of all savings and has been tracking progress since before the start of the financial year.
- 7.3 The overall quantum of funding for local government is not known at this time and will not be announced until much later in the year when the outcome of SR19 is made public. The Council will continue to lobby that that sufficient resources are made available across the whole of local government.
- 7.4 As well as the overall quantum there is also risk in the distribution of funding. Government has been consulting on its Fair Funding proposals but there is still a great deal to be done before the new arrangements are confirmed and come into force. The Council has been actively engaging both directly and through London Councils to ensure its needs are best met. It is lobbying for deprivation to be included in any base formula and for there to be specific recognition for Homelessness and Concessionary Fares.

8. IMPACT ON COUNCIL PRIORITIES - CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

8.1 Good homes in well-connected neighbourhoods

The ability of the local authority to take a more robust and forward-thinking approach to medium term financial strategy and planning will allow for executive management to plan more effectively and orchestrate investment planning to deliver our regeneration and housing ambitions for the borough.

8.2 Sustain strong and healthy communities

The new approach to medium term financial planning and forecasting can help inform investment decision made as we seek to establish health in all policies and close health inequality gaps in our borough. It creates an approach that will encourage others to take a longer term and holistic view to health outcomes and the ability of the borough to affect them positively in the context of more informed and predictive future spending options.

8.3 Build our local economy to create a thriving place

More effective planning of future spending as initiated through the more informed forward planning that forms the basis of the new medium term financial strategy should allow for better and more productive negotiations and joint planning with delivery partners. The increased confidence generated by taking the longer view can help us gain maximum benefit from future joint working with business and increase coordination of investment for mutually beneficial outcomes that will help provide future prosperity to local people.

9. EQUALITIES IMPACT IMPLICATIONS

- 9.1 *Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably because of any of the protected characteristics. It is important to consider the needs of the diverse groups with protected characteristics when*

designing and delivering services or budgets so people can get fairer opportunities and equal access to services.

- 9.2 The Council aims to serve the whole borough fairly, tackle inequality and protect vulnerable people. The Council will promote equality of access and opportunity for those in our communities from the protected characteristic groups or those disadvantaged through socio-economic conditions.
- 9.3 Through the use of Equality Impact Assessments, the Council can analyse and identify where and how proposed changes to services, policies and budgets could improve its ability to serve all members of the community fairly. It helps ensure that the Council does not discriminate, and in taking decisions that it does not unduly or disproportionately affect some groups more than others. The Council also recognises that undertaking full assessments will help to improve the efficiency and effectiveness of the Council by ensuring that residents and service users' needs are met through the delivery of the Council aims and objectives.
- 9.4 The Council's budget is not subject to a single Equality Impact Assessment, as it is far too complex for this approach. Instead, budget proposals requiring change or new services and policies will be required to carry out an Equality Impact Assessment to evaluate how the proposal will impact on all parts of the community. The impact assessment must include consultation with affected people and organisations. Heads of Service will have to identify what actions will be taken to mitigate against the worst adverse impacts at the end of their EQIA. The Corporate Equalities Group will be providing advice and support to Departments in developing appropriate EQIAs.

10. PERFORMANCE AND DATA IMPLICATIONS

- 10.1 Demand Management is one of the key themes of the MTFP and ongoing data and analysis will be needed to understand both current and future patterns of demand. Ongoing monitoring will continue of key performance indicators as outlined in the Corporate plan that will ensure continual oversight so any assessment of the impacts on performance can be.

11. HR IMPLICATIONS

- 11.1 HR should be engaged in relation to any proposals to change organisation structure or posts. The Council's Principles of Managing Restructures should be followed in relation to any proposed changes.

12. PUBLIC HEALTH IMPLICATIONS

- 12.1 The Council's core business is to maintain and enhance the wellbeing of the community; austerity and the financial climate is severely challenging its ability to do this. The MTFP outlines how the Council aims to meet financial demands whilst minimising the effect of these pressures on the community. However, it is difficult to envisage how continuous cuts to the Council's budget will not impact upon its ability to support and maintain community wellbeing.

Background Papers

None

Pressures in 2020/21 Medium Term Financial Plan					
Ref No.	Department	Proposal Summary (from template)	2020/21 £000	2021/22 £000	2022/23 £000
ASC_P1_1920	People ASC	Customer Pathway Contract Inflation	708		
ASC_P2_1920	People ASC	Learning Disabilities Contract Inflation	494		
ASC_P3_1920	People ASC	Mental Health Contract Inflation	81		
R&E_P10_1718	Place	Street Lighting PFI Reserve	291		
R&E_P11_1718	Place	Planning Policy	88		
ENV_S9_1819_T1	Place	Traffic and Transportation Income (18/19 saving for 3 years only)		130	
Pressures impacting 2020/21+ (taken from the 2019/20 MTFP)			1,662	130	0
Legal	CEX	FOI/MEQ Team restructure	121		
Organisational Development	CEX	Continuing Professional Development (estimate of £70k per directorate)	150		
People & Governance	CEX	Director of HR (£150k in a Full Year)	150		
ASC	People	IWE - 2018/19 overspend. 2020/21 forecasts being reviewed.	2,000		
Children's Services	People	Ongoing investment in Children's Social Care	500		
Property & Economy	Place	Vacant Properties / Disposals	250		
Property & Economy	Place	Property restructure (assume half year implementation in first year)	250		
Commercial	Resources	Procurement Hub resources	300		
Invest to Save	Place	Financing Costs of Capital Investment in LED Street Lighting	378		
Finance	Resources	Debt Strategy	54		
Customer Experience & Change	Resources	Web Team structure	60		
New Pressures to be built into draft MTFP and Budget Gap			4,213	0	0
Total Pressures in draft 2020/21 MTFP			5,875	130	0

Full Year Effects in 2020/21 - 2022/23

Full Year Effects of Prior Year Savings Decisions	2020/21 £000	2021/22 £000	2022/23 £000	Full Year £000
Chief Executive's Department				
Total Chief Executive's Department	0	0	0	0
Corporate Services				
Taxbase Growth	(75)			(75)
Total Corporate Services	(75)	0	0	(75)
People Department - Adult Social Care				
Organisational Review Savings	(157)			(157)
Total People Department - Adult Social Care	(157)	0	0	(157)
People Department - Children's Services				
Independent Reviewing efficiencies	(65)			(65)
Total People Department - Children's Services	(65)	0	0	(65)
People Department - Early Intervention and Partnerships				
Total People Department - Early Intervention and Partnerships	0	0	0	0
People Department - Education				
Total People Department - Education	0	0	0	0
Place Department				
Management actions to contain pressure	(379)			(379)
Increase income across Regeneration and Environment	(250)			(250)
Organisational Review Savings	(198)			(198)
Total Place Department	(827)	0	0	(827)
Resources Department				
Total Resources Department	0	0	0	0
Grand Total Full Year Effects	(1,124)	0	0	(1,124)

APPENDIX C

Full Year Effects of Savings agreed in 2019/20

Full Year Effects of Savings agreed in 2019/20	2020/21 £000	2021/22 £000	2022/23 £000	Full Year £000
People Department - Adult Social Care				
Reardon Court - Extra Care		(113)	(377)	(490)
Total People Department - Adult Social Care	0	(113)	(377)	(490)
People Department - Children's Services				
Youth Offending Unit - reduce the use of sessional workers and running costs	(20)			(20)
Total People Department - Children's Services	(20)	0	0	(20)
People Department - Public Health				
Public Health Contract Renegotiation	937			937
Total People Department - Public Health	937	0	0	937
Place Department				
Edmonton Cemetery Expansion - sales of mausolea and vaulted graves	(6)	(6)	(6)	(18)
Additional Traffic & Transportation income from recharges to capital			25	25
Cemeteries Mausoleum and Vaulted graves sales - Southgate Cemetery	(390)	(60)	(31)	(481)
Reversal of one-off Meridian Water Meanwhile Use income	1,190			1,190
LED Street Lighting	(510)			(510)
Stop School Crossing Patrols	(34)			(34)
Building Control Income	(50)			(50)
Temporary Accommodation - Future Years	(780)	(711)		(1,491)
Market Rentals for Council Properties	(50)	(50)	(50)	(150)
Total Place Department	(630)	(827)	(62)	(1,519)
Resources Department				
Payments Programme - new system allowing efficiencies in Exchequer	(200)	(200)		(400)
Reversal of one-off energy reduction initiatives saving	150			150
Total Resources Department	(50)	(200)	0	(250)
Grand Total Full Year Effects of Savings agreed in 2019/20	237	(1,140)	(439)	(1,342)