

# MEDIUM TERM *Financial Strategy*

2021/22 TO 2025/26



# Contents

1. Corporate Plan	3
2. Financial Strategy	4
3. Economic Context	7
4. Borough Profile	8
5. Refresh of Financial assumptions	14
6. In Year Response to Financial Pressures Arising from Covid-19	21
7. Approach	22
8. Scenario Planning	26
9. Capital Strategy	27
10. Treasury Strategy	28
11. Timetable	29
12. Delivery	30



# 1 Corporate Plan

- 1.1 The Council agreed a new Corporate Plan – A Lifetime of Opportunities in September 2019. This has been refreshed on an annual basis with the most recent update Enfield Council Plan 2020-2022 being approved by Cabinet on 15 July 2020
- 1.2 The three objectives of the Plan remain:
  - Good homes in well connected neighbourhoods
  - Safe, health and confident neighbourhoods
  - An economy that works for everyone
- 1.3 These are underpinned by the existence of a modern council having:
  - An empowered, responsive and happy workforce
  - Accessible and efficient
  - Financial resilience and good governance
  - Working in partnership
- 1.4 There are two other key policy drivers for the Council – delivering the recommendations of the Enfield Poverty and Inequality Commission and the council’s Climate Change Strategy.

## 1.5. Poverty commission

- 1.6 The Enfield Poverty and Inequality Commission was launched at the House of Lords on 20 January 2020, the link to the full report is below.  
<https://new.enfield.gov.uk/services/your-council/enfield-poverty-and-inequality-commission-report-your-council.pdf>
- 1.7 The key objectives of the report are:
  - i. Tough new action to reform privately rented housing
  - ii. A new integrated health and wellbeing centre for the east of the Borough
  - iii. Revitalise youth services in Enfield
  - iv. Poverty Proof Enfield’s schools
  - v. Set a target to reduce low pay within Enfield

## 1.8. Climate change

- 1.9 The Council declared a climate in 2019 and published its Climate Action Plan in June 2020. The Plan sets out the ambition to work with staff, suppliers, residents, businesses, schools, statutory partners and government to become a carbon neutral organisation by 2030 and create a carbon neutral borough by 2040. It covers the following six areas:
  - i. The Council’s operations
  - ii. Travel
  - iii. Buildings
  - iv. Waste
  - v. Energy
  - vi. Natural Environment
  - vii. Influencing others.

## 2 Financial Strategy

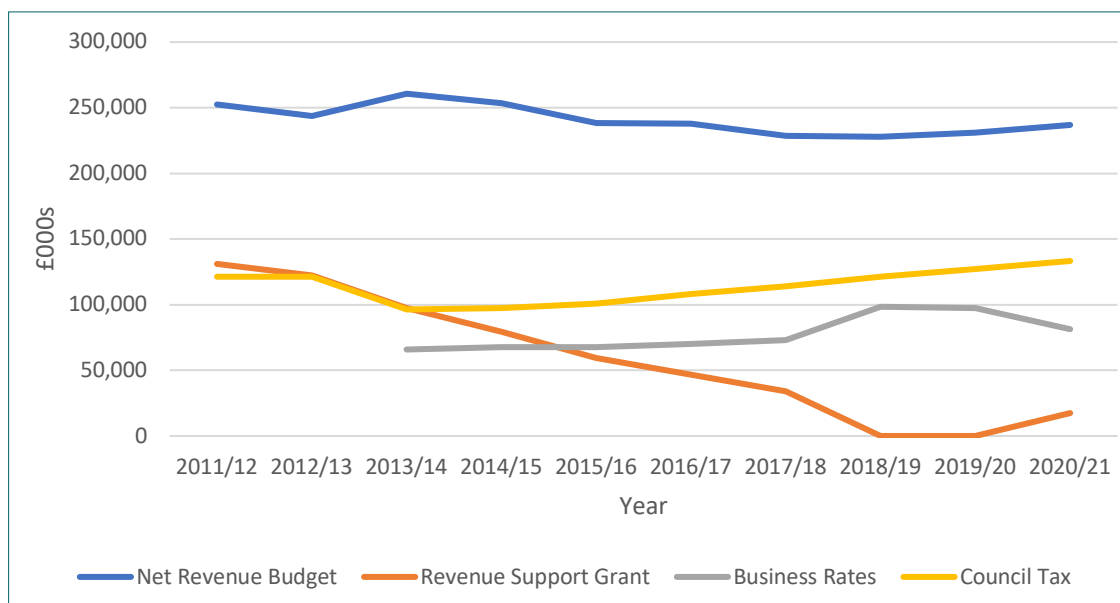
2.1. A sound financial strategy is key to the delivery of the Corporate Plan and financial resilience. There are five key strands to the strategy:

- i. A financially self-sustaining Council through growth in housing and business rates
- ii. VfM
- iii. Everyone's responsibility, culture
- iv. Underpinned by robust financial position
- v. Ensuring a fair financial settlement for Enfield

### 2.2. Growth

2.3. The change in the balance of funding to local authorities has shifted over the last ten years with the reduction of Revenue Support Grant by Government being replaced by income from retained business rates and Council Text. This has led to a need for local authorities to be increasing self financing with a need to grow local economy and Council Tax bases to provide prosperity and reduce need alongside delivering efficiencies and generating more commercial income.

Chart 1 – Balance of Funding 2011/12 to 2020/21



**Note 1. Business rates and RSG not separately identified 2011/12 and 2012/13**

**Note 2. Council Tax Support devolved to local authorities in 2013/14.**

**Note 3. RSG £nil during period of Pilot Rates Pool.**

2.4. Enfield has a growing population but in recent decades it has seen low levels of house building which have not kept up with housing demand. The resulting affordability gap for residents puts pressure on our homelessness service but also has dampened council tax income.

2.5. In the past two years the council has embraced the need for new homes and new employment spaces in the Borough – to provide affordable housing and new jobs for residents. Over the past five years, only 500 new homes were built in the Borough each year (other homes have been created through refurbishment); the council's new Local Plan sets out how that will increase to over 1,000 homes per year in the next few years.

- 2.6. Likewise, while Enfield's industrial and retail sectors have remained relatively healthy in recent times they have provided lower employment ratios as the nature of work has changed. The Council is preparing an economic development strategy which aims to support a more mixed economy, with more employment around town centres.
- 2.7. Alongside the growth in the tax base the rates need to keep base with the Council's inflationary and demand pressures, especially those being experienced in Adult Social Care. To this extent it is essential to increase the Council Tax up to the threshold limit and to apply the Adult Social Care precept when offered by Government.

## 2.8. Value for Money

- 2.9. It is essential that the Council makes best use of its finite resources. In simple terms this means evidence based decisions, testing the market, strong business cases, delivering to the corporate objectives.

## 2.10. Culture

- 2.11. The Council's finances need to **Everyone's** responsibility, it's not the sole responsibility of the Council's S151 Officer, it is necessary to be across the entire Council, the Cabinet, Chief Executive, Executive Directors and their management teams, senior manager and front line workers. This has increasingly been the case through ten years of austerity and even more than ever with the huge financial impact of the Covid-19 crisis.

## 2.12. Robust Financial Position

- 2.13. There needs to be clear, transparent budget planning to ensure the Council's finite resources are directed to where they are most needed. It is essential that the finances are understood by members, senior officers, managers and the community. The finances need to be sustainable. A single year budget is not enough, the finances need to be planned over the medium term and good practice is for this term to be five years
- 1.14. The budgets need to be robust with realistic savings plans to avoid in year volatility. The five year plan needs to recognise all future pressures and income flows. Local Government is a very dynamic environment with many demand led services and the growth in Adult Social Care, Children's Social Care, Special Education Transport and Housing need to be accurately modelled. The same applies on the income side with a clear understanding required of changes to the Council Tax and Business Rates tax bases and the level of Government support.
- 2.15. There is inevitably a gap between the two or the need to invest in priority area which will need to be met by changing the way in which the Council operates. This will be through delivery of efficiencies, reducing services or generating more income. All of these measures need to realistic with appropriate processes in place to ensure their delivery.
- 2.16. Finally, the Council needs to hold an appropriate level of reserves to ensure that it can continue to deliver its objectives in times of financial uncertainty. These reserves will cover the smoothing of spend areas that are known to move from year to year, for specific and general risks and a general provision for unknown risks.
- 2.17. Much work has been done over the past two years to put the Council's Finances on a robust sustainable footing. Undeliverable savings and historical overspends have been built back into the base budget, there is a more focussed view of the medium term and there is a far more realistic assessment of future demographic pressures and investment needs. In addition, a new Ten Year Capital and Treasury Strategy have ensured that decision making considers this wider, long term context. This Strategy will set out how this approach can be taken further forward.

2.18 The Council has been operating in a period of great uncertainty with Brexit and a snap general election and delays in essential reforms to the local government financial framework. This uncertainty has been taken to another level with the impact of the worldwide Covid-19 Pandemic. This strengthens all of the arguments above but also gives rise to a number of scenarios to be brought forward which will assess the different actions necessary depending on the financial impact in 2020/21 and any potential ongoing consequences.

## **2.17. Ensuring a Fair Financial Settlement**

2.18. The Government introduced its Business Rates Retention model for funding local government in 2013/14. It however relied on the historical needs data and damping arrangements from the previous model. At the time government committed to address both of these issues also set out plans to reset the business rates growth on a regular basis.

2.19. Government has been developing Fair Funding proposals to remedy the position but this is now years overdue and Enfield has been disadvantaged by both the lack of an update of the underlying data and the damping arrangements. Modelling on the new Fair Funding framework suggest that whilst resources may flow out of London, Enfield would be a beneficiary. Implementation has been held up due to Government being stretch with Brexit, a snap General Election and now the Covid-19 pandemic. It is essential for Enfield to lobby hard to bring forward implementation of the new system.

2.20. Similarly, with lower business rates growth than the rest of London, Enfield will benefit from the reset of the Business Rates. This would see the accumulated growth built up since 2013/14 being redistributed across the system. Strong lobbying is also required here.

2.21. The funding of Adult Social Care is a major concern with significant delays in the publication of a Green paper to address the current shortcomings. Instead there have been a series of short term interventions in the form of Adult Social Care precepts on the Council Tax and targeted grant.

2.22. Finally, whatever funding system is in place, it will require relevant up to date information to ensure its effectiveness. The Census in 2021 will be key. Locally there was only a 90% response in 2011; it is therefore important for the Council to promote the importance of the Census and ensure the maximum possible engagement across the Borough.

## 3 Economic Context

### 3.1. Global/UK Economy

- 3.2. The following economic commentary has been provided by the Council's treasury advisers Arlingclose from their May Economic Update.
- 3.3. The Medium term economic global outlook is exceedingly weak. While containment measures taken by national governments in response to the covid-19 crisis are being eased, it is likely to be some time before demand recovers to pre crisis levels due to rises in unemployment, the ongoing need for virus control measures and the impact on consumer confidence.
- 3.4. The global central bank and government responses have been significant and will act to support the recovery when it occurs, by keeping financial conditions stable and many business solvent/ employees employed than would have otherwise been the case. The economic bounce in the second half of the year will be significant as businesses currently dormant begin production/ supply services again.
- 3.5. However, the scale of the economic shock to demand and the probable ongoing social distances measures necessary before a vaccine is produced will mean that the subsequent pace of recovery is limited. Early signs of this are evident in the Chinese data, although the impact may be even more significant for Western economies that tend to be more reliant on the hard hit services sector and have now experienced and even greater virus impact.
- 3.6. This situation will result in central banks maintaining low interest rates for the medium term in the UK, Bank Base is therefore likely to remain at low levels for a very long time with a distinct possibility of being cut to zero. Following fence sitting by MPC (Monetary Policy Committee) members. Money markets have taken the unprecedented step of pricing in a chance of negative base rates.
- 3.7. Longer term yields will also remain depressed, anchored by low central bank policy and inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation.

### 3.8. Impact on Local Government funding

- 3.9. There is significant uncertainty for local government albeit there does not appear to be any clamour for a return to austerity. Nevertheless, first Brexit and the snap General Election and now the Covid-19 crisis have contrived to delay funding reform for local government. The Fair funding reform promised with the introduction of the retained business rates back in 2013/14 is yet again delayed continuing to lock in lost grant of £12m through the historical damping arrangements. Running alongside this, there is a similar delay to the business rates reset, from which it is also anticipated that Enfield would benefit. Perhaps as significant as both of these is the reform of Adult Social Care funding. As recently as 28 May the House of Lords Economic Affairs Committee has urged the Government to end its delay on social care reform.
- 3.10. There are no rolling multi years settlements in place currently so with the exception of school funding there is no financial settlement for 2021/22 and beyond. This is all likelihood will come through at a high level in the Chancellor's budget in the autumn with the authority by authority detail in December in the provisional Local Government Finance Settlement.

# 4 Borough Profile

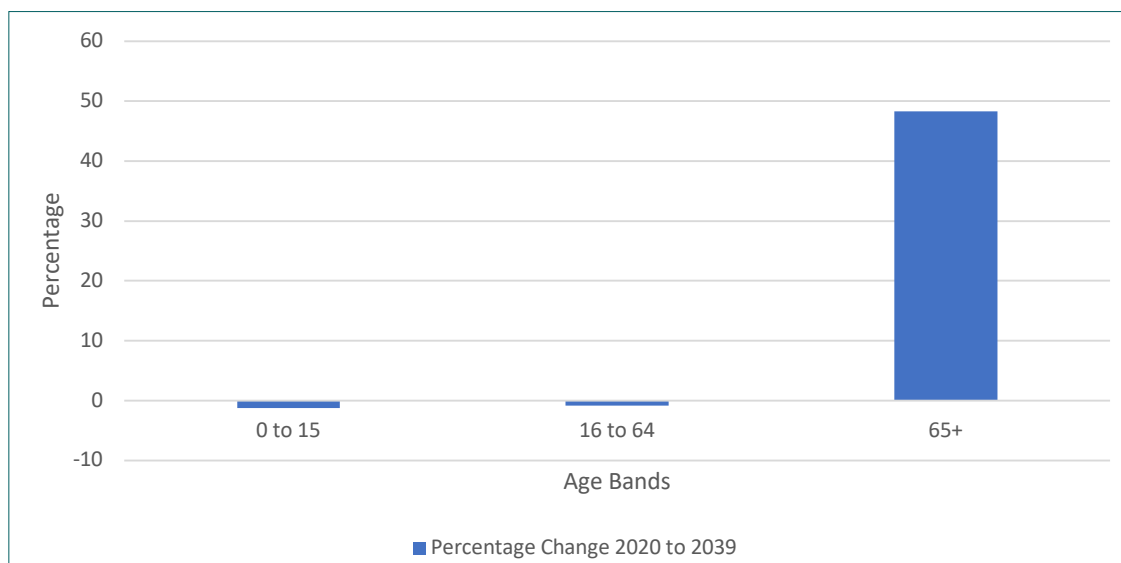
## 4.1. Overview

4.2. Highlights – high levels of deprivation, more like inner London for an outer London funded authority; economic inactivity at 29%, great than much of London and the south east; low average incomes, insufficient private sector housing; youth violence, inequality between east and west of the Borough.

## 4.3. Population

- 4.4. Enfield is the fifth largest London Borough by population, it has a population of 333,869 (2018 mid-year estimate), an increase of 1,162 (0.35%) over the previous 12 months. This is below both the London (0.94%) and all England (0.64%) increases. The greatest increase was 1.65% for the 65+ population.
- 4.5. The general population has increased by 8% over the past decade, with the over 65s being the highest (16%) amongst the age groups within the same period, lower than the London increase of 21% over the same period. The over 65 is projected to increase by 27% over the next decade which presents a financial challenge with the overall yearly decrease in Enfield’s budget.
- 4.6. Enfield’s age profile is proportionately distributed between the sexes but, compared to the rest of London averages it has a higher number of young people aged 0-15. There are proportionately more children and young people under 20 in Enfield than in both London and England overall.

Chart 2 – **Forecast Population Change 2020 to 2039**



- 4.7. There are significant changes to the population forecast. There are marginal declines expected in the children and working age adults’ populations but a forecast increase of 50% in the 65+ population %. Source: 2018 GLA housing led population projection
- 4.8. The Borough has a very diverse population. Overseas born residents make up 36.80%, (Inner London 40%, Outer London 33.8%, London 36.38%, England 15.44 and UK 14.24%).

## 4.9. Deprivation



- 4.10. For deprivation (measured through IMD 2019) Enfield is the 74th most deprived local authority in England overall. Enfield's ranking compared with other local authorities in England dropped from 64<sup>th</sup> in 2015. Enfield is within the most deprived 25% of all local authorities. Enfield has become relatively more deprived when compared with other London Boroughs. In 2010, Enfield was the 14th most deprived borough in London, whereas in 2015 it was the 12th most deprived and in 2019 is now ranked 9<sup>th</sup>, Edmonton Green ward is the 5<sup>th</sup> most deprived ward in London.
- 4.11. Enfield has inner London deprivation with outer London funding with 13,575 or 18% of all children under 16 from relatively low income families as at 2018/19, a small increase from the 2017/18 figure (12,976, 17%). In Great Britain as a whole, the proportion of children in low-income families is 18%. Enfield's proportion is the 15th highest of the 33 London boroughs.

#### **4.12. Income and employment**

- 4.13. Enfield has high rates of economic inactivity and low average household incomes, compared to both London and across the UK.
- 4.14. Enfield has the 2<sup>nd</sup> highest levels of economically inactive workforce of all borough in London with the with an economic inactive rate of 28.7%, higher than Inner London (21.5%), Outer London (22.2%), London (21.9%), England (20.8%) and the UK (21.2%).
- 4.15. Females are the most economically inactive group in the borough with 33.4% of the total workforce inactive compared to 23.8% of males.
- 4.16. Estimates supplied by CACI Ltd for 2020 indicate that the mean gross household income in the Borough was around £43,000. This is higher than the Great Britain average of £41,300, but somewhat lower than the Outer London average of £46,000 (all figures have been rounded).
- 4.17. Enfield's median household income (arguably, a more meaningful statistical measure of the average) is £34,900, which is the 12th lowest of the 33 London boroughs and lower than the Outer London average. 16% of households in Enfield have an annual income below £15,000 - higher proportion than in London (14%) Within the Borough, there are clear differences in income between the western and eastern parts, with median incomes in the most affluent areas being over twice those of the least affluent. In the year to December 2019, 144,00 people (65.9%) of the Enfield population were in employment, a slight increase on 2017. However, this is below the London (74.5%) and UK (75.6%) averages.

#### **4.18. Crime**

- 4.19. According to official crime summary data published by the Metropolitan Police, the number of notifiable offences committed in Enfield between May 2019 and April 2020 was 29,937 – an increase of around 3.3% on the previous 12 month period.
- 4.20. The Metropolitan Police crime rate for this period was 88.1 per 1,000 residents. The London-wide crime rate for the same 12 month period was 98.4 per 1,000 people.
- 4.21. In Enfield, the three most common types of recorded crime were Violence Against the Person (not including sexual offences), Vehicle Offences and Theft.
- 4.22. Enfield is one of the major hubs for county lines (the supply of class A drugs from urban areas to rural towns or county locations) which is one of the underlying factors of the high levels of youth violence and serious youth violence. Recent Police data reported 821 cases of serious youth violence and 1,682 cases of youth violence in Enfield, significantly high for an outer London borough. Excluding the cases which could not be attached to a specific ward, Edmonton Green ward had the highest levels of both Youth Violence (10%) and Serious Youth Violence (10%) out of all the wards in the Borough. Winchmore Hill ward had the lowest cases of Youth Violence (1.8%) and Bush Hill Park ward had the lowest cases of Serious Youth Violence (1.5%).

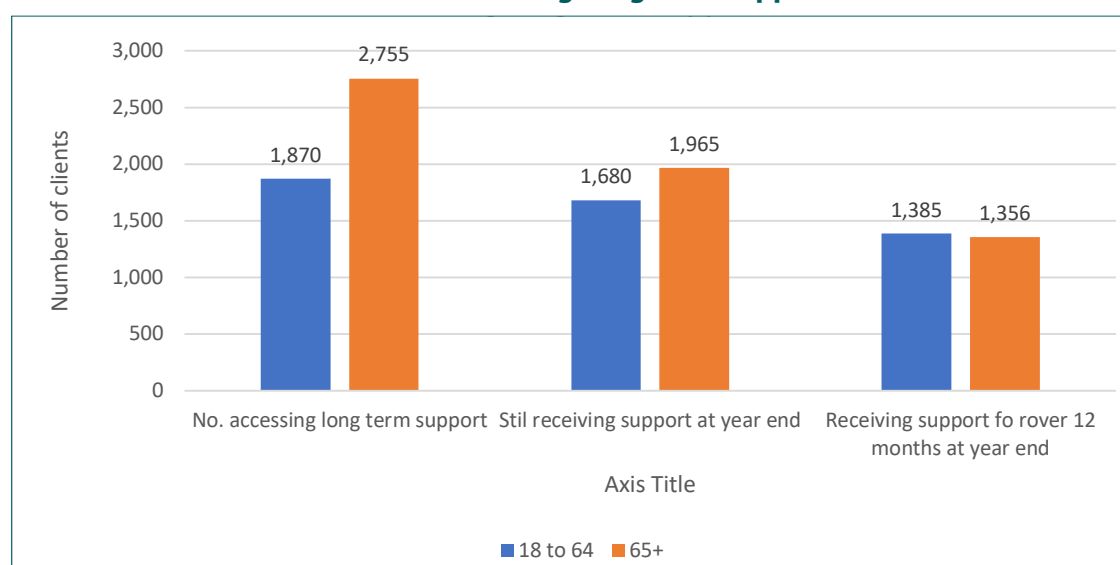
#### **4.23. Health**

- 4.24. The latest available local estimates from the ONS (Life Expectancy at Birth 2016 to 2018) suggest that life expectancy at birth for males born in this period in Enfield is 80.6 years, which is slightly below the London average (80.7 years) but above the UK average (79.3 years).
- 4.25. Female life expectancy in Enfield is 84.8 years, while the London and UK averages are 84.5 years and 82.9 years respectively.
- 4.26. There are, however, wide variations across the Borough with the inequality driven by deprivation. Ranging from 75.6 to 87.2 depending on where live in the Borough. Upper Edmonton which is amongst one of the most deprived wards in the Borough had the lowest life expectancy for both sexes with Highlands ward having the highest life expectancy rates for both as well. Recent data by Public Health England on life expectancy, indicates more residents die from all causes in Upper Edmonton than any other ward in the Borough with a standardised mortality ratio of 139.8, with stroke being the biggest contributor. Highlands ward (68.6) has the lowest standardised mortality ratio in Enfield, is has a positive correlation to inequality driven by deprivation.

#### 4.27. Adult Social Care

- 4.28. During April 2018 to March 2019, Enfield received 2,950 requests for support from new clients or a rate of 1,185 per 100,000 adults. 74% of these from customers aged 65 or over. 334 of these new requests led to Short-Term Support to Maximise Independence. This was below the London rate of 2805 per 100,000 adults
- 4.29. Baseline estimates for Enfield residents aged 16-64 with learning disabilities is projected to increase by 5% over the next 10 years from 2020 , the over 65 with learning disabilities is also projected to increase significantly by 29% over the same period which will have a profound implications on social care budgets.
- 4.30. During 2018/19, 4,623 customers received long-term support at some point. Of these, 3,644 (79%) were still receiving support at the end of the period.
- 4.31. As at 31st March 2019, 2,741 (75%) of the total still receiving support had been receiving long-term support for over twelve months.

Chart 3 – Adult Social Care Clients Accessing Long Term Support



#### 4.32. Children’s Services

- 4.33. There has been steep rise in early help referrals over the last 2 years during the period 01 April 2019 and 31 March 2020, a total of 1,652 referrals were received by the Early Help Family Hub. This represents a 33% increase on the previous year where 1,241 referrals were received.

- 4.34. Referrals for Children’s Social Care arrive via the MASH (Multi Agency Safeguarding Hub) Children’s Services in Enfield have experienced a significant increase in demand in 2019/20 there were 17,725 MASH contacts, which is a 24.6% increase from 14,221 the previous year.
- 4.35. During the period April 2019 to March 2020, the service dealt with 7,256 referrals, the rate of referrals was 874 per 10,000 children.
- 4.36. Over the last 5 years the numbers of children in need per 10,000 has risen year on year to 318.6 in 2018. This year there was a slight reduction to a rate of 318.2 (2,689)
- 4.37. This year saw a sharp rise in the number of young people under 18 years of age who were at risk of becoming homeless or looked after. 112 young people presented this year compared to 86 young people in the previous year. The majority of these young people were supported to live at home with only 8 young people becoming looked after.
- 4.38. As at 31st March 2020, 203 children were the subject of a Child Protection Plan (CPP) – a rate of 24 per 10,000 children. This is a reduction from a rate of 33 per 10,000 in 2019 and is below the national average of 44 per 10,000.
- 4.39. At the end of March 2020 there were 395 children in care, this is an increase of 3% (13 children) from the number at the end of March 2019.
- 4.40. At the end of March 2020, the number of Unaccompanied Asylum-Seeking Children (UASC) fell to 64 (16.2% of total LAC population), compared to 71 in 2018/19.

#### **4.41. Housing**

- 4.42. There are circa 125,370 homes in Enfield, of which: 10,080 are local authority owned homes (8%) 8,440 are registered provider homes (7%) 106,830 are private sector homes (owner occupied and private rented sector) (85%).
- 4.43. 11.2% of households in Enfield are in overcrowded accommodation. Overcrowding is mostly assessed by the ‘bedroom standard’ which assesses the number of bedrooms needed according to the size and composition of households. Of these overcrowded households, in the 2011 census, Enfield had an overcrowded rate of 18.31% out of 119,916 households with Edmonton Green (31.93%) being the most overcrowded ward in the Borough and Town ward (8.71%) being the least overcrowded.
- 4.44. The private rented sector has grown rapidly in Enfield and much faster than in other London boroughs; increasing by 60% in the 10 years between 2006 and 2016. Between 2012 and 2017 there was an increase of 7,356 properties. Although the size is similar to other London Boroughs the composition is very different in that the majority of households in PRS in Enfield are from low income families who are claiming benefits
- 4.45. Eviction data at borough or ward level is hard to come by since the ONS doesn’t have a specific metric method to measure it, however the Trust for London tasked with tackling poverty and inequality produces some analysis on poverty and inequality at borough level. According to the Trust for London ([trustforlondon.org.uk](http://trustforlondon.org.uk)) Enfield has the 8<sup>th</sup> highest eviction rate in the capital, with 2.42 repossessions per 100,000, this compares to 1.81 in London. This again reflects the fact it has one of London’s largest private rented sectors. Assuming Enfield’s 2018 mid year population estimate as 333,869, this gives an eviction rate of 3%.
- 4.46. Homes to purchase on the market are unaffordable to people on median average salaries in Enfield, unless they are supported by family members to get a step on the housing ladder. An average house in Enfield costs 14.5 times the median average salary as of 2019 lower than the London average but almost double that of that of the national average, a very significant increase of 79% over the past decade.

- 4.47. During 2017 to 2018 Enfield's Housing Options and Advice Team dealt with 1,085 homelessness applications, of which 786 households were accepted as statutorily homeless and in priority need – the fourth highest number of all Local Authorities in London and representing 5.89 households for every 1,000 residents' households.
- 4.48. As at 31<sup>st</sup> March 2020, 3,474 households were in temporary accommodation – the second highest number of all English authorities (behind Newham).

#### 4.49. Education

- 4.50. In 2019 for Early Years - 69.7% of children in the Foundation Stage (i.e. under 5 years) had achieved a 'good level of development', which was slightly lower than the England average of 71.8% and the London average of 74.1%. 68.6% of pupils had achieved at least the expected level across all Early Learning Goals, an improvement again on the 2017 performance which was 68.1%. this though was below the London average of 73%.
- 4.51. KS1 - In 2019 in Enfield, the percentage of pupils achieving the expected standard in English Reading and Writing and maths decreased in 2019.
- 70% of pupils reached the expected standard in Reading (73% in 2018)
  - 65% reached the expected standard in Writing (69% in 2018)
  - 73% reached the expected standard in Mathematics (74% in 2018)
  - 78% reached the expected standard in Science (77% in 2019)
- 4.52. Key stage 1 results for Enfield are towards the bottom of the London boroughs in all subject areas with a ranking of 32/33.
- 4.53. The percentage of pupils reaching the expected standard in KS2 Reading, Writing and Maths combined in Enfield has increased from 61% in 2017 to 66% in 2019. The latest figures for 2019 for London and England are 69% and 65% respectively.
- 72% of pupils reached the expected standard in Reading
  - 79% reached the expected standard in Grammar, Punctuation and Spelling (higher than the England average of 78%).
  - 80% reached the expected standard in mathematics, below the London average (82%) but above the England average (79%)
- 4.54. KS4 – In 2017, the new 9-1 marking system was introduced for English and Maths GCSE examinations, and this was rolled out into other subjects from 2018. The Government publishes data on the percentage of pupils achieving a 9-5 pass and a 9-4 pass in English and Mathematics. In Enfield, 41.6% of entrants achieved a strong 9-5 pass, compared with 40.2% in England and 48.7% in London. 61.4% of pupils attained a 'pass' (Grades 9-4), compared with 59.4% in England and 67.9% in London.
- 4.55. Level 3/A Levels - A levels are among a group of regulated qualifications which are classified as Level 318. These also include Tech Level qualifications, such as the BTEC Extended Diploma. In 2017/18:
- Enfield's Level 3 students recorded an Average Point Score (APS) of 31.47 – slightly below the London average (31.92) and the England state-funded sector (31.84)
  - 78.6% of Enfield entrants achieved at least two substantial Level 3 qualifications
  - Enfield's A Level students' Best 3' A Level APS was 32.13 (equivalent grading of C+), which was slightly under the London figure (33.09).
  - 11.7% of A Level student achieved three A\* to A grades at A level – equal to the London average and higher than the English state sector average (10.7%).
  - The Average Point Score for Tech Level students in Enfield was 30.35 (graded as Distinction+ by the Department for Education) – higher than the regional and national averages.
- 4.56. Unfortunately, the most accurate assessment of the level of qualifications held by the adult population is the 2011 Census. As of that year, 23.0% of Enfield adults aged over 16 years had no qualifications compared to a London average of 17.6% and a national average of 22.5%.

- 4.57. The more recent Annual Population Survey for the year to December 2018 estimates that 10% of Enfield residents of working age (16-64 only) had no qualifications (compared with 8% for the UK), and that 41% of Enfield's working age residents were qualified to NVQ Level 4 and above (BTEC / HND / Foundation Degree level and above).
- 4.58. Recent publications for young people who are 16 and 17 who are recorded in Education and Training shows that 94.2% are participating in education and training as of March 2019. This compared to 92.5% across England and 94.9% across England. This is a positive 2.1% improvement since March 2018.
- 4.59. As of January 2019, there was 3,104 EHCPS in Enfield. Compared to London and England, the number of children in Enfield with an EHCP is projected to increase by 46% over the next 5 years and more than double that number over the next 10 years, which is very significant considering London and England on average is only increasing 33% and 75% respectively over the same period.
- 4.60. 15.5% of pupils at state funded nursery and primary schools and 17.2% of pupils at state funded secondary schools were known to be eligible for and claiming free school meals (DfE January 2019). The 2019 school census indicates a rise to 17.2% of pupils in Enfield schools are known to be eligible for and claiming free school meals.

#### **4.61. Local Economy**

- 4.62. There are an estimated 211,00 people of working age in Enfield; 3.6% of London working age population.
- 4.63. In March 2020 there were 10.2 start-ups for every 10,000 working age in Enfield and this compares with a business start-up rate of 9.3 for the whole of London. In Enfield 216 new businesses started up in March 2020, 36 fewer than the previous month and 87 fewer than in March 2019. Edmonton Green saw the most start-ups; Southbury saw the least.
- 4.64. 42,000 residents in Enfield have been furloughed since Covid 19 began. This is the 9th highest figure in London and the 27th highest in the UK
- 4.65. As of March 2020 there was 14.8% fewer businesses start-ups in Enfield during the first three months of this year compared with the corresponding period of last year, according to latest data from a BankSearch survey. This growth rate ranks Enfield at 128 out of the 326 English districts.
- 4.66. The expected effect of more job losses, combined with redundancy payments, plus opportunities for entrepreneurial activity enhance the number of business starts in an area. Claimant numbers in Enfield have risen so far this year and in March 2020 stood at 7,835. This equates to 370 job claimants for every 10,000 people of working age in Enfield and compares with a Claimant Rate of 320 for the whole of London.
- 4.67. Link to the full profile:

<https://new.enfield.gov.uk/services/your-council/borough-and-wards-profiles/borough-profile-2019-your-council.pdf>



## 5 Refresh of Financial Assumptions

- 5.1. Council agreed a five year Medium Term Financial Plan in February 2020 covering the period 2020/21 to 2024/25. For 2020/21 there was Net Expenditure of £236.904 on services which was funded through Settlement Funding Assessment £98.937m, Specific Grants £2.697m, London Business Rates Pool £0.425m and one off Use of Reserves £1.585m giving a Council Tax Requirement of £133.280m. There is a Council Tax Base of 97,726 with the Band D Council Tax of £1,363.77. There was a balanced budget for 2020/21 but a gap of £57.111m across the period 2021/22 to 2024/25.

Table 1 - **Net Expenditure by Department**

Department/ Directorate	Gross Expenditure 2020/21	Gross Income 2020/21	Net Expenditure 2020/21
	£m	£m	£m
Chief Executive	17.454	(6.928)	10.526
Corporate	39.792	(5.684)	34.108
People			
Adult Social Care	130,486	(53,780)	76,706
Children's & Families	46,653	(11,244)	35,409
Education	391,309	(385,737)	5,572
Public Health	14,219	(18,676)	(4,457)
Service Development & Youth Service	5,454	(1,817)	3,637
Housing Related Support	2,709	0	2,709
Place	143,457	(108,514)	34,943
Resources	355.616	(317.864)	37.752
<b>Total</b>	<b>1,147.149</b>	<b>(910.244)</b>	<b>236.905</b>

- 5.2. The Plan will need to be rolled forward a year to cover 2025/26 and the assumptions refreshed. This is the first refresh of those assumptions and there will be further review and refinement throughout the budget setting process.
- 5.3. Covid19 is expected to have a long term impact on the Councils' finances, however, the degree of that impact is difficult to predict. The MTFP has been revised to reflect current information and include an estimate of cost pressures arising directly due to the economic impact of Covid19. The Crisis will have had some short and medium term impact on the tax base and this is considered in the commentary below.
- 5.4. Overall, rolling the Plan forward a year the Council is forecast to have a funding gap of £69.854m over the next five years. £13.265m of this is in 2021/22 and whilst the overall strategy is to have a balanced five year plan the focus of attention will be on this first year.
- 5.5. However, the Covid-19 crisis is going to have an impact on the Council's finances beyond the current financial year. Three months into the crisis it is extremely difficult to assess this impact and for that reason a number of scenarios are put forward later in this Strategy. There are nevertheless some inevitable impacts that need to be included in this refresh and these are explored in the Income and Expenditure sections below.

**5.6. Consequently, the gap over the five year plan will at best be £18.613m and for the first year of the Plan will be £58.594m.**

Table 2 – **Summary MTFP Forecast**

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
Funding	0.725	(7.802)	(5.612)	(6.356)	(2.440)	(21.485)
Spend	17.888	17.233	16.122	16.305	12.531	80.079
Gap	18.613	9.431	10.510	9.949	10.091	58.594

5.7. The year one gap has increased from £13.265m as a consequence of the Covid-19 impact on both income and expenditure. The cost of Council Support has increased significantly, and expenditure pressures are expected to persist beyond 2020/21. These have been offset in part by a recognition of the need for increases in the rate of Council Tax year on year.

5.8. Income

5.9. There are two key changes in the assumptions which are set out in further detail below. There is currently a significant in the cost of Council Tax Support which may take some time to recover, this gives a £6m pressure in year one reducing by £2m per annum thereafter. Further, in line with the Financial Strategy in Section 2, the need for annual increases in council Tax is recognised and these are included at 2% per annum in line with the current threshold regulation.

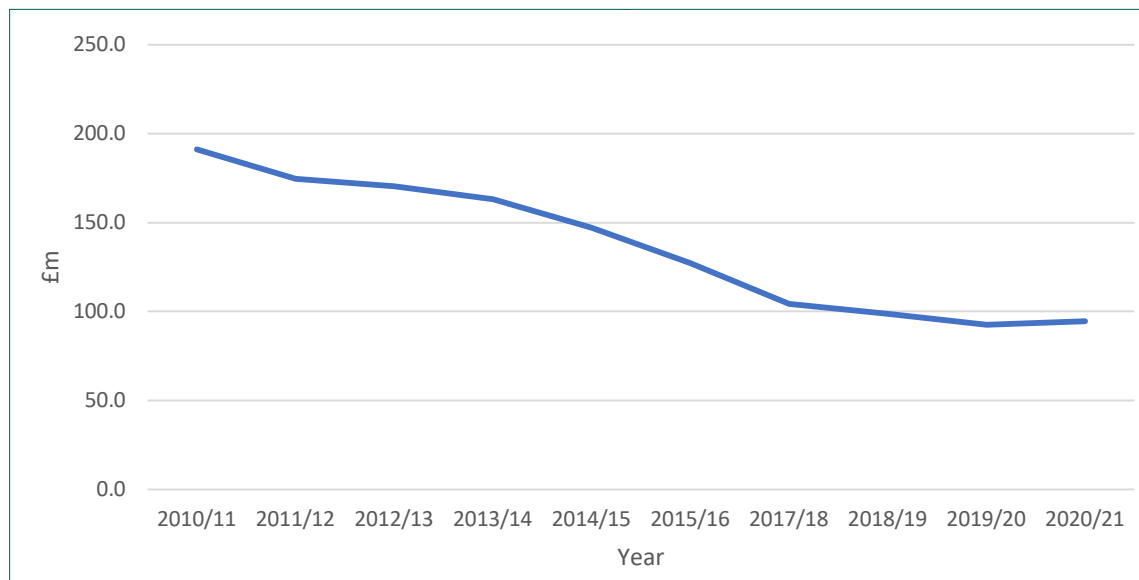
Table 3 – **Income Forecast**

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
General Government Grant	0.000					0.000
Specific Government Grants	1.142	1.128	1.161	0.903	0.894	5.228
Business Rates	0.000					0.000
Council Tax Rate	(2.652)	(2.652)	(2.652)	(2.652)	(2.652)	(13.260)
Council Tax Base	(0.682)	(0.682)	(0.681)	(0.682)	(0.682)	(3.409)
Council Tax Discounts	(1.000)					(1.000)
Council Tax Support (Covid-19 pressure)	6.000	(2.000)	(2.000)	(2.000)		0.000
Collection Fund	0.700	(0.700)				0.000
Use of Reserves	1.565					1.565
Savings/Income Generation	(4.348)	(2.896)	(1.440)	(1.925)		(10.609)
<b>Total</b>	<b>0.725</b>	<b>(7.802)</b>	<b>(5.612)</b>	<b>(6.356)</b>	<b>(2.440)</b>	<b>(21.485)</b>

**4.10. Government Grant**

- 5.11. Local Government has been through an unprecedented period of austerity as demonstrated in the chart below. 2020/21 saw some respite with the first increase in general grant for ten years and additional funding for social care. The initial assumption is for general grant to be flat and for the additional social care funding to continue as outlined in the Local Government Settlement in February 2020.

Chart 4 - **Government Funding**



- 5.12. There are several grants outside of the Government's Spending Power commitment. These are assumed to decline over time.

### 5.13. **Business Rates**

- 5.14. The MTFP approved by council in February assumed no growth in Business Rates over the medium term albeit £0.425m was included in the 2020/21 for the benefit from pooling Business Rates across the whole of London. There have been significant impacts to Business Rates as a result of the Covid-19 crisis. Firstly, there have been a wide range of interventions from Government with extensive discounts and also provision of grant to small businesses. The £46.7m of discounts have been matched with s31 grant so nil impact to the Council's bottom line. However, for April and May there has been a £3.2m like for like reduction against the residual £77m due, which equates to a potential loss of £17.3m across the financial year. For 2020/21 the Council is very likely covered by a safety net which limits exposure to £5.6m. London council has commissioned advice on behalf of all London boroughs to clarify the position.

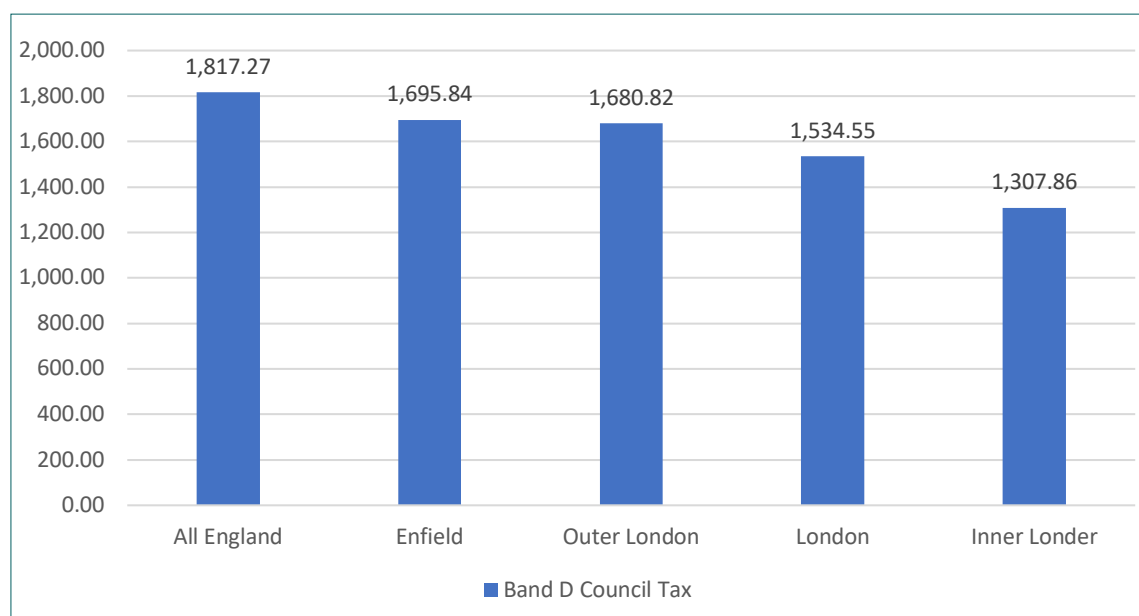
- 5.15. There is, considerable uncertainty on the level of Business Rates for future years and to hold at no growth is in all likelihood an optimistic position to hold at this time, even for the base case.

### 5.16. **Council Tax**

- 5.17. The broad assumptions set out in February were for growth of 500 homes in the base and a nil increase in the rate are unchanged. The Council generates £133.28m income from Council Tax so every 1% increase generates an additional £1.332m.

- 5.18. Given the impact of the crisis on local authority finances these assumptions have been revised and annual rate increases of 2% have been forecast across the plan. The £2.6m which this would raise each year is still a fraction of the inflationary pressures faced by the Council even before considering demand and the impact of the crisis. With the failure of the Government to come forward with reforms of funding for Adult Social Care it wouldn't be hugely surprising for the Adult Social Care precept to be a proposition too. This is speculation though and not included in the forecast.

Chart 5 – 2019/20 Band D Council Tax



- 5.19. The Council operates a Council Tax Support scheme following the localisation of support by Government at the start of austerity. As at 1 April 2020 the scheme cost in the order of £33.3m to operate with low income residents and pensioners only billed for a proportion of the full Council Tax charge. Two months into the new financial year, 37,219 residents now qualify for the scheme at a total additional cost of £40.6m, partially offset by the £5.2m Hardship Relief Grant
- 5.20. The forecast has assumed a pressure of £6m on Council Tax Support in 2021/22 and that it would take three years for take up to return to pre-crisis levels. This may be an optimistic assessment.

### 5.21. Savings/Income Generation

- 5.22. The MTFP contained £10.609m of future year savings and there is no adjustment to these at this time.

### 5.23. Expenditure

- 5.24. There is little overall change to the expenditure forecast. It is clear that the financial impacts of Covid-19 will be felt well beyond the 2020/21 financial year and £2m has been factored in to date. This will clearly require continual reassessment.

Table 4 – Expenditure Forecast

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
Inflation	7.146	7.170	7.196	7.222	7.248	35.982
Investment	0.360	0.410	0.150	0.150	0.150	1.220
Demography						
Adult Social Care	2.000	2.000	2.000	2.000	2.000	10.000
Children's	0.750	0.750	0.750	0.750	0.750	3.750
SEN Transport	0.630	0.630	0.630	0.630	0.630	3.150
Pressures	2.099	0.000	0.000	0.000	0.000	2.099
Capital Financing	4.709	5.520	4.643	4.800	1.000	20.672
Levies	0.194	0.753	0.753	0.753	0.753	3.206
<b>Total</b>	<b>17.888</b>	<b>17.233</b>	<b>16.122</b>	<b>16.305</b>	<b>12.531</b>	<b>80.079</b>

## 5.25. Inflation

5.26. Provision for pay and prices is made in line with the Bank of England target 2% target for CPI (Consumer Price Index). Specific provision is made for Adult Social Care contractual commitments which have typically outstripped CPI.

## 5.27. Investment

5.28. The current MTFP has sought to protect the most vulnerable in the community as well as delivering the corporate plan objectives. For 2020/21 there was investment of £1.38m in the Children's Social Care workforce; strengthening the numbers of social care workers, bringing the Edge of Care work in house and developing apprentice roles. In the initial refresh there are no further areas of specific investment outlined above those already in future years of the Plan. These will be developed throughout the budget setting process and consideration in particular will need to be given to addressing the recommendations of the Poverty and Inequality Commission.

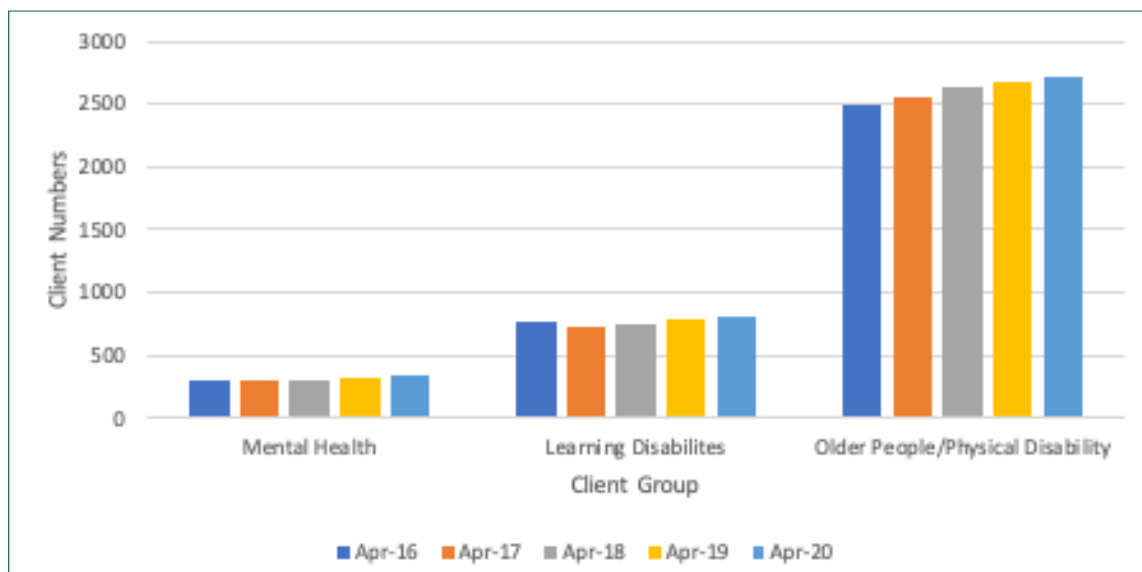
## 5.29. Demography

5.30. The 2020/21 Plan included a more comprehensive and realistic assessment of demographic pressures across the medium term. This has been one of the key cost drivers for the Council and is a real financial challenge. There are three key pressure areas – Adult Social Care, Children's Social Care and Special Education Needs Transport, the magnitude of the challenge is highlighted in the charts below.

### 5.31. Adult Social Care

5.32. Overall increase in client numbers of 299 over the past five years.

Chart 6 - **Adult Social Care Client numbers 2016 to 2020**

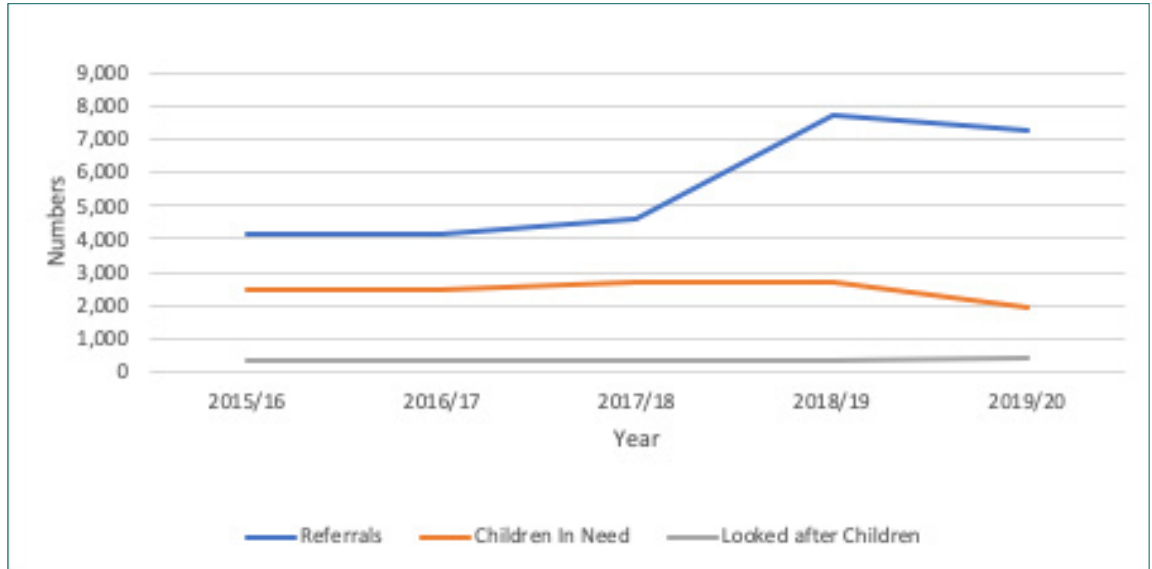


### 5.33. Children's Social Care

5.34. There has been a notable increase in MASH referrals this year 2019/20 there were 17,725 MASH contacts, which is a 24.6% increase from 14,221 in 2018/19. This corresponds with the increase in referrals shown in the social care activity chart below.

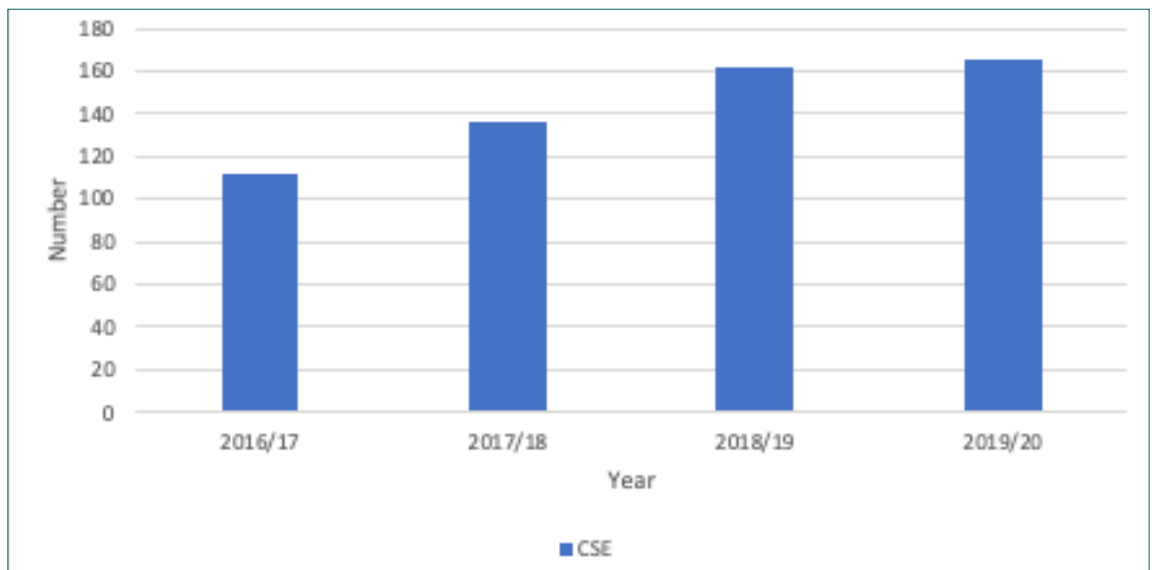


Chart 7 – **Children Social Care Activity 2015/16 to 2019/20**



- 5.35. Practice changes embedded within the MASH and a sharper focus on domestic abuse and neglect account for the rise in referrals.
- 5.36. The number of children in need has slightly reduced from 2018/19 to 2019/20 this correlates with a significant increase in referrals to the early help family hub. Sustaining reduced demand for statutory social care is linked to having a strong and effective early help service which is better for children and families and more cost effective as it reduces the need for more intensive statutory activity.
- 5.37. There has been a year on year increase in the identification of exploitation, with a notable increase in young people at risk of criminal and sexual exploitation. In 2019/20, 166 children and young people, were identified as being at risk or experiencing exploitation, this is a slight increase on last year (162) and continues an upward trend as indicated in the table below.

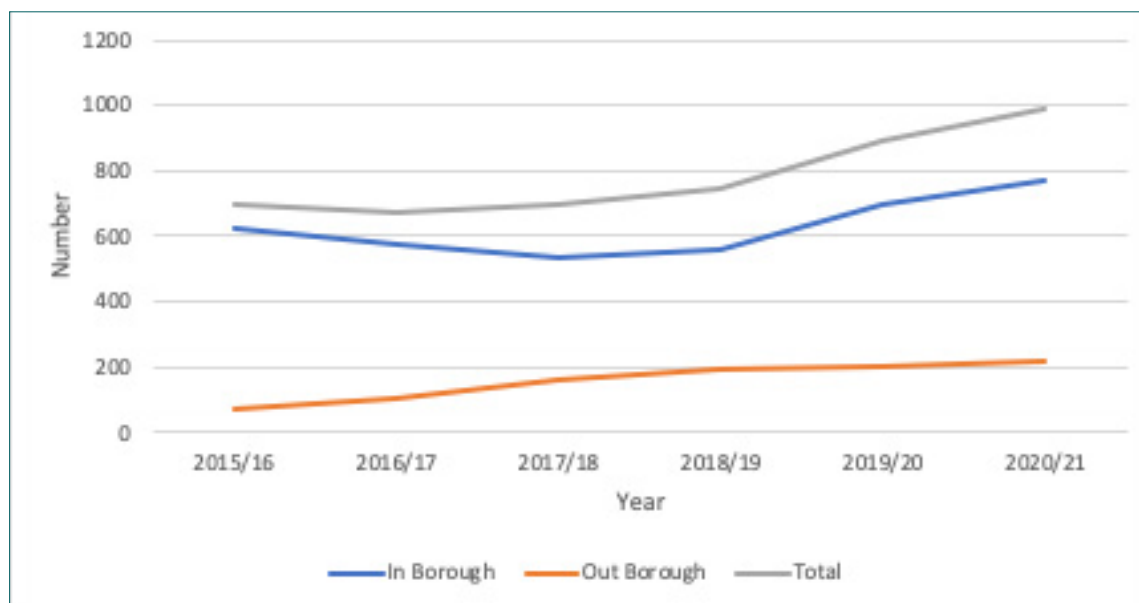
Chart 8 - **Child Sex Exploitation Profile 2016/17 to 2019/20**



5.38. Special Education Transport

- 5.39. There has been significant growth in the SEN Transport spend. The key driver has been the growth in number of children transported to out of borough provision, increasing from just 71 at the end of 2015/16 to a forecast of 219 for 2020/21, a 300% increase. There has also been an increase of in borough numbers of 143 across the same period.

Chart 9 – SEN Transport Numbers



- 5.40. There is significant variation in average in and out borough costs per pupil, £8.5k and £14.4k respectively and also Personal Travel Budgets which average out at £7.2k per pupil.

#### 5.41. Pressures

- 5.42. There has been strong budget monitoring throughout 2019/20 with no significant movements between the quarter three and outturn reporting. The pressures were, therefore in line with the existing plan. The position has very much changed with the Covid-19 crisis; there's pressure on expenditure, income is down and savings programmes have been slipped in 2020/21. It is clear that a proportion of this will not be short lived and these pressures will persist into 2021/22 and beyond.
- 5.43. Nevertheless, £2m of unidentified pressures are also included in the overall forecast position. It is unlikely that additional pressures won't emerge during the budget setting process and for example, there is already some uncertainty over the impact of the TfL/Government decision to cease free travel to the under eighteens..

#### 5.44. Capital financing

- 5.45. A thorough review of the capital financing commitments was undertaken as part of the 2020/21 planning. This reassessed the commitments arising from the historical schemes in the capital programme and was enabled for the future years in the publication of a ten year Capital Programme covering the period 2002/21 to 2029/30. This area is being reassessed in the light of the 2019/20 Outturn and is subject to a quarterly review

#### 5.46. Levies

- 5.47. The financial impact of the new waste facility to be operated North London Waste Authority is being smoothed through reserves with the MTFP gradually bringing the budget up to full cost.

## 6 In Year Response to Financial Pressures Arising from Covid-19

- 6.1. There is great uncertainty at present with the additional cost, lost income and impact on savings programmes under continuous review and no detailed commitment that Government will meet the costs. The impact on the medium term is therefore far from clear and it will be necessary to take immediate steps in year.

### 6.2. Approach to address the Financial Implications of Covid-19

- 6.3. To complement the longer-term strategy, it is imperative that a number of immediate steps are taken in 2020/21 to ensure that the Council remains financially resilient. A number of workstreams have been identified to mitigate the impact of Covid-19 on the Council's financial position during 2020/21:

#### Reduce costs/update forecasts:

- Review the existing Covid19 expenditure and income forecasts in order to identify how to reduce expenditure, reduce likelihood of income loss.
- Acceleration of the MTFP existing savings and income proposals for 2021/22 onwards
- Accelerate any newly identified savings and income proposals in the current year
- Ensure that 2020/21 budget savings are implemented, find substitute savings where these are at risk.
- Maintain spend within the existing budget envelope for key demand areas as far as possible; identify management action to reduce in year cost pressures. (This will have the impact of protect the £3m contingency in Corporate.)

#### Increase income:

- Increase income to replace lost income, including increasing income from fees and charges mid-year (September 2020)
- Re-focus income collection approach to reduce the impact of bad debt on the end of year position in particular for council tax and business rates. Maximise income collection through ensuring the collection base is accurate.

#### Capital:

- Capital - expenditure this year to calculate interest costs and set this funding aside.
- Capital expenditure - identify which expenditure is "in contract" and which can be paused

#### Reserves

- Comprehensive review of the Council's reserves.

#### Opportunistic

- Review specific opportunities and costs arising in year as a result of Covid-19 (e.g. channel shift, home working)
- Acceleration of review of operational building requirements
- Identify where grant can be used to substitute existing spend.
- Accelerate the identification of properties that can be sold on the open market (not to HRA as this does not provide flexibility) which can be re-invested to reduce borrowing costs, fund transformation.

- 6.4. Where the impact of actions to reduce expenditure or generate additional income is beyond the current financial years, these will come forward as early savings for the MTFP and base budgets adjusted.

# 7 Approach

7.1. The following section sets out the central approach to developing the Medium Term Financial Plan for 2021/22 to 2025/26. However, as set out earlier there is considerable financial uncertainty as a result of the worldwide pandemic. It is essential to have a Plan B and section 8 of this Strategy considers a number of Scenarios to which the Council will need to develop further actions.

## 7.2. Foundation analysis

7.3. During May and June the groundwork has been undertaken which is primarily the review of the Borough Profile and extensive benchmarking to give a clear context in which to identify areas for investment and redirection of resources, opportunities for efficiency and income generation and reduced service. Service level benchmarking has primarily been CIPFA/CFO Insights budget data for 2019/20 focussed on the Council's ten London "nearest neighbours. This work will be led by the Knowledge and Insights Team.

7.4. This should identify areas to drill down into further detail and for further analysis to be undertaken. This will be a joint piece of work with the Council's co commissioning partner. At this stage it is anticipated that this further benchmarking and analysis will cover Adult Social Care, ICT/ Back Office Services and Income.

## 7.5. Workshops

7.6. Across June and July there will be a series of focussed workshops covering the following themes (these may be amended following the benchmarking work and further analysis). This is in contrast to the workshops which were organised departmentally and each covering all themes for 2020/21. Again, though the expectation is for engagement beyond Executive Director and Director Level. The follow up work to the workshops is set out in the next Section of the Strategy, these are very much the start of the process to develop efficiencies and not one off sessions. These workshops will be supported to bring in external insights and initiatives.

## **7.7. Themes/areas of focus**

### **7.8. Demand Management**

7.9. The key areas of focus will be Adult Social Care, SEN Transport. These are two areas which are significant cost drivers for the Council; for the existing Medium Term Financial Plan £20.959m was added to the budget for Adult Social Care across the five years and £4.600m for SEN Transport. There will be a range of short term and medium term strategies required, so essential to consider both of these across the full life of the five year plan. This work will also consider approaches for prevention as well as demand that is already in the system.

## 7.10. Adult Social Care

7.11. The council has naturally been intervening over a number of years to mitigate the impact of rising demand. Some of the key strategies have been through step down provision, reablement, se of aids and adaptations to property, use of direct payments, increasing support to carers, strength based approaches to bring in family and community support, and developing community capacity.

7.12. A great deal of work has also been undertaken on supply and value for money. This is through support and constructive challenge to providers including thorough review of these organisation especially those is less developed provision. This needs to be developed to enable people to access provision closer to home and certainly in borough. There's extensive use of direct payments which controls spend and gives greater choice and possibly minimal opportunity to

extend this further. Another area of focus will be working with Learning Disability and Mental Health providers to avoid crisis which can use up a disproportionate level of resource.

- 7.13. New models of care also need to be considered, reducing reliance on residential care and moving to more and better sheltered accommodation/supported living schools and further investment in assistive technology.

#### 7.14. SEN Transport

- 7.15. The focus of this work needs to be on provision of great in Borough school places with the average in Borough cost currently £8.5k versus Out borough at £14.4k and to direct more children to Personal Travel Budgets which is the most cost effective option currently averaging £7.2k per pupil.

#### 7.16. Children's Social Care

- 7.17. One of the key strategies has been to develop the Early Help Family Hub and launch the children's portal. By investing and sustaining a strong early help offer children and families are far less likely to need statutory social work services

- 7.18. In order to manage demand and reduce the number of children in care the Council have invested in an Edge of Care Service to prevent family breakdown and support reunification of children back home as quickly as possible when it is safe to do so.

- 7.19. Reducing reliance on external placements such as independent fostering agencies and residential homes by increasing the numbers of in-house foster carers has been a strategy that has been in place for many years. The service continues to invest in strong recruitment campaigns to attract new in-house foster carers each year. However, as new carers are approved and join us there is natural movement as established carers leave. This year capital investment has been identified to increase the size of some family homes to enable established in-house carers to look after more foster children.

- 7.20. Families are supported through receipt of direct payments to assist children with special education needs and disabilities (SEND). There have been joint commissioning arrangements in place for many years with the CCG, education and social care to share the costs of complex care packages this process is managed through an agreed protocol and a monthly panel chaired by the Director of Children and Family Services.

#### 7.21. Housing/Temporary accommodation

- 7.22. Pre-pandemic Cabinet agreed a new approach to reducing homelessness so that it becomes something that is rare, brief and non-recurring alongside a significantly reduced level of temporary accommodation and when it is used it is for emergency, short term housing only. The approach is predicated on a greater focus on upstream prevention, significant improvements to access to, quality of and sustainability of housing in the private rented sector alongside a policy framework which gives clarity about how to access the different range of housing products in the Borough. This was due to create significant savings in temporary accommodation over a 5 year period.

- 7.23. During the pandemic the Council suspended its statutory housing role to take into accommodation rough sleepers and those at risk of rough sleeping. At the same time the Housing team was unable to support residents in TA to move on in the way they would normally and council housing and Housing Gateway lettings were suspended. This has created a backlog of pressures alongside a potential increase in those at risk of homelessness when the suspension of possession proceedings are lifted. It will take some time to address this situation affecting the timescales with the original 5 year plan. The impact of the pandemic is being assessed and a revised 5 year financial plan will be agreed during 2020/21.

#### **7.24. Capital Financing**



7.25. Review of ten year Capital Programme. £23.075m was added into the capital financing budget to meet the historical Capital Programme commitments as well as those arising from the new ten year programme. As well as extending the Council's borrowing to approaching £2bn, this is putting a strain on the revenue resources too.

### **7.26. Channel Shift/use of CRM/Web**

7.27. The Council has been modernising its Web access and is in the process of implementing a new Customer Management Resources (CRM) system (part of the Ten Year Capital Programme) to both rationalise existing systems and improve the way in which the council engages with its residents. System thinking and transformation needs to be undertaken to identify savings. Benefits realisation has neither been defined nor delivered and systemic service by service review is necessary.

### **7.28. Commercial**

7.29. The Council approved its Commercial Strategy in September 2018 with the objectives of maximising commercial opportunities as Government support drops and way and all councils need to become more self financing. This will remain a key strand of the Council's financial strategy.

7.30. <https://new.enfield.gov.uk/services/your-council/commercial-strategy/>

7.31. The Commercial Strategy includes seven areas of focus, some of which are explicitly discussed below:

- i. Commissioning
- ii. Procurement
- iii. Contact management
- iv. Assets and investments
- v. Income generating services
- vi. Traded services
- vii. Trading companies

7.32. A Culture and Capability focus has subsequently been included in acknowledgement of the 'One Council' approach outlined in the strategy, and the necessity of officers across the Council understanding commerciality, having the ability to develop commercial ideas, and the drive to deliver them. We believe this this is an essential component in being truly commercial and delivering our MTFP objectives.

### **7.33. Property**

7.34. There are two elements to this theme. First is the need to rationalise the office estate and the efficiencies this will generate and second is the output from the Asset Management Strategy agreed by Cabinet in 2019. The council needs to be clear on which assets generate value and should be held and maintained and those which are not adding value and need to be developed, backed up by a sound business case or disposed of.

### **7.35. Organisational Structure**

7.36. The Council currently has an annual salary bill of £134.7m and it is appropriate to regularly review how these resources are utilised to deliver essential services. Across the organisation, there is significant variation in spans of controls of employees and the number of management tiers.

7.38. The Council has engaged EY to compare the Council's pay structures with appropriate comparator and high performing boroughs, where possible. The Council's terms and conditions of employment, including pay scales are part of the NJC agreement. It is important to ensure that the structures are fit for purpose and match the ambitions of the Council as well as representing value for money.

- 7.38. In year, it is natural that the Council reviews long-term vacancies, number of heads of services, use of honoraria, agency workers, market force supplements, call out rates and overtime spend. The Council will perform this review as part of in year savings. Any long-term vacant post that does not perform a critical role for the Council will be deleted in time for the new financial year.
- 7.39. All structures will need to be reviewed to ensure that only one service area has responsibility and delivers a service activity.
- 7.40. The Council already has a plan to review each directorate systematically for use of agency spend, with an assumption that all agency worker assignments will be ended and be removed unless specific justification for each position is given.
- 7.41. It is important to explore how to prioritise and develop talent within the Council apprentices and trainees. Too often, structures become more expensive because of lack of internal development, hiring experienced but not necessarily high performing staff at the top of the scale and not building from the 'bottom up'. Career pathways for existing staff must be a priority. It is also a great time to prioritise entry level recruitment encouraging university talent in such a challenging employment market, so the Council needs to advertise its exciting opportunities widely.
- 7.42. Development of savings and income generation proposals
- 7.43. This will be the key activity for officers across July and August. Lead officers will be identified for each of the themes explored in the workshops.
- 7.44. Review of Investment, Growth and Pressures.
- 7.45. It is a very unstable environment in which to agree a Strategy and development savings and income generation proposals. There are a number of other activities which will need to take place throughout the process. Number one is a frequent refresh of all of the assumptions in Section 5, the first of which will be reported to Cabinet in September.
- 7.46. At a time of such great financial pressure it is difficult to envisage how it will be possible to invest in all of the Council's objectives. However, the recommendation of the Poverty and Inequality Commission and Climate Strategy will feature in resourcing decisions and certainly savings proposals won't come forward that adversely impact on the aspirations of the Commission.
- 7.47. Community Engagement
- 7.48. This is an area which is under review but is currently envisaged to take place immediately the Draft Budget Proposals are approved at Cabinet in December.
- 7.49. Engagement will be more effective when there is a specific set of proposals on which to garner views. The engagement will be digital and driven through the Council's website which will target 40,000 registered users.
- 7.50. The Community Engagement will be supported/promoted through presentations to interest groups, provision of briefing materials to enable the budget to be covered at Ward Forums.
- 7.51. However, it is worth noting there is no statutory requirement to consult on the budget proposals.
- 7.52. The only legal requirement under Section 65 of the Local Government Finance Act 1992 is to consult with Business Ratepayers.
- <http://www.legislation.gov.uk/ukpga/1992/14/section/65>
- 7.53. Scrutiny
- 7.54. Scrutiny will be given an update on progress in the autumn and then will be given the opportunity to review all of the Cabinet proposals in the light of the community engagement responses in January.

# 8 Scenario Planning

## 8.1. Approach to address the Financial Implications of Covid-19 in medium term.

- 8.2. The future budget position and funding uncertainties means that the Council needs to work with a budget that can respond to these uncertainties at short notice. Therefore, the Council needs to plan for a number of eventualities.
- 8.3. The following three scenarios will be considered alongside the main/best case set out earlier in the Strategy:
- 8.4. **Least worst case** – this assumes that the Council’s costs do not exceed the initial forecast of £68m but that full Government support is not forthcoming and that £30m is drawn down from reserves which will need to be replenished over the medium term. This would require base spend reductions **of £6m** on top of the MTFP Best Case £18.813m which would have great potential to require service reductions. (i.e. £24.8m savings target 2021/22).
- 8.5. **Middle Case** - this assumes that the Council’s costs do not exceed the initial forecast of £68m but that full Government support is not forthcoming and that £40m is drawn down from reserves which will need to be replenished over the medium term and that the adverse impact on income persists beyond 2019/20 initially at £6m but recovering over time. This would require base spend reductions **of £14m** on top of the MTFP Best Case £18.813m which would have great potential to require significant service reductions. (i.e. £32.8m savings 2021/22)
- 8.6. **Worst Case** - this assumes that the Council’s costs do not exceed the initial forecast of £68m but that full Government support is not forthcoming and that £50m is drawn down from reserves which will need to be replenished over the medium term and that the adverse impact on income persists beyond 2019/20 initially at £6m but recovering over a longer period of time. This would require base spend reductions **of £16m** on top of the MTFP Best Case £18.813m which would have great potential to require severe service reductions. (i.e. £34.8m savings 2021/22).
- 8.7. Options to address each of these scenarios will need to be developed alongside the main MTFP programme.

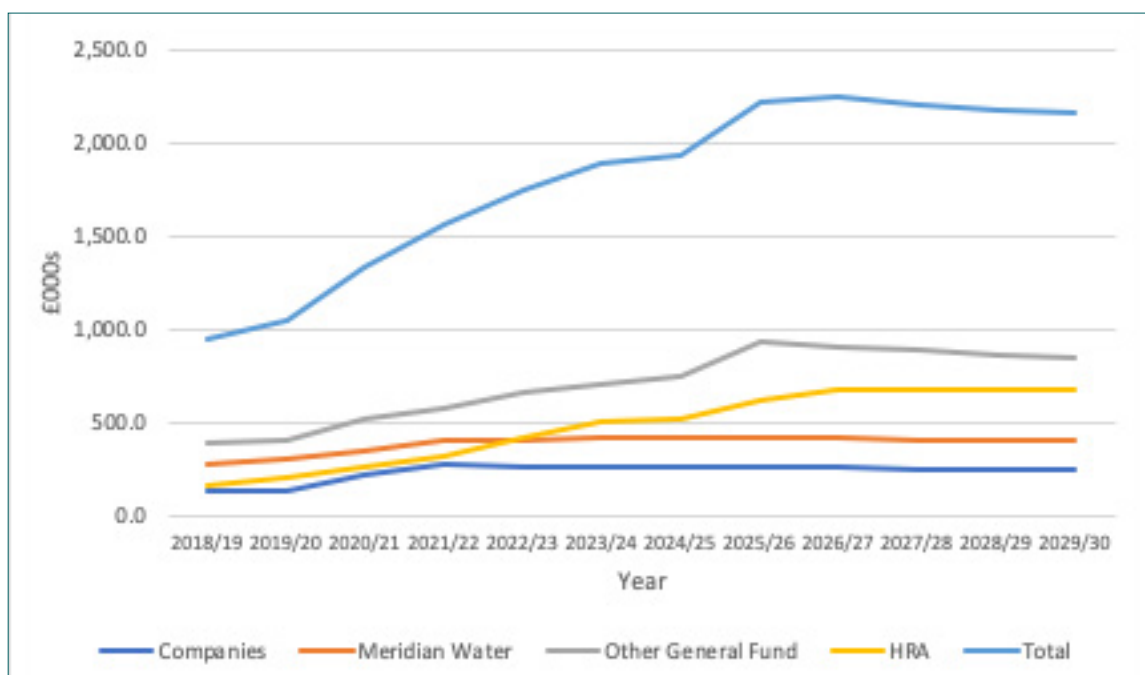
## 9 Capital Strategy

- 9.1. The Council agreed its Capital Strategy and Ten Year Capital Programme 2020/21 to 2029/30 in February 2020. This was a significant development with the Programme previously being agreed for a three year period only.
- 9.2. The Capital strategy, which explains how the Council invests its capital funds and the various sources of funding and how this facilitates the delivery of its objectives.
- 9.3. The main governance of the Capital Strategy is through the Capital Finance Board which:
  - Reviews and recommend to Executive Management Team (EMT), all new General Fund Capital projects,
  - Ensures capital resources are viewed corporately demonstrating a clear link to Corporate objectives,
  - Ensures any revenue costs are identified and considered in the Treasury management strategy and the Council's MTFP,
  - Develops a capital strategy which supports the delivery of the Councils Corporate objectives, and
  - Reviews new capital project requests on behalf of EMT.
- 9.4. In the move to a Ten Year Programme for 2020/21 to 2029/30 the Board reviewed every scheme.

# 10 Treasury Strategy

- 10.1. The Council agreed its Ten Year Treasury Management Strategy 2020/21 to 2029/30 in February 2020.
- 10.2. Similar to the work on the Capital Strategy this was the first time the Council agreed a Treasury Strategy over a ten year period, only two to three being the case previously. The Council rightly has high ambitions for the regeneration of the Borough and the ten year Strategy has given greater visibility to the longer term Capital Financing Requirement of the Council.
- 10.3. The Capital Financing Requirement is set to increase to £2.1bn by 2029/30.

Chart 10 – **Capital Financing Requirement 218/19 to 2029/30**



- 10.4. Clearly the Council will not wish to commit to this level of borrowing and alternative means of delivering the schemes in the Capital Programme will need to be identified.
- 10.5. The Ten Year Strategy will be reviewed and updated alongside the development of the MTFP and Capital Programme.

## 11 Timetable

- 11.1. Work on the Medium Term Financial Plan has already commenced with the foundation analysis work underway and dates being set for workshops to explore the six themes. The high level timetable is set out below culminating with approval of the MTFP along with Capital Strategy and Ten Year Capital Programme, Treasury Strategy and £0 Year HRA Business Plan and Rent Setting Report at Council in February 2021.

Date	Report/Announcement	Body	Lead
June 2020	Foundation analysis, confirmation of themes for development	Knowledge & Insights Team/EY	Director of Finance & Commercial
June/July 2020	Theme Workshops	Theme workshops	Named directors
July 2020	MTFS	Cabinet	Cabinet Member for Finance/S151 Officer
July/August 2002	Formulation of proposals		Chief Executive/Executive Directors
September 2020	Quarter One Monitoring, In year Savings and Early MTFP Proposals	Cabinet	Cabinet Member for Finance/S151 Officer
Autumn 2020	Autumn Budget	Treasury	Chancellor of the Exchequer
December 2020	Local Government Finance Settlement	MHCLG	Secretary of State
December 2020	Draft MTFP, Capital Programme		Cabinet Member for Finance/S151 Officer
January 2021	Draft MTFP – Savings Proposals	Overview & Scrutiny	Cabinet Member for Finance/S151 Officer
January 2021	Draft Treasury Strategy	Audit & Risk Management Committee	S151 Officer
February 2020	MTFP, Capital Strategy & Programme, Treasury Strategy, HRA Business Plan	Cabinet	Cabinet Member for Finance/S151 Officer
February 2020	MTFP, Capital Strategy & Programme, Treasury Strategy, HRA Business Plan	Council	Cabinet Member for Finance



## 12 Delivery

- 12.1. There is a strong financial management framework in place and the general approach will continue albeit there is some room for improvement.
- 12.2. All savings and pressures will be RAG rated during the budget setting process with clear delivery plans in place. These will form the basis of the Savings Tracker which will be available for review by Senior Management immediately the budget is set. This will be regularly reviewed and is the key tool to ensure all the plans are on track prior to the formal financial monitoring.
- 12.3. On a monthly basis service managers review their forecasts through BPC and take action as possible supported by the Business Finance Partners. There is monthly reporting to Senior and Departmental Management Teams. The Finance Team are reviewing their processes and training materials to continually improve the standard and quality of financial management.
- 12.4. On a Quarterly basis there is reporting through to the Executive Management Team (EMT) and Cabinet.
- 12.5. A Budget Pressures Challenge Board was established in 2018 to focus on specific pressure areas and this will come back into operation after the first quarter monitoring.
- 12.6. The Council's Audit & Risk Management Committee have focussed attention on financial resilience and there will be further reports to the Committee during 2020/21.



