

London Borough of Enfield

Cabinet

14th October 2020

Subject: Medium Term Financial Plan 2021-22 to 2025-26 Update and Early Savings

Cabinet Member: Cllr Maguire, Cabinet Member for Finance

Executive Director: Fay Hammond, Executive Director Resources

Key Decision: 5215

Purpose of Report

1. The purpose of the report is to update the assumptions in the Medium Term Financial Strategy approved by Cabinet in July and to bring forward early savings proposals for 2021/22.

Proposals

2. Cabinet notes the significant impact of Covid-19 on the Council's financial position:
 - a) excluding the impact of Covid-19; after the identification of £7.313m savings and income generation being brought to Cabinet for approval in this report, plus a further £2.690m to be considered at December Cabinet the updated budget gap for 2021/22 is £1.715m.
 - b) including the impact of Covid19; the updated budget gap for 2021/22 is £18.117m.
3. Cabinet is recommended to note the updated financial position for the medium term.
4. Cabinet is recommended to note the early savings of £6.718m and income generation proposals of £0.595m for 2020/21 summarised in paragraphs 49 to 55 of the report and set out in detail in Appendix E.
5. Cabinet is recommended to note the refreshed prior year savings in the MTFP in February summarised in paragraphs 46 to 48 of the report and set out in Appendix D.
6. There are a number of Covid-19 related financial risks that it is difficult to quantify for the 2021/22 budget and beyond. The timing of the financial settlement means that the Council is faced with needing to make savings to cover unknown or potential risks with unknown funding levels. In this context, Cabinet is asked to note these following risks which are set out in paragraph 40 which have not been quantified in the 2021/22 budget:
7. Cabinet is recommended to instruct officers to continue to lobby MHCLG for:
 - a. Full recompense for all costs borne in responding to the Covid-19 Pandemic;
 - b. For an announcement on the 2021/22 settlement for local government at the earliest possible opportunity;
 - c. Multi year settlements;

- d. To bring forward Fair Funding and the Business Rate Reset at the earliest opportunity; and
- e. Reform adult social care funding.

Reason for Proposals

8. The Council has a statutory duty to approve a balanced budget for 2021/22 in February along with consideration of the finances over the medium term and the Council's reserves and balances. It is essential that there is a clear understanding of the anticipated income and expenditure flows for the Council, despite the uncertainties, and for proposals for savings to come forward early to ensure full delivery from 1 April 2021 or indeed to also contribute to addressing the financial pressures in 2021/22.

Relevance to the Council Plan

9. The Council refreshed its Corporate Plan in July confirming three key objectives:
 - a. Good Homes in Well Connected Neighbourhoods
 - b. Safe, Healthy and Confident Communities
 - c. An Economy that Works for Everyone.
10. The development of the Budget 2021/22 and MTFP 2021/22 to 2025/26 is focused on the Corporate Plan and ensuring finite resources are focused on the Council's key objectives. As articulated in the Council's refreshed "Lifetime of Opportunities" Council Plan, "financial resilience and good governance" is an enabler to deliver transformation in the Borough.

Background

11. The MTFP 2021/22 to 2025/26 approved by Cabinet in July highlighted the unprecedented financial challenges and uncertainty which Local government is wrestling with, and to such an extent that three alternative financial scenarios were considered. These challenges and uncertainties persist and arguably have intensified over the past three months.
12. The Council continues to experience significant financial challenge and uncertainty in the current financial year 2020/21. There has been a sustained response to the Covid-19 pandemic which has come at some cost – additional expenditure, lost income and some impact on existing savings programmes. The Quarter One Revenue Monitoring report to Cabinet on 16 September reported a total cost of £64.282m and despite early assertions of full support there is only £25.756m committed by MHCLG, £21.702m received and £4.054m forecast for Sales, Fees and Charges Compensation. There is recognition that it is unlikely that there will be full support and £6.269m of in year savings have been made and with stronger financial foundations in place the revenue contingency of £3.000m has been released. The lost tax income from Business Rates and Council Tax is accounted for through a Collection Fund and this is carried forward to 2021/22 which leaves a deficit of £10.616m to be taken to reserves which takes the Council's risk reserve into deficit.
13. There is of course the prospect of a second wave and this would obviously have a significant adverse impact on the additional costs and income losses currently forecast. The end of the current Furloughing scheme will undoubtedly see a further rise in unemployment in the Borough with further cost pressure on Council Tax Support and Council services. This is of major concern with the number of working age adults in the Borough claiming unemployment benefits having already increased 164% between January and August this year (from 7,285 to 19,255).
14. The challenge and uncertainty continues into the medium term. The Collection Fund deficit is forecast to be £19.207m and whilst Government support on

irrecoverable tax losses is anticipated advice from the Secretary of State, Robert Jenrick in July was that local authorities could run a deficit on their Collection Fund for three years.

15. This has meant that officers and members have been working to a budget gap of £25.016m, being the Best Case of £18.613m in the MTFS plus a third Collection Fund deficit, £6.402m. An update on this position is set out below. In the budget forecast presented in the MTFS in July 2020, the ongoing cost of Covid-19 was forecast to be £2m. However, this has now been increased to £4m to reflect anticipated increases in care and demand costs across Adults and Children's Services and sustained income losses into 2021/22 as a result of the economic downturn.
16. It is clear that given the levels of uncertainty experienced on all fronts that the funding and spend numbers will continue to move. Officers are continually reviewing assumptions as better information becomes available.
17. Local Government had become accustomed to receiving an Autumn Statement Announcement on funding normally delivered in October/November spanning three years and then specific detail on an authority basis in early December. Despite the austerity at least there was clarity to enable local authorities to plan effectively. It is very likely that there will be a single year announcement only for 2021/22 that will be received in December. Spending round discussions are very much delayed with Government spending departments having until 24 September to make representation to Treasury.
18. Government Funding reform is also delayed. The Fair Funding Review and Business Rates reset will not take place before 2022/23 at the earliest with initial delays caused by Brexit deliberations exacerbated by the Pandemic. Similarly there has been no visible progress on Adult Social Care Funding.

Summary of the Overall Position

19. It is clear from the budget position set out below, without the impact of Covid-19, the Council would have been well placed to set a resilient budget, with new savings of £10.003m already identified, leaving a savings target of £1.715m. However, the impact of Covid-19, has increased this gap to £18.117m; a significantly challenging position. A summary of the updated financial position is set out in the table below for 2021/22:

Table 1: 2021/22 Budget including and excluding the impact of Covid-19

	2021/22 excluding impact of Covid-19 £m	2021/22 including impact of Covid-19 £m	Impact £m	Comments
Funding changes	0.073	12.475	12.402	Council tax support and the 2020/21 collection fund deficit brought forward
Commitments/ growth etc.	14.397	18.397	4.000	Impact of lost income and anticipated increase in social care costs
Prior year savings	(2.752)	(2.752)	0.000	
New savings (October)	(7.313)	(7.313)	0.000	

Gap	4.405	20.807	16.402	
New Savings (December)	(2.690)	(2.690)	0.000	
Revised Gap	1.715	18.117	16.402	

20. A summary of the five year financial position is set out in the table below:

Table 2: Five Year Summary

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Funding changes	12.475	(4.906)	(4.172)	(10.833)	(2.440)	(9.876)
Spending increases	18.397	13.356	12.245	15.428	11.654	71.080
Existing savings	(2.752)	(1.602)	(2.227)	(1.925)	0.000	(8.506)
October Savings	(7.313)	(0.250)	0.000	0.000	0.000	(7.563)
Gap as at October	20.807	6.598	5.846	2.670	9.214	45.137
December Savings draft	(2.690)	(0.050)	(0.050)	(0.050)	(0.050)	(2.890)
Gap	18.117	6.548	5.796	2.620	9.164	42.245

21. The changes to the budget position since July 2020, are summarised below and detailed in paragraph 24 onwards:
- Funding has reduced following a review of Council Tax base by £1m
 - Estimated spend has increased by £2m due to reconsideration of impact for 2021/22 and also been updated for additional cost pressures of £0.500m
 - Prior year savings have been reviewed moving £0.738m into future years
 - Savings of £8.878m and income of £1.125m have been identified for 2021/22 across both this report and the December Cabinet update.

Refresh of Medium Term Financial Plan Assumptions

22. The most up to date position on the Council finances is a funding gap of £18.117m in 2021/22 and £42.245m over the medium term. The following sections provide an assessment of the changing position since the MTFs was agreed in July. Given the level of uncertainty the MTFs made a commitment for the financial assumptions to be reviewed on a regular basis through to the approval of the Budget 2021/22 and MTFP 2021/22 to 2025/26 and there will be further updates in December 2020 and February 2021.
23. The overall position reported in July was a funding gap of £18.613m in 2021/22 and £58.594m over the medium term. There is a forecast Collection Fund deficit of £19.207m which has been reported in the Quarter One Revenue Monitoring report to Cabinet in September and considered in further detail below. Guidance from Government is for the deficit to be managed over a three year period and for the purposes of planning, officers had therefore been working on addressing a £25m gap for 2021/22 as well as reviewing existing savings commitments of £4.348m to ensure that these continue to be realistic and deliverable.

Table 3: Overall position as per the MTFS with inclusion of Collection Fund deficit.

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Budget gap as set out in MTFS	18.613	9.431	10.510	9.949	10.091	58.594
Collection Fund Deficit £19.2m over three years	6.402	0.000	0.000	(6.402)	0.000	0.000
Replenish reserves	0.000	1.577	0.000	0.000	0.000	1.577
“Least Worse Case” Budget Gap	25.016	11.008	10.510	3.547	10.091	60.171

Updated MTFP Position

24. The overall position is changed as was summarised in Table 3 above with the individual components assessed in detail in the following paragraphs. Currently, there is still a gap of £20.807m in 2021/22 and further proposals to address this will come forward in December and very likely February. It is clear that given the levels of uncertainty experienced on all fronts that the fund and spend numbers will continue to move. Officers are continually reviewing assumptions as better information becomes available and a further update will come forward in December.
25. Commentary on the detail is set out in the following paragraphs:
- a. Funding Reductions is set out paragraphs 26 to 32
 - b. Increasing Spend in paragraphs 33 to 45
 - c. Existing Savings paragraphs 46 to 48
 - d. New Savings paragraphs 49 to 55

Income and Funding Forecasts

26. Table 4 below sets out the updated assumptions for income and funding, they are set out in further detail in Appendix B.

Table 4: Government Funding, Taxation and Levies

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Government Grants	1.142	1.128	1.161	0.903	0.894	5.228
Business Rates	0.000	0.000	0.000	0.000	0.000	0.000
Council Tax Base	(0.682)	(0.682)	(0.681)	(0.682)	(0.682)	(3.409)
Council Tax Rate 2%	(2.652)	(2.652)	(2.652)	(2.652)	(2.652)	(13.260)
Covid19 collection fund deficit	6.402	0.000	0.000	(6.402)	0.000	0.000

Collection Fund	0.700	(0.700)	0.000	0.000	0.000	0.000
Covid19 - Council Tax Support	6.000	(2.000)	(2.000)	(2.000)	0.000	0.000
Prior Year Use of Reserves reversed	1.565	0.000	0.000	0.000	0.000	1.565
Total	12.475	(4.906)	(4.172)	(10.833)	(2.440)	(9.876)

Government Funding

27. There are no revisions to funding assumptions at this stage. There is no Autumn Statement anticipated and there will be no clear direction on funding until the Provisional Local Government Finance Settlement in December. When it is announced it will in all likelihood only be for 2021/22 so there will be continued uncertainty for the forward years of the Plan.

Business Rates and Council Tax

28. There are no changes to assumptions on Business Rates with the current forecast of no growth across the medium term.
29. There continues to be an assumption of annual increase in Council Tax and an underlying growth in the tax base. However, it is clear from the experience in the current financial year that there is a squeeze on the overall tax base as a consequence of the economic pressure caused by the Covid-19 Pandemic and that this will undoubtedly persist into 2021/22 and beyond. Despite the Government's furlough scheme which is set to run until the end of October 2021 the number of people claiming Council Tax rose by almost 1,500 across April and May. How the situation will develop over the remainder of the 2020/21 financial year and beyond is extremely difficult to forecast. The position is being monitored on a regular basis but at this stage there is no change to the assumption that £6m will need to be added to the base for 2021/22 with a gradual reduction over the following two years. It is one of the greatest risks in the forecast and there is potential for this pressure to increase significantly given the growing unemployment in the Borough and the scaled down support in the successor arrangements to the furloughing scheme.
30. In the budget forecast at February and July 2020, additional income of £1m was expected from a reduction in take up of Council Tax discounts, however, the current assessment of the position is that this will not be realised in 2021/22.
31. There is also the impact of the forecast deficit on the Business Rates and Council Tax Collection Fund from 2020/21 which is forecast to be £19.207m. There has been a commitment from Government to support irrecoverable tax losses experienced by councils but there has been no detail since the commitment was initially made in July, including whether this is support for 2020/21 or ongoing. Hence, at this time, also in line with MHCLG guidance the deficit will be spread over three years creating a £6.402m spike in 2021/22. There was already a £0.700m charge in 2021/22 (reversed out in 2022/23) relating to timing differences of when the 2018/19 and 2019/20 actual and forecast deficit from the London Business Rates Pool fall back into the collection fund. This forecast was based on modelling carried out by the London Business Rates Pool.
32. There was £1.565m planned use of reserves in 2020/21 and this is reversed out of the Plan in 2021/22. There are no updated assumptions on the use of reserves at

this time, but this may need to be a consideration in the December or February updates.

Spending

33. Table 5 below sets out the updated assumptions on spend, they are set out in further detail in Appendix C.

Table 5: Spending Assumptions

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Inflation	7.211	7.235	7.261	7.287	7.313	36.307
Investment	0.360	0.410	0.150	0.150	0.150	1.220
Demography:						
Adult Social Care	2.058	2.058	2.058	2.058	2.058	10.290
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	0.485	0.000	0.000	0.000	0.000	0.485
Covid19 pressures	4.000	(2.000)	(2.000)	0.000	0.000	0.000
Capital Financing	2.709	3.520	2.643	3.800	0.000	12.672
Levies	0.194	0.753	0.753	0.753	0.753	3.206
Total	18.397	13.356	12.245	15.428	11.654	71.080

Demography

34. The MTFP approved in February 2020 included a more robust assessment of demographic pressures in the Council's demand led services, including provision for SEN Transport and Children's Social Care as well as Adult Social Care. These forecasts were not updated as part of the Strategy review in July.
35. There are only minor changes to the assumptions on Adult Social Care demography; it is forecast that demand will drive up cost by £2.058m a year with £10.290m additional provision being required over the five years of the Plan.
36. The Children's Social Care demography assumptions from February have been reviewed and still hold.
37. Similarly, the SEN Transport assumptions have been reviewed and also still hold.

Pressures

38. The MTFs in July made no specific allowance for reduced income albeit the middle and worse case scenarios did consider a continued impact of reduced income of £6m. It is becoming clear that the impact of the pandemic is going to be more enduring than initially anticipated and that income losses experienced in

2020/21 are going to persist into the medium term. There will be an update provided in the December report.

39. There had been an acknowledgement in July that there would be some ongoing pressures arising from Covid-19 and a notional £2m was included in the Strategy which covered the potential impact of the removal of free school travel by Transport for London (TfL) as well as any unknown impacts. This has now been increased to £4m to reflect anticipated increases in care and demand costs across Adults and Children's Services and housing costs and sustained income losses into 2021/22 as a result of the economic downturn. It is assumed that these would ease back over the following two years.
40. Whilst there is some recognition of the longer term impact of the pandemic above there are numerous Covid-19 related financial risks that it is difficult to quantify for the 2021/22 budget and beyond. The timing of the financial settlement means that the Council is faced with needing to make savings to cover unknown or potential risks with unknown funding levels. These include mainly potential spending pressures but also risks on the income side too:
 - i. The impact of a second wave has not been factored into the Covid-19 costs of 2020/21 or 2021/22; the first wave is forecast to cost £64m, of which the social care costs totalled £11.5m.
 - ii. There are a number of potential financial risks facing Adult Social Care and these include the need for financial support to prevent provider failure and sustain the local market, increased cost of enhanced infection control, additional care packages and equipment as a result of delays in routine operations and finally the risk that the Council may need intervene should the residential care market destabilise. The fragility of the 79 care homes and numerous community care providers in the Borough is of concern, there are 1,800 beds just over half of which are occupied by Enfield residents. Some undoubtedly will be experiencing financial difficulties and were any of these to fail the Council would need to step in and have adequate resources to do so at short notice in 2020/21 and 2021/22.
 - iii. The ongoing impact of court delays impacting on cost of remand placements which are the highest cost placements.
 - iv. The impact of domestic violence increases as the economic impact of Covid-19 places additional strain on vulnerable families increasing both care and accommodation costs.
 - v. Currently the Council has assumed £4.8m will be reimbursed from the NHS through the £1.3bn made available to CCGs nationally in 2020/21. To date, all the costs have been paid up until the end of August, however, should this position end or change in 2021/22, this financial risk will fall on the Council.
 - vi. There is the potential risk of mid-size and large businesses going into administration or organisations down-sizing their estate, creating a large gap in the business rates across Enfield (and London as the Council is currently pooled). There is no clarity on whether Government Business Rate support for those sectors impacted by Covid-19 will continue in 2021/22, as section 31 grants will cover £40m of the NNDR income for 2020/21, equivalent to one third of local business rates, before general and discretionary grants to business of a further £47m are taken into account.
 - vii. Currently there has been an assumption of £6m for Council Tax Support, based on the existing increase of 1,400 residents and 52,000 furloughed, however this is an estimate and the actual impact is difficult to predict.
 - viii. The unknown impact of homelessness on the Borough (in excess of any grant received) as furlough ends, ban on evictions ends, the benefit cap

impacting on 3,500 in the Borough and the 164% increase in unemployment takes effect.

- ix. The Dedicated Schools Grant (DSG) is currently £7m in deficit and school balances in 49 (90%) of schools are below 5% of their budget, where the DSG supports services in schools such as school improvement or early help, it is likely this will be subject to review by the Schools Forum placing budget pressures on the Council. There is further detail on this in paragraph 56 below.
41. There will be a further assessment in the December report.
 42. Other than Covid-19 there just a single service specific pressures coming through. There are increased legal costs forecast to support Children's Social Care proceedings; these are both the direct legal costs and the associated disbursements and early indications are that these are going to be in the order of £300k.

Capital Financing

43. There has been a thorough review of the Council's capital financing commitments following from the finalisation of the Capital Outturn and Treasury Outturn for 2019/20 which were reported to Cabinet in July and also the Quarter One Revenue Monitoring 2020/21 which was reported to Cabinet in September. The Council had changed its Minimum Revenue Provision Policy in 2016/17 and as a consequence taken a "holiday" as it was effectively over provided. The impact has been set aside in a specific reserve which will be managed down as the budget is brought back up in line with existing commitments over the medium term. The more recent review has identified the additional budget requirement to be less than previously forecast. The £20.672m identified in the MTFs in July is reduced by £8.000m across the Plan, importantly £2.000m of this is in 2021/22 reducing the pressure in that year to £2.709m.

Levies

44. There are no changes to the assumptions on the cost of the levy to the North London Waste Authority at this time. However, waste tonnages are up during the current financial year due to the Covid-19 pandemic and there is an expectation that this position will persist into 2021/22. The North London Waste Authority is working closely with boroughs and tonnages will be reviewed over the forthcoming weeks. There is therefore pressure for the levy to increase in 2021/22 and this will be covered further in the December report. The Council does have a smoothing reserve which will help to mitigate the overall position.
45. Lee Valley Park Authority has also experienced significant reductions in income resulting from Covid-19, and the impact of this on the levy in future years is currently unknown.

Existing Savings

46. As part of this update existing savings of £4.348m which were included in the MTFP agreed in February for 2021/22 have been reviewed to ensure their continued deliverability. As a consequence the 2021/22 figure for savings previously agreed has been reduced to £2.752m due to some reprofiling and removal. Currently, the most significant change is due to the delay in the implementation of the Council's new CRM (Customer Relationship Management) system. The £0.800m will still be delivered but later than originally envisaged.
47. The savings are summarised in Table 6 below and in further detail in Appendix D.

Table 6: Existing Savings

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Corporate	1.500	0.500	0.000	0.000	0.000	2.000
Chief Executive's	(0.050)	0.000	0.000	0.000	0.000	(0.050)
People	(0.100)	(0.213)	(0.477)	(0.100)	0.000	(0.890)
Place	(3.480)	(1.179)	(1.100)	(1.375)	0.000	(7.134)
Resources	(0.622)	(0.710)	(0.650)	(0.450)	0.000	(2.432)
Total	(2.752)	(1.602)	(2.227)	(1.925)	0.000	(8.506)

48. The Council is undertaking a comprehensive rationalisation of its office estate through the Build the Change Programme. Outline costs of the Programme were included in the Council's Ten Year Capital Programme 2020/21 to 2029/30 and savings captured in the existing MTFP. The cost of the overall programme is being reviewed and there will also be some revenue costs to enable the transformation for which capital flexibilities will need to be applied. This is being quantified and will come forward for approval in December.

New Savings

49. The MTFS outlined the approach for identifying savings at that time of £18.613m for 2020/21 and £58.594m across the medium term. Following the July Covid-19 update by Robert Jenrick there is an appreciation that the Council might not be recompensed for tax losses and there has been a working assumption that the potential collection Fund deficit of £19.207m would need to be managed across three years and that £25.016m of savings would need to be identified. This is a significant challenge and it has been recognised that there will need to be a mix of efficiencies, primarily driven through the themes in the MTFS and reductions in services identified to balance the 2021/22 budget.
50. The budget setting process has therefore evolved to identify both efficiencies and service reductions.
51. There were six efficiency themes:
- i. Demand management covering Adult Social Care, Children's Social Care and Housing & Homelessness
 - ii. Digitalisation
 - iii. Property and Assets
 - iv. Capital
 - v. Commercial; and
 - vi. Organisation Structure.
52. There was a series of fourteen workshops across July and August with further work undertaken in priority areas to develop the output into budget proposals. officers are continuing to review the output to identify further opportunities.
53. Alongside the output from the Theme workshops officers have also started working through potential service reductions. This too will be an ongoing piece of work.

54. This report brings forward an initial tranche of £7.563m of savings, £7.313m for 2021/22. There is also a further tranche of savings, currently in the order of £2.890m which are being worked through which will be brought forward with further proposals as officers work to address the full funding gap.
55. The savings are summarised in Table 7 below and in further detail in Appendix E.

Table 7: New Savings

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Corporate	0.000	0.000	0.000	0.000	0.000	0.000
Chief Executive's	(0.800)	0.000	0.000	0.000	0.000	(0.800)
People	(3.605)	0.000	0.000	0.000	0.000	(3.605)
Place	(2.258)	0.000	0.000	0.000	0.000	(2.258)
Resources	(0.650)	(0.250)	0.000	0.000	0.000	(0.900)
Total	(7.313)	(0.250)	0.000	0.000	0.000	(7.563)

Dedicated Schools Grant

56. The Dedicated Schools Grant (DSG) is currently £7m in deficit and school balances in 49 (90%) schools are below 5% of the budget with 17 (30%) schools projecting a deficit position. The DSG supports services in schools both through the de-delegation process and through the Central Schools Services Block and projected reduction in these areas could place budget pressures on the Council budget.
57. The largest area of de-delegation relates to the Primary School Improvement Service where £0.204m was provided to the service for 2020/21 to support their work with schools to raise standards and attainment and ensure that all schools receive an Ofsted rating of good or better. There have been indications from the Primary Headteachers Group that they will not support this area of de-delegation for 2021/22 as they want more control over how to use their funding and which element of the services to buy from the Local Authority or another provider. An impact assessment for all de-delegated services was presented to Schools Forum in July 2020 and a final decision for 2021/22 arrangements will be made at the December 2020 meeting. This potential loss of funding may be partially mitigated by developing a traded service offer for maintained schools. The cessation of de-delegation will have an impact and officers are currently working on the potential impact and how best to restructure and manage any potential redundancies. The Forum maintained school members will be asked to consider implementing this change from August 2021 to enable the Service to manage the change and any displaced staff.
58. The DSG Central School Services Block provides funding for some central services previously funded by the Education Services Grant and some historical commitments. Both areas of the funding are being reduced over time with a 20% cut to the historical commitments funding in both 2020/21 and 2021/22. These commitments include prudential borrowing costs, which are reducing year on year, and several areas of Children's Services including Joint Services for Disabled Children, Parenting Support and Adolescent Support. The service is working to manage the overall reduction in funding for 2021/22 of £0.135m but this will be

difficult to achieve without a significant reduction in service or risk to Council budget.

Safeguarding Implications

59. The report includes service reductions across all services including Adult Social Care and Children's Social Care. Officers are working through these to ensure there is no impact on the Council's safeguarding duties for vulnerable adult and children in the Borough. There are inherent risks in demand in these services which may be compounded by the pandemic for which the Council hold a revenue contingency and reserves.

Public Health Implications

60. 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 its 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.

Equalities Impact of the Proposal

61. 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.
62. 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 disadvantage through socio-economic conditions.
63. 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's aims and objectives.
64. 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.

Environmental and Climate Change Considerations

65. The report includes proposals for rationalisation of the office estate which should enable the Council to operate out of more modern energy efficient buildings which will benefit the environment.

Risks that may arise if the proposed decision and related work is not taken

66. The Council faces an enormous financial challenge and it is essential that the opportunity is taken to progress savings at the earliest possible time. Delaying the decision will impact on the delivery of those savings and also impact on work to further close the financial gap.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

67. Risk and uncertainty as two of the major themes running through the report. The report has sought to identify as many of the financial risks facing the Council at this time and where possible to also quantify them. Identification is naturally one of the key steps in managing risk and this will be supplemented by regular review, there will be further reports to Cabinet in December 2020 and February 2021.

Financial Implications

68. Set out in the body of the report.

Legal Implications

69. The Council has various legal and fiduciary duties in relation to the budget. 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. The Local Government Act 2003 entitles local authorities to borrow and invest as long as their capital spending plans are affordable, prudent and sustainable. The 2003 Act requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates of borrowing, investment and spending and the adequacy of the proposed financial reserves taking into account the affordability, prudence, sustainability, value for money, stewardship of assets, service objectives and practicality requirements as provided by CIPFA's Prudential Code of Capital Finance in Local Authorities concerning borrowing and investment.
70. 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. The Council must set and maintain a balanced budget and must take steps to deal with any projected overspends and identify savings or other measures to bring budget pressures under control. Members should note that where a service is provided pursuant to a statutory duty, the Council cannot fail to discharge its duty properly.
71. Members have a fiduciary duty to the Council Taxpayer for whom they effectively act as trustee of the Council's resources and to ensure proper custodianship of the Council's resources.
72. This report provides a clear and concise view of the position at present of future sustainability and the decisions that need to be made for the recommended actions outlined herein with a view to meeting the Council's legal and fiduciary obligations.

Workforce Implications

73. Any proposal that is likely to impact on posts or changes and potential closure of services, will require the Council to conduct a meaningful consultation with trade unions and staff. This will include consideration of alternative proposals put forward as part of the consultation process. The Council's HR policies and procedures for restructures should be followed. Any consideration for staff structural changes should ensure there is a resilient workforce to deliver on-going service requirements. Therefore, consideration of workforce planning should be included in the process.

74. Where redundancies are necessary the appropriate HR policies and procedures should be followed. Redeployment options must be considered.
75. It is important that services engage with HR at the earliest opportunity.

Property Implications

76. The appendices to the report include details which have some property implications. However, these reflect a variety of known, anticipated and intended actions that will arise now and in the future. The Director of Property and Economy and team have been fully engaged in the formulation of these actions.
77. The need for a revenue budget for the Build the Change programme mentioned in this report will need to be provided, otherwise there will be an implication of progress of the programme being hampered without it. The estimated revenue budget is currently being determined and reviewed and will be presented in the December report.

Other Implications

78. None identified.

Options Considered

79. None.

Conclusions

80. The report has arguably set out the “worst” case position and it is right that the Council plans for the worst. However, as set out in paragraph 40 there is significantly uncertainty and a number of “what ifs” which have not been factored into the forecasts at this stage.
81. There are also a number of areas where there may be some relief albeit these equally cannot be relied upon. There has not as yet been any detail on the Government commitment to support local authorities for irrecoverable tax losses, any support here would have a positive impact on both the Collection Fund deficit being addressed across the three years of the Plan and also the £6m base budget growth for the additional costs of Council Tax Support.
82. There is to be no Autumn Budget from the Chancellor in October and hence no early heads up on the Local Government Finance Settlement in December.

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Appendices

Appendix A - 2021/22 – pre and post Covid-19 position

Appendix B - Funding, Tax and Levy Assumptions

Appendix C - Spending Assumptions

Appendix D - Existing Savings

Appendix E - Early Savings

Background Papers

The following documents have been relied on in the preparation of this report:
None.

Comparison of 2021/22 Budget Gap		Appendix A
	Budget Gap excluding Impact of Covid-19	Budget Gap including Impact of Covid-19
	£000	£000
Anticipated reductions in corporate grants	1,142	1,142
Council tax increase 1.99%	(2,652)	(2,652)
Council Tax Base increase (500 Band D properties)	(682)	(682)
Previous forecast collection fund deficit c/f	700	700
Removal of reserves used to balance 2020/21 budget	1,565	1,565
	73	73
Covid-19: collection fund deficit carried forward over three years		6,402
Covid-19: impact of Council tax support		6,000
		12,402
Spending Pressures		
Inflation	7,211	7,211
Demographics	3,438	3,438
Capital Financing	2,709	2,709
Investment	860	860
North London Waste Authority	194	194
Two Year Pilot on Prevention of Serious Youth Violence ends	(500)	(500)
Pressures	485	485
	14,397	14,397
Covid-19 pressures		4,000
Savings - Existing	(2,752)	(2,752)
Savings - New	(7,313)	(7,313)
	(10,065)	(10,065)
Budget gap as at October 2020 Cabinet	4,405	20,807
Draft Savings proposed to go to December Cabinet	(2,690)	(2,690)
Overall Budget Gap	1,715	18,117

Funding, Tax and Levy Assumptions 2021/22 - 2025/26					Appendix B	
	£000	£000	£000	£000	£000	£000
Changes in Government Grants:						
New Homes Bonus (Future of NHB is uncertain but projecting to reduce from current grant level of £646k to nothing over 3 years)	200	200	246	0	0	646
Homelessness Grant	800	800	800	800	800	4,000
Housing Benefit Admin Grant (10% reduction per annum currently forecast)	142	128	115	103	94	582
Business Rates Income (assumed flat)	0	0	0	0	0	0
Council Tax Base Growth (an additional 500 Band D Equivalents per annum assumed)	(682)	(682)	(681)	(682)	(682)	(3,409)
Core Council Tax Increases (assuming 1.99% per annum in line with referendum threshold)	(2,652)	(2,652)	(2,652)	(2,652)	(2,652)	(13,260)
collection fund deficit arising from Covid-19 carried forward over three years	6,402	0	0	(6,402)	0	0
Existing Collection Fund Adjustment in MTFP	700	(700)				
Council Tax Support (Covid-19 pressure)	6,000	(2,000)	(2,000)	(2,000)	0	0
Use of Reserves - £1.565m was required to balance the 2020/21 budget (which reverses out in 2021/22) Currently no assumptions around future use of reserves, but this is subject to change	1,565	0	0	0	0	1,565
	12,475	(4,906)	(4,172)	(10,833)	(2,440)	(9,876)

Pressures in the Medium Term Financial Plan 2021/22 - 2025/26								Appendix C	
				£000	£000	£000	£000	£000	£000
Pay Awards and Inflation									
General inflation	Corporate	General inflation	Inflation	3,000	3,000	3,000	3,000	3,000	15,000
Pay Awards	Corporate	Pay Awards	Inflation	2,526	2,550	2,576	2,602	2,628	12,882
Customer Experience & Change 1	Corporate	Inflation specifically for IT contracts	Inflation	320	320	320	320	320	1,600
ASC_P1_1920	People	Customer Pathway Contract Inflation ASC	Inflation	674	674	674	674	674	3,370
ASC_P2_1920	People	Learning Disabilities Contract Inflation ASC	Inflation	544	544	544	544	544	2,720
ASC_P3_1920	People	Mental Health Contract Inflation ASC	Inflation	147	147	147	147	147	735
Total Pay Awards and Inflation				7,211	7,235	7,261	7,287	7,313	36,307
Demographic Pressures									
Demographic Pressures	People	Adult Social Care Demographic Pressures estimated July 2019 (and updated September 2020)	Demography	2,058	2,058	2,058	2,058	2,058	10,290
CSC Demographic Pressure	People	Further Children's Social Care Demography	Demography	750	750	750	750	750	3,750
Home To School Transport/SEN Transport	Place	Home To School Transport Pressures (ongoing annual demand pressures impact of £530k) + other current pressures	Demography	630	630	630	630	630	3,150
Total Demographic Pressures				3,438	3,438	3,438	3,438	3,438	17,190
Investment / Capital Financing									
Capital Financing	Corporate	Capital Financing	Cap Fin	1,000	1,000	1,000	1,000	1,000	5,000
Capital Financing existing programme	Corporate	Capital Financing existing programme	Cap Fin	1,500	1,500	1,500	1,500		6,000
Capital Financing 10 year programme	Corporate	Capital Financing 10 year programme (provisional pending further work)	Cap Fin	1,500	1,500	1,500	1,500		6,000
- Montagu	Corporate	Capital Financing Costs - Montagu	Cap Fin		869				869
- Fleet Replacement	Corporate	Capital Financing Costs - Fleet Replacement	Cap Fin	304	458	360	360		1,482
- Additional Affordable Housing Meridian 1	Corporate	Capital Financing Costs - Additional Affordable Housing Meridian 1	Cap Fin	405	193	1	440		1,039
- Crematorium Development	Corporate	Capital Financing Costs - Crematorium Development	Cap Fin			282			282
NEW	Corporate	Capital Financing - Adjustments	Cap Fin	(2,000)	(2,000)	(2,000)	(1,000)	(1,000)	(8,000)
Investment in Youth Crime	People	Two Year Pilot on Prevention of Serious Youth Violence ends	Investment	(500)					(500)
Social Work Apprenticeships	People	Social Work Apprenticeships (new)	Investment	260	260				520
Property & Economy	Place	Property Restructure and Asset Management System	Investment	100					100
R&M Budget	Place	Repairs and Maintenance budget shortfall (non-capital planned works)	Investment	150	150	150	150	150	750
Customer Experience & Change 2	Resources	IT Team staffing	Investment	350					350
Total Investment / Capital Financing				3,069	3,930	2,793	3,950	150	13,892

Pressures in the Medium Term Financial Plan 2021/22 - 2025/26				Appendix C					
				£000	£000	£000	£000	£000	£000
North London Waste Authority									
NLWA	Corporate	North London Waste Authority (NLWA) - new waste facility	NLWA	194	753	753	753	753	3,206
Total NLWA				194	753	753	753	753	3,206
Pressures									
ENV_S9_1819_T1	Place	Traffic and Transportation Income (2018/19 saving for 3 years only)	Pressure	130					130
Customer Experience & Change 3	Resources	Out of hours service-one off contract termination cost	Pressure	(31)					(31)
NEW	Corporate	Unquantified Covid-19 pressures - ASC and also lost income ongoing	Pressure	4,000	(2,000)	(2,000)			0
NEW	CEX	Members Support relating to Special Responsibility Allowances	Pressure	36					36
NEW	CEX	Legal Services due to an increase in children's related legal cases - CEX element	Pressure	150					150
NEW	People	Translation & Interpreting costs in Children's Services	Pressure	50					50
NEW	People	Legal disbursement cost due to an increase in children's related legal cases - Children's element	Pressure	150					150
Total Pressures				4,485	(2,000)	(2,000)	0	0	485
Overall Pressures in the MTFP 2020/21 - 2024/25				18,397	13,356	12,245	15,428	11,654	71,080

Full Year Effects of savings previously agreed						Appendix D	
Proposal Summary	Dept	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Utilisation of council tax balances; £2,000k in 2020/21 reducing to £500k in 2021/22 and then £0 in 2022/23	Corporate	1,500	500				2,000
Update of financial systems	Resources			(250)			(250)
Payroll Service expansion to schools	Resources				(200)		(200)
Staff savings from implementation of a vendor payment portal	Resources				(200)		(200)
Single view of the customer debt	Resources				(50)		(50)
On line forms and ability to upload information required to go into back office systems for revenues and benefits	Resources	(120)					(120)
Greater automation to reduce staff resources in administering DWP notifications	Resources	(60)					(60)
Review of out of hours contracting arrangements; early exit termination fees apply	Resources	(42)					(42)
Customer Service Centre demand reduction and channel shift	Resources	(100)					(100)
Reducing costs associated with data storage	Resources	(300)					(300)
Reducing cost of maintaining staff laptops and devices	Resources		(60)				(60)
Procurement saving resulting from replacing our digital customer platform	Resources	600	(400)	(400)			(200)
Application Rationalisation - ongoing reduction of other applications	Resources	(200)	(200)				(400)
Rationalisation of telephony contracts	Resources	(200)					(200)
Automation of routine processes including the exploration of Artificial Intelligence	Resources	0	(50)				(50)
Digital support to the UK immigration and visa verification service	Resources	(140)					(140)
Payments Programme - new system allowing efficiencies in Exchequer	Resources	(60)					(60)
Improve our registration offer to local residents	CEX	(50)					(50)
Increased income through fees and charges for chargeable Adult Social Care Services	People	(100)	(100)	(100)	(100)		(400)
Reardon Court – Extra Care	People		(113)	(377)			(490)
Increase in fee income in the planning service	Place	(170)	(20)				(190)
Building Control Plan Drawing Service	Place	(30)	(20)				(50)

Full Year Effects of savings previously agreed						Appendix D	
Proposal Summary	Dept	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Genotin Road Car Park Redevelopment	Place	(1,579)					(1,579)
Montagu Industrial Estate Redevelopment	Place			(300)	(900)		(1,200)
Reardon Court Development Rental Income	Place			(600)	(30)		(630)
Insource Cleaning Contract ongoing efficiencies	Place	(50)					(50)
Sub-stations rent reviews	Place	(50)					(50)
Crematorium Development	Place		(1,544)				(1,544)
Rationalisation of property estate	Place	(640)	0				(640)
Meridian Water Meanwhile use income	Place	387	86	0	(81)		392
Meridian Water Non-Residential Rental Income	Place				(194)		(194)
Parking Contract Renewal	Place	(35)					(35)
Additional LED street light savings	Place	(260)					(260)
Inflation uplift on external clients and receipts income	Place	(180)	(180)	(180)	(180)		(720)
Homelessness Service Review	Place	(125)	(125)				(250)
Southgate Cemetery - Mausoleum and Vaulted graves sales	Place	149	46	(10)	10		195
Reprofiled Holly Hill Bunding Income	Place	600	600				1,200
Edmonton Cemetery Expansion - sales of mausolea and vaulted graves	Place	(6)	(6)				(12)
Additional Traffic & Transportation income from recharges to capital	Place		25				25
Cemeteries Mausoleum and Vaulted graves sales - Southgate Cemetery	Place	(60)	(31)				(91)
Temporary Accommodation - Future Years	Place	(711)					(711)
Market Rentals for Council Properties	Place	(20)	(10)	(10)			(40)
Waste Savings - Place element of the £2.5m over 2 years	Place	(700)					(700)
		(2,752)	(1,602)	(2,227)	(1,925)	0	(8,506)

Early Savings Proposals 2021/22 - 2025/26								Appendix E	
	Rating	Category		£000	£000	£000	£000	£000	£000
Staff Restructures	Green	Service Reduction	CEX	(800)					(800)
Recommissioning & Procurement	Amber	Efficiency	People - ASC	(190)					(190)
Reduced cost of DOLs (Deprivation of Liberty Safeguards)	Amber	Efficiency	People - ASC	(25)					(25)
Additional income	Amber	Income	People - ASC	(120)					(120)
Independence & Wellbeing Senior Management Restructure – Staffing	Amber	Efficiency	People - ASC	(180)					(180)
Staff Reduction – Service Reduction	Amber	Service Reduction	People - ASC	(750)					(750)
Maximise use of block contracts and in-house services	Amber	Demand Management	People - ASC	(389)					(389)
Learning Disabilities Care Purchasing	Amber	Demand Management	People - ASC	(325)					(325)
Use of Technology	Amber	Demand Management	People - ASC	(40)					(40)
Care Leavers commissioning and benefit maximisation - Efficiency	Amber	Efficiency	People - C&F	(500)					(500)
Review of threshold in financial assessment of new Special Guardians	Amber	Service Reduction	People - C&F	(80)					(80)
Service Restructure – Service Reduction (excluding frontline staff)	Amber	Service Reduction	People - C&F	(500)					(500)
Children in Care – reduction	Amber	Demand Management	People - C&F	(210)					(210)
DSG Substitution - no impact on services	Amber	Income	People - Education	(100)					(100)
Reduction in the Children Centre Service – Service Reduction	Amber	Service Reduction	People - Education	(50)					(50)
Career Service Restructure – Service Reduction	Amber	Service Reduction	People - Education	(46)					(46)
Staff Reductions in the Commissioning Team and the Smoking Cessation Team – Service Reduction	Amber	Service Reduction	People - Public Health	(100)					(100)
Reduce building maintenance	Amber	Service Reduction	Place	(500)					(500)
Morson Road rent review	Amber	Efficiency	Place	(200)					(200)
Facilities Maintenance review	Amber	Service Reduction	Place	(400)					(400)
Bring forward operational property consolidation	Amber	Efficiency	Place	(390)					(390)
Close canteen	Amber	Efficiency	Place	(18)					(18)
CMFM reduction in agency staff	Amber	Efficiency	Place	(125)					(125)
Planning - expand services	Amber	Income	Place	(150)					(150)
Reduction in highways service	Amber	Service Reduction	Place	(250)					(250)
Parking charges	Amber	Income	Place	(100)					(100)
Traffic Orders	Amber	Income	Place	(125)					(125)
Staffing efficiencies within Resources Department	Amber	Service Reduction	Resources	(650)	(250)				(900)
				(7,313)	(250)	0	0	0	(7,563)