

London Borough of Enfield

Cabinet

7 July 2021

Subject: Medium Term Financial Strategy 2022/23 to 2026/27

Cabinet Member: Cllr Maguire, Cabinet Member for Finance

Executive Director: Fay Hammond, Executive Director Resources

Key Decision: No

Purpose of Report

1. The purpose of the report is two fold: firstly, it sets the forecast financial position for Enfield over the next five years informing members of the financial challenges that are faced by local government generally and Enfield specifically and secondly. It sets out the strategy and approach to ensure that the Council delivers its Corporate Plan objectives within available resources.
2. **Proposals**
3. Cabinet is recommended to:
4. Agree the Medium Term Financial Strategy 2022/23 to 2026/27 attached at Appendix A.
5. Note the financial uncertainty that continues to prevail in local government with continual single year settlements and continuous delays to the introduction of Fair Funding, Business Rates Reset and a long term sustainable funding solution for social care.
6. Note the financial challenge over the medium term with a funding gap of £13.685m in 2022/23 and £46.673m over the medium term, 2022/23 to 2026/27.
7. Agree the approach to delivering savings to address the funding gap set out in paragraphs 30 to 32 below and in Section 8 of the Strategy.
8. **Reason for Proposals**
9. The report sets out the significant uncertainty and financial challenges faced by Enfield Council and with this backdrop it is essential that that the Council has a comprehensive Strategy which provides the context which the Council is operating, is clear on the assumptions on funding and spend pressures and has a robust approach to delivery.
10. Although Government has only provided a single year settlement for a number of years the Council continues to plan its revenue finances over the medium term to ensure its finances are robust and resilient and it is able to respond to change in agile manner. Further, the Five Year Medium Term Financial Strategy is complemented by a Ten Year Capital Programme and Treasury Strategy setting out the investment ambitions for the Borough and

importantly providing transparency on the capital financing impact of those ambitions.

11. Relevance to the Council Plan

12. The primary purpose of the development of the Budget and Medium Term Financial Plan is to direct resources to deliver the objectives set out in the Council's Corporate Plan:

13. Good homes in well-connected neighbourhoods

14. Safe, healthy and confident communities

15. An economy that works for everyone

16. Background

17. The Council has endured a protracted period of financial challenge with a ten year Government austerity programme which has only seen some easing over the past two years. The balance of funding has changed over this time with the Council ever more dependent on the income it raises from local taxation – Business Rates and Council Tax and from sales, fees and charges. However, financial pressures from demographic growth and inflation will always outstrip the Council's tax raising powers.

18. Planning is also becoming increasingly challenging. There has been a move away from multi year settlements in recent years with Government capacity impacted firstly by Brexit and a snap General Election and then over the past fifteen months by the worldwide Coronavirus Pandemic.

19. As well as an absence of multi year settlements Government capacity has also led to delays in a number of flagship developments. Of greatest importance to Enfield is the repeated delay to Fair Funding, a commitment going right back to the implement of the Business Rates Retention model for funding local government. There is some expectation that resources will move away from London with the introduction of Fair Funding and more recently the potential impact of the levelling up agenda. However, the impact is most likely to be greatest in inner London with outer London boroughs such as Enfield still benefiting overall. Enfield is similarly expected to benefit from the Business Rates reset which is also subject to further delay.

20. Finally, and perhaps most disappointing was the absence of Adult Social Care Funding Reform from the Queen's Speech in May. It is of great importance that this is taken forward and there is a move away from one off grants announced late in the funding cycle and the reliance on successive increases in Council Tax through the Adult Social Care Precept to temporarily fix the problem.

21. Main Considerations for the Council

22. The Council's Medium Term Financial Strategy at Appendix A has a number of key components.

23. Firstly, it reiterates the purpose of the Council's annual budget setting process which is to ensure robust and resilience finances whilst ensuring the that finite resources are targeted to deliver the objectives in the Council's Corporate Plan.

24. Secondly, it provides the context in which the Council is operating – the economic context, both Global/UK and local. Economic forecasters are

indicating a recovery in the UK economy with household spending being the key driver of the growth. However, locally the experience of the initial onset of the pandemic was greater unemployment and pressure on Council Tax Support than experienced across the region and it is not unreasonable to assume that the recovery locally will be slower with the consequential impact on residents and on Council Services.

25. Thirdly, the existing challenges of the Borough persist. Wages are below the London average, there is insufficient supply of affordable housing and there is continued population growth in the over 65s and 85s.
26. Fourthly, and a key section of the Strategy is the refresh of the financial assumptions. The income and spend assumption from the Budget agreed at Council in March have been reviewed and rolled forward a year to include 2026/27.

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Funding	13.547	(7.465)	(8.955)	(4.527)	(3.021)	(9.240)
Spend	(1.043)	14.697	15.573	13.804	12.882	55.913
Gap	13.685	7.232	6.618	9.277	9.861	46.673

27. The full detail is set out in Section 5 of the Strategy. As with the process for the 2021/22 budget it will be essential to review the assumptions sitting behind the forecast on a continuous basis. There are a number of areas which will warrant greater attention. Taxation is a particularly challenging area and the Finance Team will be reviewing the position monthly. There was a spike in the take up of Council Tax Support at the start of the Pandemic which has stabilised since with successive extensions of the Government's Furlough scheme. Similarly, Business Rates relief has helped to support the Business Rates Tax but the removal of this scheme at the end of the first quarter will have an impact but quantification at this stage is not straightforward. There have been initial reviews of the demographic pressures the Council is facing but these are also difficult to forecast with the impact of Covid-19 and the unwinding of Government grant support.
28. During the formulation of the 2021/22 Budget the Council was in the midst of the financial challenge of the Pandemic and considerable uncertainty existed on the level of Government support for councils. A range of measures were put in place including in year savings, extra scrutiny on budget monitoring and holding the Corporate Contingency and a mid year review of fees and charges. At this stage a similar approach is not envisaged but the ranges of measures required are set out in the Strategy should they be required.
29. There's a new section in the Strategy covering the Council's Reserves which broadly covers the Policy set out in the Council Budget on March. It is important to consider reserves at this stage of the financial year, if only to emphasize the potential impact that the Council's management of its finances has had on resilience and the importance of securing the position in the light of the funding uncertainties highlighted earlier in this report.
30. The Strategy puts forward a hybrid approach to delivering savings and balancing the budget over the medium term. It is important that there is a period of consolidation following a year of financial upheaval with Covid-19. The approach is similar to previous years being a mix of:

- i. Development of the Themes work for 2021/22;
 - ii. Invest to Save and
 - iii. Department Savings Targets.
31. As part of this approach there is full recognition of the financial pressures through demography, inflation and the financing needs of the Capital Programme and protection for those service supporting the most vulnerable in the Borough. Over the longer term the Council is exploring the use of an Outcome Based Budgeting approach to bring a more cross Council methodology to delivering services and efficiencies.
32. The Strategy concludes with providing a link up to the Council's Capital and Treasury Strategies. The Council's housing development and regeneration ambitions are a key driver on the capital financing in the Revenue Budget and it is essential these Strategies are developed concurrently.
33. Further, a new risk section has been incorporated into the medium term financial strategy.
34. **Safeguarding Implications**
35. None arising directly from the report
36. **Public Health Implications**
37. The Council needs to make financial savings will have a negative impact upon the health of the population. Some mitigation may be achieved through encouragement and facilitation of behaviours that are both health enhancing and cost-saving such as active transport but the overall effect of the ongoing need to reduce expenditure is likely to be deleterious to health
38. **Equalities Impact of the Proposal**
39. 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.
40. The Council aims to serve the whole borough fairly, tackle inequality and protect vulnerable people. The Council will promote equality of access and opportunity for those in our communities from the protected characteristic groups or those disadvantaged through socio-economic conditions.
41. Through the use of Equality Impact Assessments, the Council can analyse and identify where and how proposed changes to services, policies and budgets could improve its ability to serve all members of the community fairly. It helps ensure that the Council does not discriminate, and in taking decisions that it does not unduly or disproportionately affect some groups more than others. The Council also recognises that undertaking full assessments will help to improve the efficiency and effectiveness of the Council by ensuring that residents and service users' needs are met through the delivery of the Council aims and objectives.
42. 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

43. Environmental and Climate Change Considerations

44. The Strategy is driven by the Climate Change Action Plan as well as the corporate Plan and Poverty and Inequality Commission, so environmental and climate change will be key considerations in the planning process.

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

46. The report and Strategy set out in detail the uncertainties and risk that exist at this time.

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

48. The Council is operating in a very uncertain and quickly changing environment and therefore a key action will be detailed and regular financial monitoring and a frequent and regular refresh of the financial assumptions in the Strategy.

49. Financial Implications

50. Set out above.

51. Legal Implications

52. Local authorities are required to set their budgets before 11 March each year, in advance of the start of the new financial year on 1 April. Local authorities in England and Wales are required to set a balanced budget for each financial year, following a specific process. They must calculate “the expenditure which the authority estimates it will incur in the year in performing its functions”; and then they must subtract “the sums which it estimates will be payable for the year into its general fund”, not including business rates, revenue support grant or other grant funding. This provides their ‘budget requirement’ for the financial year in question. They must then subtract forecast grant and rate funds and divide by the council tax base (the number of properties in their area) to arrive at the level of council tax that they must charge. These provisions have the effect of obliging a local authority to set a balanced budget, by providing that its forecast expenditure must align with its income. ‘Income’ may include transfers from the authority’s reserves, but this must be specified in the calculations. The provisions also prevent a local authority from borrowing money to cover its annual revenue expenditure. Local authorities may borrow funds for periods longer than one year, but only for capital expenditure.

53. Local authorities are required to undergo an annual external audit. This is governed by the ‘local audit’ regime. Local auditors must provide an opinion on a local authority’s accounts, and also a conclusion on value for money. To this end, the auditor has various powers to ensure appropriate financial management. They may investigate items in the authority’s account at the request of an elector; they may apply to the court to have an item of

expenditure declared unlawful; they may make a statutory recommendation which is copied to the Secretary of State; and they may make a 'public interest report' on matters of concern within a council's accounts.

54. Local authorities must also maintain a system of internal audit, as required by the Accounts and Audit Regulations 2015. These "require that elected members maintain a sound system of internal control including arrangements for the management of risk, an effective internal audit, and that local authorities prepare annual accounts".
55. Each local authority's Chief Finance Officer (the 'section 151 officer') has statutory status and is responsible for financial administration. The chief finance officer has a number of duties related to financial resilience, including a duty under section 25 of the Local Government Act 2003 to report on the robustness of the council's budget estimates and the adequacy of its reserves.
56. The Chief Finance Officer is also under a statutory duty to issue a formal report if s/he believes that the council is unable to set or maintain a balanced budget. This is often known as a 'section 114 report', after section 114 of the Local Government Finance Act 1988.
57. Members are obliged to take into account all relevant considerations and disregard all irrelevant considerations in seeking to ensure that the Council acts lawfully. Members should note that where a service is provided pursuant to a statutory duty, the Council cannot fail to discharge it properly.
58. This report provides a clear and concise view of future sustainability and the decisions that need to be made for the recommended actions.
59. When considering its approach to the Medium Term Financial Strategy set out in this report, the Council must have 'due regard' to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty).
60. **Workforce Implications**
61. None arising directly from the report, but Organisation Structure is one of the six budget themes. Any implications would be set out in subsequent reports.
62. HR should be engaged in relation to any proposals to change organisation structure or posts. The Council's Principles of Managing Restructures should be followed in relation to any proposed changes.
63. **Property Implications**
64. None arising directly from the report, but Property is one of the six budget themes. Any implications would be set out in subsequent reports.
65. **Other Implications**
66. None.

67. **Options Considered**

68. None.

69. Conclusions

70. The financial challenges continue and whilst the financial challenges experienced in 2020/21 as a result of the Covid-19 crisis easing there remains a great deal of uncertainty. There is a clear framework in place to identify efficiencies and income opportunities but the £13.685m is a very significant gap to address. The absence of multi year settlements and dependency on funding announcements late in the year are a clear obstacle to effective financial planning.

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13 June 2021

Appendices

Appendix A – Medium Term Financial Strategy 2022/23 to 2026/27

Background Papers

The following documents have been relied on in the preparation of this report: