London Borough of Enfield

Cabinet

12 October 2022

Subject:	**Medium Term Financial Plan update (2023/24 to 2027/28) and First Tranche Savings and Income Generation Proposals**
Cabinet Member:	**Cllr Leaver, Cabinet Member for Finance & Procurement**
Executive Director:	**Fay Hammond, Executive Director Resources**
Key Decision:	**5488**

Purpose of Report

1. This report provides the annual update of the funding and spending assumptions in the Medium Term Financial Strategy, in what continues to be a dynamic economic context. It also brings forward the first tranche of savings and income proposals to build a balanced budget for 2023/24.

Proposals

2. Cabinet is recommended to:

   a) Note the forecast preliminary budget gap of

      - £40.1m in 2023/24, prior to further actions and clarity on central government funding
      - £96.9m gap across the medium term to 2027/28, and the reasons driving the gap, notably inflation.

   b) Note the scale of the challenge and the need for the organisation to consider different ways of operating in order to remain financially self-sustainable in the long-term.

   c) Note the awaited consultation from Central Government on the local government funding regime for 2023/24 (and 2024/25 if a 2 year settlement consultation arrives as anticipated).

   d) Agree early savings and income proposals of £8.334m set out in Appendix Three

      - £5.709m from efficiencies and demand management
      - £2.625m from income generation
      - To agree that these savings and income proposals should be delivered as soon as practically possible in the current financial year

e) Note the continued prioritisation of investment in Adult Social Care and Children's Services required of £6.88m to meet demand and demographic pressures.

Reason for Proposals

3. The Council has a statutory duty to approve a balanced budget for 2023/24 in February 2023 along with consideration of the finances over the medium term, and the Council's reserves. It is essential that there is a clear understanding of the anticipated income and expenditure flows for the Council, despite the uncertainties. Proposals for savings are required to come forward early to ensure full delivery from 1 April 2023 or indeed to also contribute to addressing the financial pressures in 2022/23.

Relevance to the Council Plan

4. 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:

   – Good homes in well-connected neighbourhoods;

   – Safe, healthy and confident communities;

   – An economy that works for everyone.

Medium Term Financial Strategy – background and introduction

5. The medium term financial strategy is set in the wider context of the Council's plan to deliver a lifetime of opportunities for everyone in Enfield. This Strategy, agreed in July 2020 by Council, explained that financial resilience and good governance are an essential part of what it means to be a modern council.

6. It is not possible for the Council to deliver on its ambitions for local people if these are not in place and the financial strategy is a key pillar on which success is built. As part of this, the Council Plan commits to:

   a) target resources in delivering Council priorities, reinvest savings and income wisely to deliver excellent value for money in everything that it does;

   b) make decisions which are timely, transparent, led by evidence, risk-based and robustly scrutinised;

   c) seek opportunities to generate income by proactively securing grant funding and developing an increasingly commercial culture to support a resilient budget;

   d) ensure that all decisions made will help the Council to become carbon neutral; create good health for local people; safeguard children and vulnerable adults; enhance equality of opportunity and tackle discrimination and inequality.

7. Financial Resilience remains at the heart of the approach to budget management at Enfield, and considerable work has been undertaken to establish a stable and more resilient position over recent years.

8. However, as reported through the first quarter 2022/23 General Fund revenue forecast considered at Cabinet in September, we now find ourselves in a very challenging financial position, caused by a number of

contributing factors. Of these factors, some were clear at the point the budget was set, in February, and had been accounted for accordingly through planned reserve usage such as Covid-19. Others, notably inflation and the cost-of-living crisis, have crystallised subsequently and continue to evolve.

9. The material issues include:

   a) High levels of inflation that have not been experienced in over forty years. Russia's invasion of Ukraine has triggered spiralling inflation in the UK. Inflation (CPI) hit 10.1% in the 12 months to July. Whilst CPI dipped slightly to 9.9% in August, uncertainty continues following further economic instability that arose following the Government's mini-budget announcement in late September 2022. The associated cost of living crisis is affecting Enfield's residents and businesses. It is also impacting the Council's cost base and income levels.

   b) Residual impact of Covid-19 on Council costs and subsequent changes to lifestyles effecting income levels. In some instances this impact is embedding itself in business as usual. Exit strategies are being worked on in order to extricate services from the need for additional reserve funding, but this is proving challenging in certain instances.

   c) Demand led pressures across children's and adult social care, and temporary accommodation persist, with current activity volumes in some instances skewed by the impact of Covid-19. For example, pent-up demand in adult and children's social care resulting in an increased cumulative demand as a result.

10. A combination of these factors, plus a lack of certainty over the potential of any further government funding to meet these additional pressures is driving a preliminary budget gap of £40.1m in 2023/24, and £96.9m for the period to 2027/28. The medium-term position is likely to rise after further analysis, however the immediate focus is on the 2023/24 budget until balanced, given its scale.

11. The impact of these new inflation pressures, follows unprecedented financial pressures arising from the Covid-19 pandemic and is preceded by a decade of savings required for the Council to meet unfunded cost pressures. The Council's financial resilience is of utmost importance in order to be able to deliver statutory services and to have the ability to focus resources on key priorities.

Government Funding Announcements (including Fair Funding) 2023/24

12. The unknowns within local government funding, from the short to long term, remain considerable as we enter Autumn 2022.

13. At the 2022/23 Local Government Finance Settlement in December 2021, the Government committed to provide an up-to-date assessment of councils' needs and resources and to consult with the sector on any changes in the coming months.

14. Communication on local government funding was muted until Michael Gove's (the former secretary of state) speech at the LGA conference on 28 June 2022. Gove confirmed Government's intention to provide a 2-year local government finance settlement for 2023/24 and 2024/25, on which it would consult "shortly". Gove also suggested that the Fair Funding reforms,

on which we have been waiting now for a number of years, would be complete this calendar year.

15. Subsequently the planned consultation did not materialise ahead of parliamentary recess on 21 July 2022. The next milestone was the fiscal event in parliament on 23 September 2022. The mini-budget announcement by the newly appointed Chancellor of the Exchequer (also covered in economic update below) originally included a tax cuts package with clarity on how this will be funded to follow. Most recently reported indications are that there will be no additional funding for local government and indeed the potential for funding reductions.

16. The numbers per Spending Review 2021 (SR21) do not allow any further funding for 2023/24, but there is clearly considerable need, given inflation levels not seen in a generation. The new Health secretary announced additional funding for social care for 2023/24, a £500m Adult Social Care Discharge Fund. Detail has yet to be provided on detailed allocations, and therefore this has yet not been factored into the MTFP.

17. In addition, the 2022/23 pay award has now been agreed, and is significantly greater than expected, the impact of this being reflected in the current financial year and the compound impact being built into the MTFP.

18. It is clear that there is significant funding uncertainty moving forward, however, despite these challenges the Council is resolved to face these challenges head on in setting a balanced, prudent and transparent budget based on the best-known information that is currently available. Further announcements are anticipated as part of the governments Medium Term Fiscal Plan due to be detailed on in the coming weeks.

Funding outlook

19. Changes in the ministerial team mean greater uncertainty around the potential timing of major funding reforms. 2025/26 seems the earliest point at which reforms will materialise, however these reforms are now 3 years later than originally promised.

20. With so little clarity at this point, ahead of the anticipated consultation, the 2023/24 - 2027/28 MTFP is prudently constructed based on broadly “flat” funding for the major grants which form our spending power (i.e. social care grants and the “services grants”).

Economic Update

21. Increasing food and energy costs have pushed UK inflation into double digits for the first time since 1982, hitting 10.1% in the 12 months to July, up from 9.4% in June. The increase in living costs is eroding household budgets, with prices rising faster than wages. The year-on-year increase for August 2022 dipped slightly, to 9.9%.

22. At the time of writing this report, the immediate impact of the Government’s mini-budget announcement, has caused considerable instability to the UK economy. On 28 September, the Bank of England intervened, launching a temporary bond-buying programme in order to prevent what it saw as "material risk" to UK financial stability.

23. PWLB borrowing rates (which track gilts rates) have risen above 5%. The longer term impact is forecast to continue for some time by our Treasury

Advisers, which will require a review of the capital investment programmes. The mini-budget announcements also included the reversal of the national insurance increase of 1.25% reversal and energy price guarantee (details awaited).

24. The Bank of England (BoE) had been forecasting a peak of 13% inflation in 2022, but the fluidity of the current economic climate means this position is likely to change further in the short-term. The current BoE base rate is 2.25%, which had increased by 0.5% in September, with considerable risk of further increases to come.

Review of Funding and Spending Assumptions

25. The current forecast budget gap for 2023/24 is £40.1m prior to savings, any additional Government funding, and other actions to mitigate this pressure. The preliminary gap across the medium term is £96.9m, however the focus is currently on the 2023/24 position, given the scale of the gap and need to bring the budget into a balanced position.

26. This budget gap is considerable, compared even to the period of austerity, with the differentiating factor this time around being inflation. In a normal year we have factored in additional budget of £8m for inflation; the estimate for 2023/24 is just under £20m.

Table 1 – Summary of Budget Gap over MTFP period

Summary of budget gap	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Funding Changes	(1.078)	(2.727)	(1.914)	(1.260)	(0.666)	(7.645)
Spending:						
Inflation	19.566	12.987	10.327	10.404	10.483	63.767
Demography	6.788	3.548	3.548	3.548	3.548	20.980
Pressures	17.393	2.960	2.872	2.828	2.903	28.956
Pre-agreed savings	(2.558)	(4.085)	(2.547)	0.000	0.000	(9.190)
Budget gap	**40.111**	12.683	12.286	15.52	16.268	96.868

Funding Assumptions

27. As already outlined, there is significant uncertainty around future funding levels. Table Two below also sets out Government and locally raised funding, with the full detail in Appendix One, this assumes the same level of government funding as previous years.

Table Two – Funding Assumptions Changes

	2023/24	2024/25	2025/26	2026/27	2027/28	**Total**
	£m	£m	£m	£m	£m	**£m**
General Government	0.000	0.000	0.000	0.000	0.000	**0.000**

Grant						
Specific Government Grants	0.232	0.236	0.126	0.114	0.102	**0.810**
Business Rates	(1.000)	(1.500)	(1.500)	0.000	0.000	**(4.000)**
Council Tax Collection Rate	(0.110)	0.000	0.000	(0.720)	0.000	**(0.830)**
Council Tax Base	(2.678)	(1.809)	(0.633)	(0.778)	(0.923)	**(6.821)**
Council Tax rate increases	0.000	0.000	0.000	0.000	0.000	**0.000**
Council Tax Support Scheme	0.493	0.346	0.093	0.124	0.155	**1.211**
Collection Fund	0.000	(3.188)	0.000	0.000	0.000	**(3.188)**
Use of Reserves	1.985	3.188	0.000	0.000	0.000	**5.173**
Total	**(1.078)**	**(2.727)**	**(1.914)**	**(1.260)**	**(0.666)**	**(7.645)**

Local Taxation – Collection Fund

28. An initial review of Council Tax and NNDR assumptions has been made, with marginal year on year increases assumed for Council Tax and similar for NNDR. These assumptions will be reviewed further throughout the Autumn.

29. The impact of Covid-19 has destabilised Business Rates and Council Tax collection rates. In 2022/23 collection rates for both items were factored down, with 92.5% for Business Rates and 96.9% for Council Tax. We are currently on track to meet the Business Rates collection rate for the year. The forecast for the Council Tax rate also looks broadly on target but the cost-of-living crisis could impinge on the final position.

30. The Collection Fund was in a healthier position at the end of 2021/22, notably with the reversing of the £24m provision in relation to concerns on the Covid-19 impact on business valuations. However, the cost of living crisis is reducing confidence in the recovery of collection rates, which will need to be closely monitored and any change in trends factored into the final budget position in February 2023.

Business Rates

31. There was a forecast reduction in Business rates of £4m in 2021/22 with the assumption that there be a recovery of the position from 2023/24 lasting four years. This assumption is unchanged for the time-being.

32. In 2018/19 to 2019/20 a London-wide Business Rate Pool operated which resulted in some additional funds to Enfield. Post Covid-19, this pool did not reform for 2022/23, however a smaller pool of eight London boroughs forms, including Enfield, and there is currently an expectation of a surplus from this which will be confirmed summer 2023 and therefore imprudent to include in the budget for 2023/24. An application to extend this “eight pool” for a further year, to 2023/24, is expected to be submitted.

Council Tax

33. For 2023/24, the Council Tax forecast assumes a collection rate of 97.0%, a marginal increase from 96.9% in 2022/23. This reflects reviews of the taxbase which will increase the rate, such as reviewing the single person discount household cohort.

34. In 2022/23, local authorities with social care responsibilities (county and unitary authorities) had a total threshold of 3% (1% for adult social care and 2% for general spending), above which a local referendum would be required. There is no information from Government of the limits for 2023/24, and it is expected this will form part of the consultation we are due to see in the weeks to come.

Spending Assumptions

35. Spending assumptions are summarised in Table Three below and set out in full detail in Appendix Two, and this is the area of focus. As set out below a clear additional cost pressure is inflation.

Table Three – Spending Assumptions

	2023/24	2024/25	2025/26	2026/27	2027/28	**Total**
	£m	£m	£m	£m	£m	**£m**
Inflation	19.566	12.987	10.327	10.404	10.483	**63.767**
Investment	0.120	0.150	0.150	0.150	0.150	**0.720**
Demography:						
Adult Social Care	2.168	2.168	2.168	2.168	2.168	**10.840**
Children’s	3.990	0.750	0.750	0.750	0.750	**6.990**
SEN Transport	0.630	0.630	0.630	0.630	0.630	**3.150**
Pressures:						
Covid-19 Reversals	0.911	0.000	0.000	0.000	0.000	**0.911**
Underlying	13.609	0.000	0.000	0.000	0.000	**13.609**
	14.52	**0.057**	**-0.031**	**-0.075**	**0**	**14.471**
Capital Financing	2.000	2.000	2.000	2.000	2.000	**10.00**
Levies	0.753	0.753	0.753	0.753	0.753	**3.765**
Total	**43.747**	**19.495**	**16.747**	**16.78**	**16.934**	**113.703**

Inflation

36. Inflation is evidently the major area of risk for 2023/24, and beyond. The additional budget built into the MTFP for inflation for 2023/24 is just under £20m, more than double the amount included for 2022/23. The major constituent parts are pay award (both in-year “catch up” budget and

estimated 4% for 2023/24), accounting for £9m, and energy and fuel costs, which remain volatile with unprecedented peaks, accounting for £3.2m.

37. Rising energy costs remain a further area of risk. Enfield forward purchases its energy via LASER, the well-known local government energy procurement organisation, and uses its updates to refresh assumptions. The recent announcements from the new Prime Minister on support for both domestic and business energy bills was limited on detail for the latter and hence it is not currently clear what this means for local authorities. Energy costs relate to our corporate buildings and streetlighting within the borough. Fuel costs relate to our vehicle fleet including waste vehicles and Special Education Needs transport.

38. Adult Social Care inflation accounts for a further £5.7m and reflects the anticipated increase in the national living wage for next year.

39. These assumptions are based on information available at the time of writing this report and will continue to be reviewed as further information becomes available and reflected in the December Cabinet update.

Demography

40. The demographic growth covers provision for ongoing demand in 2023/24 onwards. Any changes to the underlying budget required as a consequence of pressures in 2022/23 are covered below in the pressures section. The total additional amount factored in is £6.8m which, unlike inflation, is relatively consistent with what has been included in previous years.

Capital Financing

41. An additional budget of £2m a year (£10m over medium term) has been built into this iteration of the MTFP. This reflects a more realistic level of annual capital spend, given the budget slippage that has been experienced in recent years, with the planned use of the capital financing smoothing reserve to level out resource to spend. The outcomes of further work on the refreshing of the 2023/24 ten year capital programme and updated interest rate outlook will be reflected in the final budget Cabinet update.

42. Although a level of contingency has been historically built into the Council's interest budgets at an assumed PWLB borrowing rates of circa 3.5% (providing a 1% buffer), this has been exceeded with unprecedented interest rate rise of 2% since January 2022. Interest rate rises continue to be monitored, given current upward movement and there is a separate interest rate smoothing reserve.

Levies

43. Enfield, along with six other North London boroughs are members of the North London Waste Authority (NLWA). Each borough will contribute towards the cost of the NLWA via an annual levy based on the volumes of waste tonnages generated. This cost of the NLWA includes the North London Heat and Power Project. This project is building a new Energy Recovery Facility in Edmonton, replacing the existing facility that has served North London for around 50 years. The estimated cost of building the new facility will significantly increase the Council's annual levy requirement and the MTFP reflects these increases over the life of the plan.

44. We are awaiting the latest forecast for the Concessionary Fares charge, from London Councils. There was a considerable reduction in public transport usage over Covid-19 period, and whilst there will have been a recovery of sorts, there has not been a return to usage per levels pre Covid-19. Any upside from this will be factored into meeting the budget gap. The annual cost of the concessionary travel scheme to the Council was around £11.5m prior to the pandemic with previous forecasts from London Councils had the cost rising back up by around £1.8m in 2023/24.

Pressures

45. There are £13.609m of pressures which currently form part of the 2023/24 budget position, which have been collated as part of the detailed analysis undertaken through 2022/23 first quarter budget monitoring. All pressures are under review to ensure only what is absolutely necessary remains within planning assumptions.

46. The Adults pressure reflects the in-year 2022/23 forecast overspend £6.463m. This excludes one-off funding that is reducing (improving) the position for 2022/23, and £1.1m inflation which is included within the inflation total line of the MTFP. There is work in place to mitigate this pressure downwards which may come forward in December, including forensic review of activity data and managing the demand that has followed the Covid-19 era.

47. Of the total Children's pressure of £2.213m, the main constituent parts are £1m for investment in social workers as demand for and complexity of cases continues, and £600k relates to what originated as Covid-19 pressure on care packages but is now part of business as usual spend.

48. Of the total Place directorate pressure of £1.981m, £450k relates to anticipated reduction of the homelessness prevention grant next year, £960k of income risk across several budget lines which reflects changes in resident habits and behaviours after Covid-19, and £266k in relation to expected increases in rental charges.

49. Resources pressures amount to £2.6m. £1m relates to Digital Services pressures, with the majority of the remainder relating to front facing services pressures (e.g., within Assessments and Income/Debt functions) where additional short term funding has been agreed over the period of Covid-19 to meet additional demand, and work on tasks such as distribution of business grants. Residual additional work remains, such as energy rebates and household support grants, for which some new burdens funding from Government is expected but has not yet been distributed.

Early Savings Proposals

50. There has been a review of the future year impact of previously agreed savings as well as the bringing forward of new proposals to address the Council's funding.

51. The overall position is set out in Tables Four and Five below and the full detail set out in Appendix Three.

Table Four – Savings Summary

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Full Year Effects	(2.558)	(4.085)	(2.547)	0.000	0.000	(9.190)
New	(11.534)	0.290	0.135	0.000	0.000	(11.109)
Total	**(14.092)**	**(3.795)**	**(2.412)**	**0.000**	**0.000**	**(20.299)**

52. Across the summer, the future year savings set out in the Council Budget in February 2022 have been reviewed and are broadly unchanged.

53. Further new proposals have been formulated amounting to £8.334m in 2023/24. The savings contain a mix of efficiencies, service reduction and income generation and the further analysis is set out below.

Table Five – Prior Year and New Savings split between efficiencies/service reduction and income generation

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Efficiencies/ Service Reduction	(2,558)	(4,085)	(2,547)	0	0	(9,190)
Income Generation	(8,334)	290	135	0	0	(7,277)
Total	(10,892)	(3,795)	(2,412)	0	0	(16,467)

Meeting remainder of the budget gap

54. The identification of early savings of £8.334m (which forms part of the above together with previously agreed savings) means the budget gap reduces to £32m. Work is ongoing to address the remainder of the budget gap, which includes:

- Review and challenge of all identified budget pressures, including through budget pressure challenge reviews (done via EMT Budget), to maximise containment within existing budgets
- Additional controls, e.g. recruitment
- No new financial commitments until budget has been balanced
- Early implementation of 2023/24 savings
- Fundamental service and staffing reviews

55. The culmination of this work will feed into the revised 2023/24 budget to be considered by Cabinet in December. It is clear from the scale of the budget gap in 2023/24, and direction of travel for the years after this (including lack of clarity on government funding), that we will have to look fundamentally at how we operate and consider different ways of working.

56. After more than a decade of austerity and total savings of over £200m delivered, an incremental savings strategy will no longer continue to drive savings of the magnitude required looking forward.

Reserves and Financial Resilience

57. Core to the Council's Financial Strategy has been establishing financial resilience. As well as ensuring there are robust budgets and realistic savings there has been a need to strengthen reserves. The 2021/22 year-end position for General Fund reserves was positive, with both the Covid-19 reserve and Risk reserve increased year on year. However, whilst there was some planned use of reserves in 2022/23, primarily to address residual Covid-19 impact, the relatively rapid spiking of inflation in 2022/23 is currently forecast to erode reserves further.

58. The quarter one (June 2022) forecast sees General Fund reserves reducing by £21m, to £109.3m. All of the reserves are under continuous review and are reported through to Cabinet as part of the Quarterly Revenue Monitoring Reports.

59. The aim of maximising resilience and reserve balances means that all options will be explored to negate the need for a reserve drawdown to balance the 2023/24 budget. As has been outlined in this report, we are not currently clear on government funding for next year. Separately, a number of different workstreams are in train to balance 2023/24. The expectation is that a balanced position will be arrived at, however this will be updated for December Cabinet.

60. Regarding the Collection Fund Equalisation reserve – this reserve has historically been used to smooth unexpected peaks and troughs within Council Tax and Business Rates. This reserve includes the impact of government Covid-19 reliefs for Council Tax which for technical accounting purposes was to be allocated over three years via the use of reserves.

61. There remains some Covid-19 related transactions due back to government in 2022/23, which represents the change in 2022/23. Aside from this, as mentioned above, the Collection Fund has broadly stabilised post-Covid-19, although the impact of the cost of living crisis is being monitored.

62. The key movements in the Service Specific reserve are the support for welfare, which funds Discretionary Housing Payments where actual demand is greater than the grant received, Council tax Hardship support and the Emergency Support Scheme. Plus, the funding for local elections that is accumulated through planned annual contributions and the drawdown to fund expenditure is reflected in the movements across the next five years.

63. There have been planned reductions in the Capital Financing Reserve for a number of years as the budget is increased over time to match the capital financing growth driven through the Capital Programme. Budget slippage reduces the funding and reserve need and the current forecast assumes an element of slippage. Further work is being undertaken in this area to reflect the rolling forward of the ten-year Capital Programme.

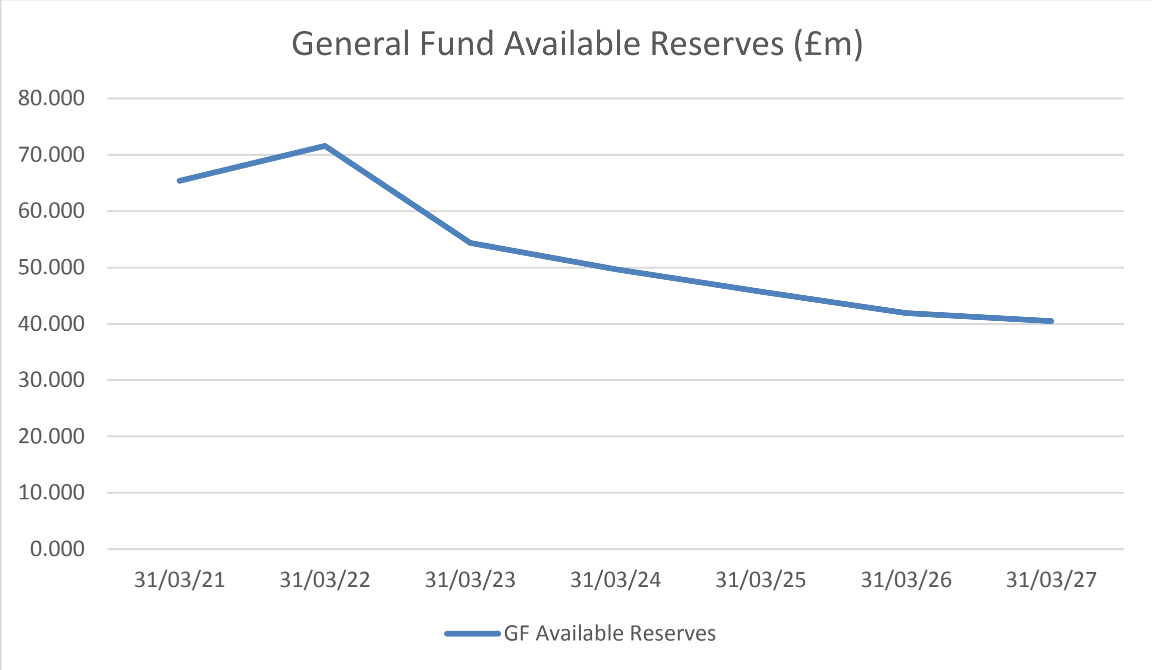
64. General Fund Balance is at policy level, however, given the increased risk from inflation this level of reserve will be reviewed and reported on within the budget proposals in February 2023.

Table Six – Summary of Forecast Reserves across the Medium Term

Reserve balances at:	31/03/22	31/03/23 Q1 Forecast	31/03/24	31/03/25	31/03/26	31/03/27
	£m	£m	£m	£m	£m	£m
Risk Reserve	**(25.471)**	**(10.575)**	**(10.527)**	**(10.527)**	**(10.527)**	**(10.527)**
Covid-19 Reserve	(15.000)	(6.995)	(6.995)	(6.995)	(6.995)	(6.995)
Balance Sheet Management	(3.331)	(3.331)	(3.331)	(3.331)	(3.331)	(3.331)
Collection Fund Equalisation Reserve	(13.628)	(8.728)	(6.828)	(6.828)	(6.828)	(6.828)
Housing Benefit Smoothing Reserve	(4.480)	(4.448)	(4.448)	(4.448)	(4.448)	(4.448)
Adult Social Care Smoothing Reserve	(3.697)	(3.697)	(3.697)	(3.697)	(3.697)	(3.697)
NLWA Reserve	(0.628)	(0.627)	(0.627)	(0.627)	(0.627)	(0.627)
Sub-total MTFP Smoothing Reserves	**(40.764)**	**(27.826)**	**(25.926)**	**(25.926)**	**(25.926)**	**(25.926)**
Capital Financing	(25.139)	(22.792)	(18.192)	(14.192)	(10.392)	(8.992)
Service Specific	(15.736)	(13.520)	(11.992)	(10.953)	(10.890)	(11.065)
Property	(1.372)	(1.372)	(1.372)	(1.372)	(1.372)	(1.372)
Grants & Other Contributions	(13.783)	(12.290)	(11.576)	(11.236)	(10.827)	(10.872)
Sub-total GF Usable Reserves	**(122.265)**	**(88.375)**	**(79.585)**	**(74.206)**	**(69.934)**	**(68.754)**
Insurance	(7.022)	(7.022)	(7.022)	(7.022)	(7.022)	(7.022)
General Fund Balance	(13.949)	(13.949)	(13.949)	(13.949)	(13.949)	(13.949)
GF Earmarked Reserves	**(143.236)**	**(109.346)**	**(100.556)**	**(95.177)**	**(90.905)**	**(89.725)**
HRA Earmarked Reserves	(6.567)	(6.567)	(6.567)	(6.567)	(6.567)	(6.567)
Schools	0.387	0.387	0.387	0.387	0.387	0.387
Total	**(149.416)**	**(115.526)**	**(106.736)**	**(101.357)**	**(97.085)**	**(95.905)**

65. Available General Fund reserves are the total reserves less those for the HRA, schools, Insurance, Capital financing and grants & other contributions. The chart below shows how the available reserve balances will diminish over the life of the MTFP.

Chart One – Available Reserves



Council Priorities

66. The priorities set out in the administration's manifesto include a number which are progressing within existing budgeted resources. Those priorities which incur additional financial commitments will be built in the medium term financial plan as plans are brought forward within the constraints of budget pressures.

Safeguarding Implications

67. None arising from this report. There are 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 adults 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 holds a revenue contingency and reserves.

Public Health Implications

68. 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

69. 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.

70. 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.

71. The Council undertakes Equality Impact Assessment (EqIAs) to help make sure we do not discriminate against service users, residents and staff, and that we promote equality where possible.

72. An Equality Impact Assessment will be competed for individual budget/ savings proposals. These assessments will evaluate how the proposal will impact on people of all protected characteristics and will identify alternative action or mitigating action where any adverse impact is identified. This will include consultation and engagement with affected people and organisations as appropriate.

73. The 2023/24 Budget engagement will look to identify the potential impacts on the wider community of the Council's proposals to address the budget shortfall. To enable this, all voluntary and community sector organisations will be asked to share their views and the engagement activities will be accessible. To ensure communities from across the borough are able to participate, the Council will produce an easy read version of a questionnaire for those with learning difficulties, details of the engagement activities will be hosted online enabling the text to translated, listened to and enlarged, and assistance will be offered to those who feel they may otherwise have issues in participating.

74. Participants will be able to submit their views about individual savings items and the overall proposed approach by the Council. Equalities monitoring questions will be asked to enable this data to be cross-referenced with the opinions expressed by participants.

Environmental and Climate Change Considerations

75. This report sets out savings which also have positive environmental impact such as increasing climate responsibility within the organisation

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

76. 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

77. 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 2022 and February 2023.

Financial Implications

78. As set out in the body of the report.

Legal Implications

79. 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, prudency, 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.

80. 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.

81. 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.

82. 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

83. Any proposal that is likely to impact on posts or changes and potential closure of services, will require the Council to conduct a meaningful and timely 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.

84. Where redundancies are necessary the appropriate HR policies and procedures should be followed. Redeployment options must be considered.

85. It is important that services engage with HR at the earliest opportunity.

Property Implications

86. There are no new specific property implications that arise from the proposals to this report. However, given the nature of what the report covers, there are a number of projects and activities mentioned that will have property implications as they come forward. These will be addressed as appropriate to the detail of each within their separate covering reports.

Other Implications

87. None

Options Considered

88. None. The Council is statutorily required to set a balanced budget and this report is a step towards this.

Conclusions

89. The 2023/23 budget gap is greater than has been experienced for a number of years, even taking into account the years of austerity. The primary driver of this is national inflation at levels not seen in a generation and no certainty of government funding.

90. 2022 has been a year of instability, initially caused by the war in Ukraine, and subsequently the immediate economic response to the Government's mini-budget announcement, which has seen considerable volatility to global markets.

91. This paper contains £8.3m of savings as a first tranche. Officers are in the process of reviewing pressures and identifying further savings, ahead of December Cabinet. The principles of maintaining a resilient balance sheet and minimising use of reserves for the annual budget remain at the heart of the approach.

92. The outlook for the medium term could deteriorate further if high inflation persists, and this will be reviewed as soon as the immediate challenge of balancing 2023/24 has been addressed. It is also the case that given scale of savings already delivered, outlook for funding, we will need to look fundamentally at our delivery approaches across services, in order to ensure we remain financially resilient for the long-term.

93. The Council's financial resilience is of utmost importance in order to be able to deliver statutory services and to have the ability to focus resources on key priorities. It is clear that there is significant funding uncertainty, however, despite these challenges the Council is resolved to face these challenges head on in setting a balanced, prudent and transparent budget with the best known information.

Report Author: James Newman
Director of Finance (Corporate)
James.newman@enfield.gov.uk

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Appendices

Appendix 1 – Funding Assumptions
Appendix 2 – Spending Assumptions
Appendix 3a – Full Year Effects of previously agreed Savings
Appendix 3b – New Savings Proposals

Background Papers

None