

Report for:	Full Council	Item Number:	
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Title:	Medium Term Financial Planning 2013/14 to 2015/16
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Report Authorised by:	<i>J. Parker</i> 19/2/13 Julie Parker – Director of Corporate Resources
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Lead Officer:	Kevin Bartle – Assistant Director of Finance
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Ward(s) affected: All	Report for Key decisions
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1 Purpose of Report

- 1.1 To approve the final budget and Council Tax for 2013/14, the Medium Term Financial Plan 2013-16 including the Capital Programme, Housing Rent Increases and Tenants' Service Charges.

2 Introduction by Cabinet Member for Finance and Carbon Reduction – Councillor Joe Goldberg

- 2.1 I reported in December that a huge level of uncertainty dominated the budget position for 2013/14, because the Government had not by then released the provisional Local Government Finance Settlement. This is now also the case in February, as we have not had the final settlement figures to include in this report. This is utterly unprecedented and is further evidence in my view that the Government's fiscal strategy is off the rails.
- 2.2 We now know from the Autumn Statement, that the period of austerity is being extended. Whereas we had been led to believe that public sector cuts to budgets would come to an end by the end of this parliamentary term, we now know we will face at least 7 continuous years of cuts. This is unprecedented and some analysis suggests that with rising demand we will, if we continue as we are, have only budgets for core children's and adult services.
- 2.3 This announcement in my view is nothing short of an admission that this 'hyper-austerity' has failed.
- 2.4 I have continuously claimed that the Government's cuts are too fast and too deep and that choking deprived areas like Haringey some thirteen times harder than places like Richmond-upon-Thames was a recipe for economic and social disaster, that would inevitably lead us into a cycle of further cuts being required as has been seen with this failed strategy.
- 2.5 Across the country we are starting to see authority after authority consider the unthinkable. The fate of West Somerset council is particularly alarming and indicative of what is to come for local government the length and breadth of our nation. A report by the LGA has said that in essence it is no longer 'viable' and the authority is considering making all its staff redundant.
- 2.6 In particular I have said that such speed and depth of cuts would choke off the economic growth which would offer up further receipts to the Treasury and would help close the deficit. This is now the slowest recovery since 1830, with GDP (i.e. the size of the economy) some 3% below its 2008 peak, meaning UK is the only G8 nation not to have returned to pre-crisis levels of economic activity. This may be embarrassing for the Chancellor but I am more concerned about the pain and unnecessary suffering that has resulted with living standards now 13% lower on average than they were pre-recession, and the loss of much valued services that are now on horizon, including the potential loss of service at Tottenham and Hornsey Police Stations.
- 2.7 The provisional settlement showed that our population has increased hugely since the last census, a point that we have consistently made to the Government during previous settlement consultations. However, the way that 'damping' operates within the funding system means that we have very little to show for this increase.
- 2.8 Analysis of the provisional settlement for Haringey shows:

- A further 9.7% reduction in our overall government funding by 2014/15 compared with 2013/14.
- A reduction in 'spending power' of 6.7% from 2012/13 to 2014/15 compared to 6.0% for London. The government miscalculated this figure by double counting Council Tax support grant, so in reality the reduction is higher.
- Our forecast indicates a funding shortfall of over £40m by 2015/16.
- By the end of 2016/17 the council will have had to make savings of circa £144m since 2010.

2.9 These reductions have been applied despite demographic challenges faced by Haringey:

- High unemployment - Northumberland Park ward in Tottenham has the 2nd highest number of JSA claimants in London (12.3%), and the 2nd highest number of unemployed 18-24 year olds in London (18.2%).
- The number of households living in temporary accommodation remains amongst the highest in the country.
- Increased level of deprivation since 2007 (2010: 13th most deprived in England; 2007: 18th most deprived in England).
- The rate of population increase in Haringey is higher than both London and England (there was a 17.7% increase between 2001 and 2011, compared to just 14.0% and 14.1%, respectively).

2.10 The challenges set out above are huge, and the Council is working hard to address them within the limited resources available. However, Haringey does not receive similar levels of funding as demographically similar boroughs (with the exception of DSG). When Haringey's Start-up Funding Allocation is compared with that of its similar neighbouring boroughs there is a significant differential which equates to a £56.7m shortfall, as shown below.

	2013 Sub-National Population Projections	Start-up Funding Allocation (£m)	Start-up Funding Allocation per head (£)
Hackney	251,923	242.8	963.8
Haringey	262,506	179.3	683.0
Camden	231,149	200.1	865.5
Islington	215,142	186.4	866.5

Produced by the Strategy and Business Intelligence Team, Haringey Council. Source: ONS SNPPs 2013, London Councils Local Government Finance settlement 2013/14 Annexes

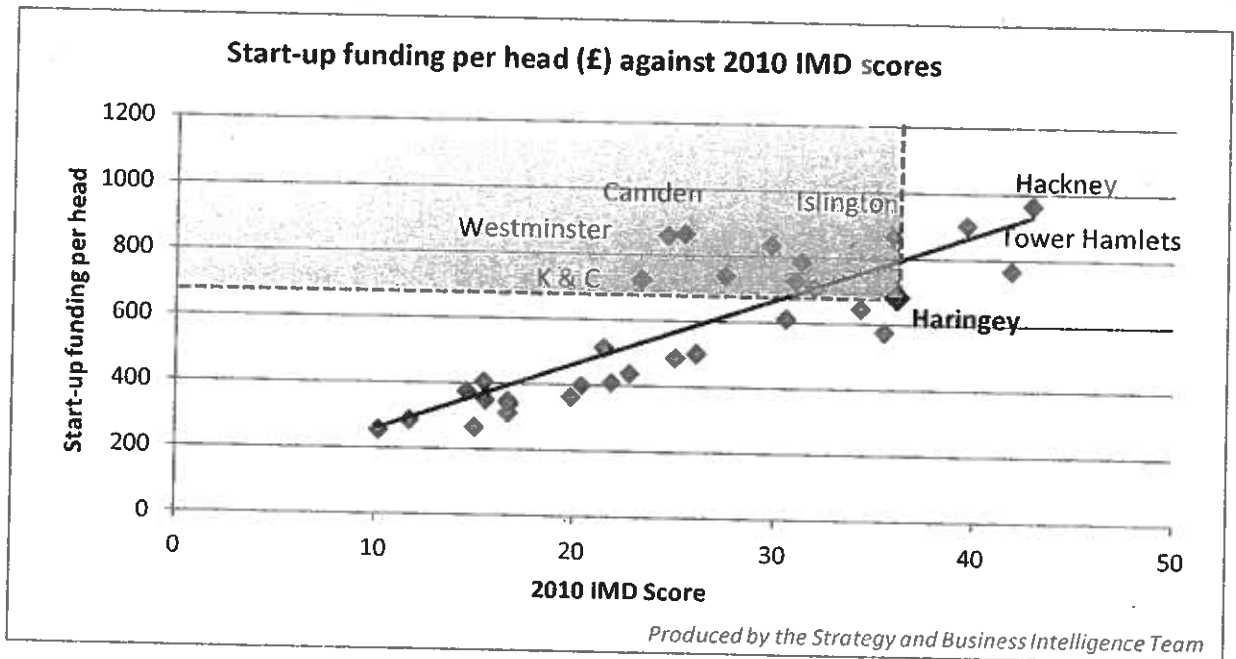
Average Start-up funding for Haringey's Inner London Neighbours = **£899 per head**
 Differential between Haringey and the average = **£216 per head**
 Shortfall for Haringey based on 2013 population projections = **£56.7m**

2.11 Haringey's Start-up Funding per head is the 2nd lowest of all Inner London Boroughs

and 13% below the Inner London Boroughs average (£683 compared to £787).

2.12 In terms of the change between Start-up Funding in 2013/14 and 2014/15, Inner London Boroughs will see, on average, a 9.9% reduction. By contrast, Outer London boroughs will see only a 9.2% reduction. Haringey's reduction will be 9.7%, the 8th biggest loss of all London boroughs.

2.13 The chart below shows start-up funding per head against deprivation levels (as measured by the 2010 Index of Multiple Deprivation).



2.14 The greater the distance from the line, the greater the disparity between deprivation and funding levels. Boroughs below the black line receive less grant per head than average based on their deprivation score. Boroughs in the highlighted quadrant (8 in total) receive more formula funding per head than Haringey despite having lower overall levels of deprivation.

2.15 I hope this gives some notion about the extremely difficult situation facing Haringey in particular. This budget is very much designed to ensure we are able to stabilise our financial position, protect frontline services and give us the ability to take our borough forward in what are extremely challenging times.

3 Recommendations

- a) To note the proposed Budget package agreed by Cabinet on 12 February 2013, as updated, included as Appendix 6 to this report;
- b) To approve the Medium Term Financial Plan to March 2016 as set out in Appendix 1 and cash limits 2013/14 as set out in Appendix 2;
- c) To approve the General Fund budget requirement for 2013/14 of £288.1m, net of Dedicated Schools Grant, as set out in Appendix 1;
- d) To approve the Capital Programme to March 2016, comprising spending and funding of £227.3m as set out in Appendix 5 to the Cabinet report of 12 February 2012 (attached as Appendix 6 to this report);
- e) To approve the Housing Revenue Account Budget 2013/14 and Medium Term Financial Plan to March 2016 as set out in Appendix 4 to the Cabinet report of 12 February 2012 (attached as Appendix 6 to this report);
- f) To approve the housing rent increases (average increase of £4.19 per week, 4.45%) set out in Appendix 4 to the Cabinet report of 12 February 2012 (attached as Appendix 6 to this report);
- g) To approve the tenants' service charges set out in Appendix 4 to the Cabinet report of 12 February 2012 (attached as Appendix 6 to this report);
- h) To note the Greater London Authority precept (paragraph 6.17);
- i) To approve the reserves policy, and to note the revision to and creation of new reserves, as set out in Appendix 3;
- j) To approve the estimated level of un-earmarked general fund reserves as at 31 March 2013 of £15.3m and specific and other reserves as set out in Appendix 3;
- k) To note the Budget Scrutiny recommendations made by the Overview and Scrutiny Committee and the response of the Cabinet set out in Appendix 6 to the Cabinet report of 12 February 2012 (attached as Appendix 6 to this report);
- l) To note the report of the Director of Corporate Resources under Section 25 of the Local Government Act 2003 at sections 7 and 8 on the robustness of the estimates and the adequacy of proposed reserves;
- m) To approve the Treasury Management Strategy Statement 2013/14 set out in Appendix 4;
- n) To pass the Budget resolution in the specified format as set out in Appendix 5; to approve the consequential freeze in the Council's element of the Council Tax and to determine that the Council's relevant basic amount of Council Tax for the year is not excessive.

4 Other options considered

- 4.1 In accordance with legislation and the Council's constitution, this report proposes the Council should note the proposed budget package agreed by Cabinet on 12 February 2013, approve the budget 2013/14 and Medium Term Financial Plan to March 2016, and approve the Council Tax for 2013/14. Accordingly no other options have been considered.

5 Background information

- 5.1 On 12 February 2013 Cabinet proposed to the Council a Budget package including a revenue budget for 2013/14 of £288.1m, with an additional indicative £226.8m Dedicated Schools Grant and a Capital Programme to March 2016 of £227.3m. This was subject to the final Local Government Finance Settlement and the decisions of levying and precepting authorities.
- 5.2 The report highlighted that significant savings still have to be identified in order to deliver balanced budgets in 2014/15 and 2015/16. The Cabinet report of 12 February 2013 (attached as Appendix 6 to this report), and the subsequent budget package recommended to Full Council by Cabinet, are the subjects of debate at this meeting.
- 5.3 This report addresses:
- The Final Local Government Finance Settlement 2013/14;
 - Budget consultation;
 - The decisions of levying bodies and precepting authorities;
 - Consequential changes from the above;
 - Considerations in setting the Council Tax;
 - The robustness of the Council's budget process;
 - The adequacy of the Council's reserves; and,
 - The Treasury Management Strategy Statement 2013/14.
- 5.4 The report concludes by presenting the budget resolution to set the Council Tax for 2013/14.

6 Key Developments

Final Local Government Finance Settlement 2013/14 and other changes

- 6.1 The 2013/14 budget and MTFP 2013-16 reflect some of the biggest changes to Local Government Finance in recent memory. The whole system of grant funding via a formula has been re-designed to allow Local Government to retain a share of local business rates, although central government will still retain 50% of the revenue generated. These significant changes are set out in more detail in the report to Cabinet in February 2013, which is attached as Appendix 6 to this report.
- 6.2 As previously reported to Cabinet in July and December 2012, the Government's estimate of Haringey's funding requirement falls short of the Council's ability to generate business rates; this is not surprising given the Council's previous representations to Government on the relatively high levels of deprivation in the Borough. As a result, Haringey is a 'top-up' authority, and will receive grant to make up the difference.
- 6.3 Additionally, the Government's estimate of the amount of business rates that can be generated in 2013/14, derived from a complex 'proportionate share' formula, is £300k greater than the Council's own estimate based on the number of business properties and past experience. This means that the Council will have to absorb this 'loss' when the system starts with the baseline figures.
- 6.4 The Council has set in place ambitious plans for regeneration of the area, and is fully committed to growing business rates in the borough to take full advantage of the opportunities presented by the changes. However, the risk associated with accepting the downside movement of business rate changes have also been reflected in the

MTFP.

- 6.5 Details of the final Local Government Finance settlement 2013/14 were announced on 4 February 2013, too late to be included in the Cabinet report of 12 February 2013. The changes have meant that the estimated Revenue Support Grant figure has reduced by £1k, and the Business Rates top-up in the baseline funding level by a further £1k.
- 6.6 There have been no other funding announcements or the provisions of other information by the government that would change the key assumptions underpinning Cabinet's proposals to Council regarding the MTFP 2013-16, the HRA, the Capital Programme and the Revenue Budget 2013/14.
- 6.7 Any such changes that do occur following Council's approval of the Budget 2013/14 will be reported to Cabinet as part of the normal budget monitoring and financial planning processes.
- 6.8 At the time of the publication of the 12th February 2013 Cabinet report, the Council's localisation of Council Tax benefit scheme was the subject of a legal challenge. That challenge has been heard in the High Court, and was dismissed. An appeal against that decision was heard in the Court of Appeal, the outcome of which was that appeal has also been dismissed. Accordingly, the scheme the Council set on 17th January 2013 stands.

Budget consultation

- 6.9 The Council consulted on its budget proposals between December 2012 and January 2013. This included online consultation and face to face meetings across the borough led by Councillor Goldberg, Cabinet Member for Finance and Carbon Reduction. Key financial details were presented and comments were invited.
- 6.10 At the face to face meetings attendees highlighted the following concerns:
 - Job creation
 - Investment in parks, open spaces and libraries
 - Houses in multiple occupation
 - Housing
 - Tottenham Hotspur stadium development
 - Provision for children and young people
 - School funding
 - The impact of the abolition of Council Tax benefit and welfare reform
 - Pinkham Way
- 6.11 The online consultation sought views on freezing Council Tax for 2013/14 and which services should be prioritised for funding. Of those who responded the majority were in favour of: freezing Council Tax; prioritising services for vulnerable people; schools and services for young people; waste and recycling; parks and open spaces; libraries and leisure centres; and economic regeneration.
- 6.12 The final consultation report, which will be made available on the Council's website, will set out the responses to questions raised.
- 6.13 Overall, the Council's Medium Term Financial Plan reflects residents' priorities and areas of concern.
- 6.14 The Cabinet have also responded to the views expressed during the consultation

period about the proposed increase to allotment charges. This item has now been removed from the list of proposed savings.

Levying bodies

- 6.15 The Board of the North London Waste Authority (NLWA) met on 12 February 2013 and agreed an overall levy of £41.8m for 2013/14 (£40.6m in 2012/13), of which £6.5m is the levy to this Council (£6.2m in 2012/13). This reflects an increase of 3.85%.
- 6.16 The same meeting also estimated income due to the Council from the Commingled Income Payments Scheme (CIPS) will be £467k and the cost for Chargeable Household Waste will be £205k.
- 6.17 As a result, the budget provision required for the NLWA levy has decreased by £132k, the CIPS income has decreased by £83k, and the estimated cost for Chargeable Household Waste has risen by £38k – an overall reduction of £11k.
- 6.18 Over the medium term the latest planning assumptions of the NLWA suggest an increase in the levy of 31.71% from 2013/14 to 2014/15, and an increase of 4.8% from 2014/15 to 2015/16. These estimates are linked to the complex procurement process, and can vary – for example the original estimated increase (reported last year) for 2013/14 was 45%. The 2013/14 levy reflects the intention to use forecast balances of £14.253m as a contribution to the funding of the overall budget. Future year forecasts do not therefore include any assumption on the availability of balances to offset increases over the planning period.
- 6.19 This recent decision on the use of balances means that the provision for an increase in the NLWA levy of £1.1m in 2013/14 is not required, but will be required in 2014/15. Accordingly that sum has been re-profiled to 2014/15. An additional £250k has also been provided for over and above this re-profiling in line with previous planning assumptions.
- 6.20 Haringey's proposed MTFP 2013-16 shown in Appendix 1 reflects the overall budget implications of these assumptions.
- 6.21 The levies from the London Pensions Authority in respect of residual employer liabilities, the Lea Valley Regional Park Authority and the London Borough Grants Scheme have all also been notified, and collectively total £7.366m. These changes have been reflected in the budget 2013/14.

The Greater London Authority Precept

- 6.22 The Mayor's consolidated budget requirement for the Greater London Authority (GLA) was agreed by the London Assembly on 8 February 2013. In the light of that decision, the Mayor has set the amounts of Council Tax for the GLA and agreed the issue of GLA precepts for 2013/14. The Band D Council Tax proposed by the GLA is £303.00 in 2013/14, a reduction of £3.72 on the 2012/13 level of £306.72. The London Assembly will not formally approve their budget requirement until 25th February. It may be necessary, therefore, to report any changes in a tabled addendum on the evening of the meeting.

Consequential changes

- 6.23 Some items of budgeted expenditure in 2013/14 on inflation and on non-service revenue have been re-allocated within cash limits since the Cabinet meeting on 12

February 2013. Those changes have no effect on the overall budget package including the total cash limits proposed by the Cabinet.

- 6.24 The proposed net Revenue Budget for 2013/14 is £288.076m, representing an increase of £9.626m compared to 2012/13. The net budget has increased due to the transfer of £17.587m funding to the Council for Public Health; without this transfer, the like for like figure would be a reduction of £7.961m compared to 2012/13. Additionally, the budget consists of £226.834m indicative Dedicated Schools Grant and a Capital Programme to March 2015 of £227.307m.
- 6.25 The Haringey part of the Band D Council Tax is £1,184.32 (no increase compared to the 2012/13 level).
- 6.26 The overall Band D Council Tax, including the GLA precept, is £1,487.32 (a reduction of £3.72 compared to the 2012/13 level as a result of the reduction in the GLA precept from £306.72 to £303.00).
- 6.27 The MTFP to March 2016, including the Budget 2013/14 and the Council Tax Requirement, is shown in Appendices 1 and 2.
- 6.28 The draft Budget for 2013/14 is balanced, however, savings of £20.352m in 2014/15 will be required. At its meeting on 12 February 2013, Cabinet was advised that current projections for 2015/16 were highlighting a budget shortfall of £22.501m. This will be subject to review on an ongoing basis. Unless Government policy changes, ongoing austerity in public finances is expected to continue until at least 2017.
- 6.29 The Council has made and will continue to make strenuous efforts to influence the government to recognise the inequity of the impact of the current arrangements on the Council's finances and to make changes to deliver increased funding in future.

Considerations in setting the Council Tax

- 6.30 The Localism Act 2011 gives electors the right to veto excessive Council Tax rises from April 2012. Councils that set 'excessive' tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 6.31 The 2012/13 referendum trigger was an increase of over 3.5% in the 'relevant basic amount' of Council Tax.
- 6.32 The announcement of a new round of Council Tax Freeze Grant in October 2012 caused the Government to lower the referendum trigger to 2% of the relevant basic amount rather than 3.5%.
- 6.33 The relevant basic amount of Council Tax is different to the Band D tax charge to taxpayers, as shown in paragraph 6.25 above. The Band D tax charge is used to calculate eligibility for Council Tax Freeze Grant.
- 6.34 The relevant basic amount of Council Tax excludes amounts attributable to levies from the Council Tax requirement. Because of this, DCLG point out that it is not necessarily the case that a council which qualifies for Council Tax Freeze Grant will automatically avoid a Council Tax referendum.
- 6.35 In 2013/14, Haringey's levies have increase by £0.1m over 2012/13 This results in a decrease in relevant basic amount of Council Tax of 0.3452%. The Secretary of State for Communities and Local Government has announced that an authority will be considered to have set an excessive increase in council tax in 2013/14 if the increase in the 'relevant basic amount of council tax' over 2012/13 is greater than 2%. The

relevant basic amount excludes levies. The proposed freezing of the Council tax does not give rise to an increase in excess of 2% in the relevant basic amount of council tax and is, therefore, in terms of the legislation, deemed as not being excessive. As the calculation results in a decrease not an increase, Council is therefore recommended to resolve the relevant basic amount not excessive at paragraph 6 of the Formal Budget Resolution at Appendix 5.

- 6.36 Accordingly on the basis of the Cabinet's proposals for no change in Haringey's part of the Council Tax, no referendum will be required.
- 6.37 The government has confirmed councils that freeze or reduce tax in 2013/14 will receive additional funding equivalent to a 1% increase in the 2012/13 Band D Council Tax amount for both 2013/14 and 2014/15.
- 6.38 In considering the level of its Council Tax for 2013/14 the Council should have regard to:
- The level of non-Council Tax funding resources that will be available in each of the next three years;
 - The on-going demand for services;
 - The views of residents, trade unions, businesses and other interested parties;
 - The level of efficiency savings and service reductions that can realistically be delivered;
 - The criteria for Council Tax referenda determined by the government;
 - The conditions relating to, and the level of grant being offered to councils who freeze their Council Tax increase in 2013-14;
 - The general economic climate and the additional financial burden any increase would have on Council Taxpayers.

6.39 The Cabinet's Budget package proposals include no increase in Haringey's Council Tax in 2013/14, and the consequential receipt of additional Council Tax Freeze Grant of £1.038m for 2013/14 and 2014/15.

6.40 The projected income from Council Tax in 2013/14 is £75.24m based on 63,530 Band D equivalent properties and a collection rate of 94% (2012/13 96%). The 2012/13 Tax Base was 86,979 Band D Equivalent properties. The reduction in 2013/14 compared to 2012/13 has come about as a result of the localised Council Tax Support scheme, which has the effect of reducing the number of properties by issuing discounts. The following shows the changes to the Band D tax base from 2012/13 to 2013/14:

2012/13 Total Band D properties	86,979
Increased number of dwellings	779
Adjustment for in year liability movements	-1,144
Technical changes	488
Council Tax support discounts	-23,141
revised collection rate	-431
2013/14 Band D Properties	63,530

6.41 The Council Tax income for 2013/14 is anticipated to be £27.8m lower than planned in 2012/13 as a consequence of the decrease in the Tax Base noted above. The

Council has received ongoing Council Tax Support Grant of £26m in order to mitigate the cost of this adjustment.

- 6.42 From 1 April 2013 the Council will assume responsibility for delivery of Public Health, and as a result will receive £17.6m Public Health Grant.
- 6.43 Since the Cabinet meeting of 12 February 2013, the Council has been advised that it will receive a Section 31 grant toward the cost of extending small business rate relief, and providing relief on empty new build property from 1 October onwards. As a result of this, the proposed contribution from reserves set out in the February 2013 Cabinet report is no longer required, and thus the budget gap for 2014/15 has fallen from £20.698m to £20.352m.
- 6.44 These changes result in total available funding (the 'Budget Requirement') for 2013/14 shown in Appendix 1 of £288.076m, as shown in paragraph 3, recommendation c), above. The corresponding recommendation b) at paragraph 3 of the report to the Cabinet on 12 February 2013 (at Appendix 6 of this report) showed a Budget Requirement of £288.087m, which excluded the final Local Government Finance Settlement, levy notifications, a £10k adjustment to Council Tax relating to the finalisation of the Council Tax Base as a result of technical adjustments referred to above and the section 31 business rates grant alluded to above.

7 Robustness of the budget process

- 7.1 The Director of Corporate Resources is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of final budget calculations.
- 7.2 The government has established a programme of public spending reductions, set out in its Spending Review of 2010 which includes average funding reductions of 29% for local authorities over the four years 2011-15, with additional 2% cuts for 2014/15 announced in the 2012 Autumn Statement. In addition the government has embarked on a range of far-reaching changes across the public sector.
- 7.3 For Haringey, the financial consequence of the Spending Review was the need to identify reductions in planned spending of some £84m by 2014. Savings totalling over £62m by 2013 were identified and approved in February 2012, £21m of which was included in the Council's revenue budget for 2012/13.
- 7.4 To meet the unprecedented scale of this financial challenge, the Council plans to continue its approach to delivering services by prioritising front line and key services areas.
- 7.5 The Cabinet's proposals are consistent with that overall strategic approach the Council agreed last year and which drove the proposals for the Budget 2012/13 and the MTFP 2012-15.
- 7.6 The Cabinet has previously agreed a number of proposals at its meetings in July and December 2012 and February 2013 which result in a proposed balanced budget for 2013/14, a budget shortfall of £20.4m for 2014/15, and a potential shortfall of £22.5m in 2015/16, that figure being the best assessment that can be made at this time.
- 7.7 The 2012/13 Budget required the delivery of £21m of reductions in planned spending. The Council can be encouraged that the current year's outturn is forecast to be within budget. This level of control and service and financial discipline will continue to be required over the medium term to deliver the forecast savings to 2016 and beyond.

The latest formal letter of the Council's external auditor expresses the view that the Council is well placed in terms of financial resilience.

- 7.8 As in 2012/13, the Budget proposals for 2013/14 include a designated £2m contingency sum.
- 7.9 The Budget proposals have been subject to detailed consideration by the Scrutiny process, and the Cabinet has undertaken wide consultation with residents and businesses.
- 7.10 The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 22 January 2013, together with the responses of the Cabinet, are set out in Appendix 6 to the Cabinet report of 12 February 2012 (attached as Appendix 6 to this report).
- 7.11 The Council's Budget Consultation with residents and businesses ran from 3 December 2012 to 21 January 2013 and a summary of the outcomes is attached as Appendix 7 to this report.
- 7.12 The Budget process is complemented by the regular cycle of Budget Management and Performance Review. This involves detailed evaluation of budget, performance and workforce information at both Cabinet Member and senior officer levels. The Council's Risk Management process also underpins all of these activities.
- 7.13 The report to the Cabinet in February 2013, and previous reports during 2012, specifically identified the major financial risk areas which needed to be taken into account in developing budget proposals.
- 7.14 Accordingly, the Director of Corporate Resources is satisfied the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the 2013/14 Budget.
- 7.15 The Cabinet and Council will need to continue to pursue the identification and delivery of the anticipated additional savings required from 2013-14 onwards.

8 Adequacy of Reserves

- 8.1 Section 25 of the Local Government Act 2003 ['the 2003 Act'] also requires the Chief Financial Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Appendix 3a, which the Council should formally review each year.
- 8.2 It is projected that the Council will have un-earmarked General Fund Reserves of £15.3m as at 31st March 2013, being the same level as at 31st March 2012.
- 8.3 Given the scale of the spending reductions the Council has to deliver over the period 2013-16 (and beyond) and the risks set out below it is proposed these reserves should not be used to pay for on-going spending and wherever possible, earmarked reserves should be maintained at their current levels.
- 8.4 The Council holds a number of reserves which are detailed in Appendix 3b and can be categorised as follows:

Non-earmarked (general) Reserves - These are held to cover the net impact of risks, opportunities and unforeseen emergencies;

Earmarked (specific) Reserves - These are held to cover specific known or predicted financial liabilities;

Other Reserves - These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools.

Appendix 3b also shows the projected movement on the reserves for both the current year 2012/13 and 2013/14. These reserves have been reviewed in detail and the level of these reserves is judged to be adequate.

8.5 It is imperative the un-earmarked general reserves are adequate to meet the net financial impact of the risks and opportunities detailed in the report to the Cabinet on 12th February 2013. These have been assessed as £11.4m, as set out in Appendix 3c. Accordingly the proposed levels of general reserves set out in paragraph 8.2, above, are judged to be adequate within the meaning of the 2003 Act.

8.6 No change in the Council's Reserves policy is recommended.

9 Treasury Management

9.1 The Treasury Management Strategy Statement (TMSS) for 2013/14 (set out in Appendix 4) sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was initially considered by Corporate Committee on 29th November 2012. They then considered an updated version on 22nd January 2013 once further information was available about the proposed capital programme. The updated TMSS was recommended for approval by full Council. Overview and Scrutiny Committee also considered it on 22nd January 2013 as part of the scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice. They had no comments to make.

9.2 The pattern of short term interest rates being significantly lower than medium and long term rates is expected to continue throughout 2013/14. Therefore the strategy proposes to continue keeping cash balances at a minimum, investing short term and only borrowing when necessary.

9.3 The investment section of the TMSS proposes to maintain a minimum long term credit rating of A- for UK banks the Council can lend to. In 2012/13 a minimum short term rating was also specified. The TMSS for 2013/14 proposes the removal of this criterion on the basis of advice from the Council's treasury management advisers that this rating does not add any significant value to the consideration of creditworthiness. In practice this would only add the Royal Bank of Scotland and Nat West back on to the list of banks the Council could lend to. Given the substantial government ownership of these banks, it is considered this is still a prudent approach to investing. Corporate Committee supported this recommendation.

9.4 The proposed prudential indicators are based on the capital programme as reported to Cabinet on 12th February 2013. Any future decision by the Council to undertake new borrowing for housing will require a review of the prudential indicators. Any required revisions will need to be approved by full Council.

10 Summary and Conclusions

10.1 This report finalises the Budget and proposes no increase to Council Tax for 2013/14.

10.2 The level of financial reserves is also reported and those levels are considered to be adequate.

10.3 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires billing authorities such as Haringey, to calculate

a Council Tax Requirement for the budget year, not its Budget Requirement as previously. The Council is also required to determine whether its increase in Council Tax for 2013/14 is 'excessive' and if so would trigger a referendum.

- 10.4 The recommendations of the Cabinet are reflected in the formal Council Tax Resolution in Appendix 5.
- 10.5 This is the third year of the public spending reductions set out by the government in the Spending Review 2010. The implications of those reductions continue to pose major challenges to the Council. Additionally, as reported to the Cabinet on 12 February 2013, it is clear that financial austerity will continue until at least 2017.
- 10.6 Over this period of funding reductions, the demand for the Council's services will continue to increase. It is also likely that interest rates and welfare related spending will increase.
- 10.7 The Medium Term Financial Plan 2013-16 recognises these drivers and risks, but it remains essential the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of savings, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its diminishing resources.

11 Comments of the Chief Finance Officer and financial implications

- 11.1 As the report is primarily financial in its nature, comments of the Chief Finance Officer are contained throughout the report.

12 Head of Legal Services and legal implications

- 12.1 Under Regulations made under the Local Government Act 2000 calculation of the Council Tax and adoption of the annual budget must be made by Full Council on the recommendation of Cabinet.
- 12.2 In considering decisions on the budget, and the level of Council Tax, the Council must take into account this report from the Director of Corporate Resources, as the Section 151 Officer, who has a statutory duty to report on the robustness of the estimates and the adequacy of the proposals for reserves.
- 12.3 The Council may take decisions which are at variance with this advice provided there are reasonable grounds so to do. However Members must take into consideration their exposure to personal risk if they disregard clearly expressed advice.
- 12.4 The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil the statutory obligations in this regard.
- 12.5 The requirements of the Local Government Finance Act 1992 were amended significantly by the Localism Act 2011, with the Council now required to calculate the Council Tax chargeable by way of a Council Tax requirement. The Council must calculate its expected outgoings and income for the year. Where the expected outgoings exceed the expected income the difference is the Council's Council Tax requirement for the year. The relevant basic amount of Council Tax for the year is calculated by dividing the Council Tax requirement after the deduction of levies by the Council Tax base.
- 12.6 The Council is required to determine whether its proposed relevant basic amount of Council Tax is excessive on the basis of criteria set by the Secretary of State. For the

forthcoming financial year an increase in excess of 2% is regarded as excessive. Where an excessive increase is proposed there is a duty to hold a referendum prior to any implementation of such increase. With the proposal for a nil increase in the level of Council Tax, subject to the requisite technical calculation, the Council is entitled to conclude in accordance with the Direction issued by the Secretary of State, that the relevant basic amount of Council Tax is not excessive.

- 12.7 Under Section 106 of the Local Government Finance Act 1992, any Member who is in arrears of two months or more Council Tax must declare it at the meeting and abstain from voting upon this report.

13 Equalities and Community Cohesion Comments

- 13.1 The Council must pay due regard to its public sector equality duties with regard to race, gender and disability and should also take into account the provisions of its equality scheme with regard to age, religion or belief and sexual orientation.
- 13.2 Prior to making any final decisions on any proposals that may be brought forward in the medium term financial planning process the Council will assess the impacts of those by conducting Equality Impact Assessments [EqIAs], starting with an initial screening which considers whether there is a need for a full assessment.
- 13.3 A key element of the Council's EqIA process is consultation and engagement with the public, service users, community groups, the voluntary sector and our partners. All final decisions on proposals that require an impact assessment must take into account the outcomes and recommendations of the EqIA.
- 13.4 Accordingly the outcomes and recommendations of EqIAs should form the Equality / Legal comments in any report. EqIAs are published on the Council's website where practicable and are appended to the relevant reports. Actions arising from EqIAs are included in Directorate Business Plans to ensure these are implemented and progress monitored.

14 Head of Procurement Comments

- 14.1 Not applicable

15 Policy Implication

- 15.1 The Medium Term Financial Plan represents the resource framework for delivery of Council Policy and objectives.

16 Use of Appendices

- 16.1 Appendix 1 – Summary of the MTFP 2013/14 to 2015/16
- 16.2 Appendix 2 – Directorate Cash Limits
- 16.3 Appendix 3 – Reserves
3a: Reserves Policy
3b: Reserves and their adequacy
3c: Risk evaluation
- 16.4 Appendix 4 – The Treasury Management Strategy Statement
- 16.5 Appendix 5– The Formal Budget Resolution
- 16.6 Appendix 6 – Cabinet report of 12 February 2013: Financial Planning 2013/14 to 2015/16

16.7 Appendix 7 – Budget Consultation 2013 – A summary

17 Local Government (Access to Information) Act 1985

17.1 The following background papers were used in the preparation of this report:

- Financial Planning 2012/13 to 2014/15 - Cabinet 7 February 2012
- Financial Planning 2013/14 to 2015/16 - Cabinet 10 July 2012
- Financial Planning 2013/14 to 2015/16 - Cabinet 18 December 2012
- Financial Planning 2013/14 to 2015/16 - Cabinet 12 February 2013

17.2 For access to the background papers or any further information please contact Barry Scarr, Interim Head of Corporate Finance, on 0208 489 3743.