

Report for: Cabinet 14th February 2017

Item number: 11

Title: Medium Term Finance Strategy 2017-18 and 2017/18 Budget

Report authorised by: Tracie Evans – Chief Operating Officer

Lead Officer: Jo Moore – Deputy Chief Finance Officer

Ward(s) affected: ALL

**Report for Key/
Non Key Decision:** Key.

1. Describe the issue under consideration

- 1.1. There are a number of Government funding changes that are making local decisions about allocation of resources difficult. In order to overcome this uncertainty it is proposed that Cabinet consider a 5-year Medium Term Financial Strategy for the General Fund which bridges the devolution of business rates in April 2020.
- 1.2. Additionally, demand for adult social care, children services and temporary accommodation has increased exponentially creating significant pressure on the Council's budgets requiring a re-allocation of our resources. The MTFS therefore looks to embed the following strategic assumptions and proposals:
- The importance of Council Tax and Business Rates to our future financial sustainability cannot be over emphasised and it is therefore crucial that, as an authority, we are clear about the proportion of our resources that are spent on creating growth opportunities. The proposal, therefore, is that over the 5-year MTFS a reasonable allocation of revenue resources will be assigned to activities that create these growth opportunities.
 - The budgets for our demand-led services need to be re-aligned to better reflect actual demand. It is proposed therefore that, particularly for adult social care, the proportion of the budget spent on these services will rise from 31% to 35% in the first year.
 - Additional budgets will also be made available for children's' services and temporary accommodation.
 - The administration has also made a manifesto commitment to continue to freeze Council Tax for 2017/18. In order to contribute to the increase in adult social care spending, the Government has allowed local

authorities to charge an adult social care precept which for 2017/18 will be set at 3%.

- 1.3. This report finalises the Council's General Fund Medium Term Financial Strategy (MTFS) for the period 2017/18 to 2021/22 and proposes approval of the following constituent elements of the strategy to Council on 27th February 2017 together with the Council's revenue and capital budgets for 2017/18:
- Proposed summary General Fund revenue Medium Term Financial Strategy (MTFS) 2017/2022 (Appendix 1);
 - Proposed HRA revenue budget for 2017/18 (Appendix 2);
 - Proposed General Fund Capital Programme 2017/22 (Appendix 3);
 - Proposed HRA Capital Programme 2017/18 (Appendix 4);
 - Proposed Dedicated Schools Budget 2017/18 (Appendix 5);
 - Proposed General Fund Budget 2017/18 (Appendix 6);
 - Overview and Scrutiny Committee Recommendations and Cabinet Responses (Appendix 7);
 - Outcome of Budget Consultation (Appendix 8);
 - Consultation and scrutiny recommendations response (Appendix 9);
 - MTFS savings proposal summary (Appendix 10);
 - Annex 1 – P1 savings
 - Annex 2 – P2 savings
 - Annex 3 – P3 savings
 - Annex 4 – P4 savings
 - Annex 5 – P5 savings
 - Equality Impact Assessments (EQIAs) for five Priority 3 savings proposals requiring Cabinet approval at this meeting (Appendix 11)
 - Calculation of 2017/18 Council Tax Base (Appendix 12)
- 1.4. There are a number of government and other initiatives which are impacting on the medium term financial planning for the HRA and therefore the HRA Medium Term Financial Strategy covering the five years to 2021/22 will be presented to Cabinet along with the HRA 30-year business plan during the next financial year.
- 1.5. In accordance with the Local Government Finance Act (LGFA) 1992, the Full Council must approve the budget for the forthcoming year and agree the Council tax for that year, by the statutory deadline of 11th March.
- 1.6. The government published the Provisional Local Government Finance Settlement in December 2016 and the final settlement will be published in February 2016.

- 1.7. The report incorporates the views of the Overview and Scrutiny Committee and the results from the Council's budget consultation with residents and, more specifically, the business community. It reflects the latest financial information available. It also reflects the detailed work undertaken by the Haringey Schools Forum who have considered and proposed the formula to be used for schools funding for 2017/18.

2. Cabinet Member Introduction

- 2.1. Like other local authorities, Haringey faces a perfect storm of challenges – significant cuts to our budget combined with high levels of demand. As a result of funding reductions across the public sector, there are also increased demands on welfare support, housing and health services. Our future funding is uncertain as Central Government grant will be withdrawn by 2020, and the mechanism by which business rates and future funding sources will be devolved is yet to be determined.
- 2.2. We are continuing to deliver the savings set out in our medium term strategy agreed in 2015, but it is very challenging to deliver those in full. This report adjusts our plans to deal with the shortfalls that are primarily as a result of rising demand, and sets out proposals for further savings to be made.
- 2.3. It is widely acknowledged that adult social care is insufficiently funded. The growth in demand for care services, particularly from people who have learning disabilities, is proving incredibly difficult to manage. Central Government has provided local authorities to raise much needed funding through the Social Care precept; and whilst the ability to raise £2.7 million (the equivalent of a 3% increase on Council Tax), is welcome, it is not much more than a sticking plaster when our social care budget is overspent by £12 million.
- 2.4. This budget report deals with a number of strategic issues: the need to have appropriate levels of funding in place for services where there is increasing demand; our continued focus on growth so that we can deliver new homes and jobs and ensure that the future funding of our public services is protected; the use of reserves; and, critically, the transformation of services and development of partnerships with other councils and statutory partners. Despite these challenges, we are not in the business of managing decline and the Council will continue to deliver manifesto commitments of the Administration and the ambitions set out in our Corporate Plan.

3. Recommendations

- 3.1. Cabinet are asked to:
 - 3.1.1 propose approval to the Council of the General Fund Medium Term Financial Strategy (MTFS) 2017-2022 as set out in Appendix 1;

- 3.1.2 propose approval to the Council of the 2017/18 General Fund revenue budget as set out in Appendix 1, including specifically a General Fund budget requirement of £255.7m but subject to the final decisions of the levying and precepting bodies and the final local government finance settlement;
- 3.1.3 note the council tax base of the London Borough of Haringey, as agreed by the Section 151 Officer, as 75,365 for the year 2017/18;
- 3.1.4 propose approval to the Council, subject to any agreed amendments, of the budget proposals for 2017/18 as set out in this report at Appendix 6, including the 3% precept on Council Tax towards funding Adult Social Care pressures;
- 3.1.5 propose approval to the Council that the overall council tax to be set by London Borough of Haringey for 2017/18 will be £1,243.54 per Band D property, which represents a freezing of the 2016/17 rate but with an additional 3% for the adult social care precept;
- 3.1.6 note that Fees and Charges in respect of executive functions will be considered under a separate agenda item but that any impact on the 17/18 budget proposals is outlined within this report;
- 3.1.7 propose to the Council that, following a review of reserves, £25.1 million is transferred from earmarked reserves to the General Fund non-earmarked reserve;
- 3.1.8 propose approval to the Council of the 2017/18 Housing Revenue Account budget as set out in Appendix 2;
- 3.1.9 propose approval to the Council of the 2017/18 General Fund capital programme detailed in Appendix 3;
- 3.1.10 propose approval to the Council of the 2017/18 Housing Revenue Account (HRA) capital programme detailed in Appendix 4;
- 3.1.11 approve the changes to the rent levels for General Needs Homes for Council tenants reflecting the regulations requiring a 1% rent reduction in 2017/18 and each of the following two years. This will reduce the average weekly rent from £104.88 to £103.76 as set out in paragraph 9.7 and Table 9.1;
- 3.1.12 approve the changes to service charges for leaseholders set out in Table 9.2;
- 3.1.13 propose to the Council the Dedicated Schools Budget (DSB) allocations for 2017/18 of £250.4m as set out in Appendix 5;
- 3.1.14 agree the funding to be distributed to Primary and Secondary schools for 2017/18 based on the figures advised to Schools Forum and submitted to the Education Funding Agency in January 2017 set out in section 8;
- 3.1.15 agree the central budgets (including the use of brought forward DSG) for the Schools Block, High Needs Block and Early Years Block as per Appendix 5;

- 3.1.16 approve the responses made to the Overview and Scrutiny Committee recommendations following their consideration of the draft budget proposals and as set out in Appendix 7;
- 3.1.17 consider the outcome of budget consultation as set out in Appendix 8;
- 3.1.18 note that this report will be considered by the Council at its meeting on 27th February 2017 to inform their decisions on the 2017/18 budget and the associated Council Tax for that year;
- 3.1.19 delegate to the S151 officer, in consultation with the Cabinet Member for Health and Finance, the power to make further changes to the 2017/18 budget proposals consequent on the publication of the final local government finance settlement or other subsequent changes up to a maximum limit of £1.0m;
- 3.1.20 approve the application of a charge for bulky waste removal as set out in Priority 3 savings proposals in Appendix 10 Annex 3;
- 3.1.21 approve the application of a charge for replacement wheeled bins as set out in Priority 3 savings proposals in Appendix 10 Annex 3;
- 3.1.22 approve the application of a charge for recycling bins and residual bins for registered social landlords (RSLs) as set out in Priority 3 savings proposals in Appendix 10 Annex 3;
- 3.1.23 approve the cessation of sacks for residual and recycling waste and replacement of them with free collection of sacks from libraries and customer service centres as set out in Priority 3 savings proposals in Appendix 10 Annex 3.

4. Reasons for decision

- 4.1. In February 2015, and following extensive consultation, the Council approved its Corporate Plan and Medium Term Financial Strategy (MTFS) covering the three-year period 2015-18.
- 4.2. Since then a number of significant national political changes have taken place all of which bring high levels of uncertainty. Although Haringey has accepted the Government's multi-year settlement offer (ending in 2019-20) there are still significant changes that are planned to the way local authorities are funded which means that we will continue to operate in an uncertain and changing environment.
- 4.3. Given the level of change over the last 18 months and in order to continue to deliver the priorities for the borough a new 5-year MTFS is proposed to cover the period from 2017/18 to 2021/22. This includes a refresh of the last year of the previous MTFS.
- 4.4. The Strategy considers the estimated revenue funding, from all sources, and estimated expenditure budgets for each of the five years to 2021/22 together

with any net funding shortfall and savings proposals that have been developed by officers taking account of the Council priorities.

- 4.5. The report also considers the Council's capital budget, bringing sources of capital funding together with prioritised projects as approved by Council in July 2016 for both the General Fund and the HRA. Given the level of complexity introduced by the regeneration aspirations of the Council, the capital budget will become an increasingly important component of the Council's overall financial position.
- 4.6. The report is based on the best available information but is still subject to significant uncertainty.
- 4.7. On 13th December 2016 Cabinet considered a revised MTFS, which demonstrated a funding shortfall of £42.8m over the five years to 2021/22, and savings proposals of £23.6m. With the gap front loaded to the 2017/18 year (£19m) it was agreed that the strategy would be to smooth the savings over the first two years of the MTFS period through the use of reserves.
- 4.8. Agreement was also given to consult with residents, businesses, partners, staff and other groups as necessary on the draft proposals. This report outlines the outcome of that consultation and sets out our responses to it.
- 4.9. The Council's Overview and Scrutiny Committee has already scrutinised the savings proposals and this report highlights the recommendations made by the Committee and the Cabinet's responses to it.
- 4.10. On 17th December the Provisional Local Government Finance settlement was announced which introduced a number of changes to the funding assumptions and these have now been incorporated in the revised MTFS and proposed budget for 2017/18.
- 4.11. The final MTFS shows a revised funding deficit of £45.6m over the five years to 2021/22 and, assuming that all savings proposals are implemented (£23.6m), a residual shortfall of £22m over the MTFS period. For 2017/18, the £8.8m deficit will be funded from the use of reserves in order to set a balanced budget. The MTFS will be refreshed during 2017/18 and options developed to fund later years' residual shortfalls.
- 4.12. The level of reserves available will be dependent on the extent to which we utilise our existing reserves to fund our deficit at year-end. The Chief Finance Officer will be seeking to consolidate the reserves position in order to be able to fund the deficit. This will be considered as part of the Chief Finance Officer's consideration of the adequacy of reserves which will be presented to Council on 27th February 2017. The Council will look to recommence building Reserves in the next financial year to provide further future resilience to the Council's financial position.
- 4.13. Taking all relevant factors into account including, in particular, the outcomes from statutory consultation with business rate payers and residents, the

recommendations from the Overview and Scrutiny Committee and any other subsequent changes, this report sets out Cabinet's final budget proposals which, if approved, will be sent for consideration at the Full Council budget setting meeting scheduled for 27th February 2017.

4.14. The final budget report to the Council on 27th February will also additionally include a number of requirements consequent on the proposals set out in this report and in particular:

- The formal Budget Resolution required in accordance with the LGFA 1992 as amended by the Localism Act 2011, which sets the Council tax for the forthcoming financial year;
- The Precept of the Greater London Authority (GLA) for 2017/18 in accordance with S40 of the LGFA 1992 which must be added to the Haringey Council element of the Council tax to give a total Council tax for each category (band) of dwelling in the Council's area;
- The formal assessment of the relevant basic amount of Council tax against the principles established by the Secretary of State for the purpose of determining whether any Council tax increase is 'excessive' and therefore is subject to referendum.
- Approval of the Cash Limits for 2017/18;
- The S151 Officers evaluation of the adequacy of the Council's reserves and the robustness of the estimates including the council's reserves policy;
- Approval of the Treasury Management Strategy Statement (TMSS) which has been formulated by the Corporate Committee and subject to the scrutiny review process.

5. Alternative options considered

5.1. This report recommends that the Cabinet should finalise its budget proposals, to be ultimately agreed at the final budget meeting at full Council on 27th February 2017; which is a statutory requirement. Clearly there are a number of options available to achieve this and proposals in this report take account of the Council's priorities together with feedback from residents and other partners.

5.2. A range of options for determining levels of both income and service provision have been considered taking into account the Council's Corporate Plan priorities, the extent of the estimated funding shortfall and the Council's overall financial position.

5.3. The proposals in this report rely on the strategic use of reserves over the five year period 2017– 2022. However, there remain significant uncertainties, particularly in the later years of the MTFS and so it is imperative that

Members acknowledge and take action to manage identified and emerging risks.

6. Background information

Local Government Finance Settlement to 2019/20

- 6.1. The report presented to Cabinet on 13th December 2016 gave detailed information in relation to the Local Government Settlement and this report provides updates where appropriate.
- 6.2. During February 2016, the 2016/17 final local government finance settlement provided revenue support grant and other grant funding allocations for 2016/17 and indicative figures up to 2019/20.
- 6.3. The 2017/18 Provisional Local Government Finance Settlement was published on 15 December 2016. The settlement provided provisional allocations for 2017/18 and indicative allocations for 2018/19 and 2019/20.
- 6.4. The main points of note were as follows:
 - No changes to overall funding provided by DCLG (from the previous allocations announced in the 2016/17 settlement)
 - The terms of the Social Care Precept changed.
 - Changes to the New Homes bonus scheme were announced.
 - A move of £241m from the New Homes Bonus scheme to Adult Social Care for 2017/18 and the introduction of a new Adult Social Care Support Grant.
 - 97% of authorities accepted the government's offer of a four-year fixed settlement.
 - The Department for Education confirmed that the £2.8m Education Services Grant would be withdrawn with effect from September 2017.

Council Tax Base

- 6.5. Setting the council tax base is a statutory requirement and a fundamental part of the revenue budget and council tax setting process. It represents a measure of the taxable capacity of the area and when multiplied by the band D council tax rate indicates the Council's tax generating potential for that year.
- 6.6. The Council as Billing Authority is required to calculate the tax base for the Borough in order for it to calculate its own council tax, but is also required to notify this figure to any major precepting authority (the Greater London Authority) as well as any levying body (Environment Agency, Lee Valley Regional Park Authority, North London Waste Authority, London Pension

Fund Authority, and Financial Reporting Council) in order for them to calculate and set their own budgets and determine the level of precept / levy to be made to Haringey.

- 6.7. The calculation of the council tax base is prescribed by regulations. Put simply, it is the aggregate of estimated number of properties in each valuation band each year, subsequently adjusted to take account of the estimated number of discounts, disregards and exemptions which are likely to apply and any estimated increase / decrease in the list in the forthcoming year.
- 6.8. The Council levies a Council Tax on the basis of properties in band D and thus the numbers for each valuation band are adjusted to the proportion which their number is to band D; these proportions are set out in statute. Finally, the council must estimate its rate of council tax collection for the year and apply this figure to arrive at the council tax base figure.
- 6.9. The calculation above sets the tax base and not the council tax rate itself which is due to be set on 27th February 2017 at Full Council.
- 6.10. The calculation of the tax base recommended in this report takes into account the agreement by Full Council on 21st November 2016 to continue with the Council Tax Reduction Scheme (CTRS), agreed in January 2013, for 2017/18.
- 6.11. The calculation is in two parts; 'A' (the Relevant Amount), which is the calculation of the estimated adjusted band D properties, and 'B', the estimated level of collection.
- 6.12. The calculation of 'A' – the relevant amounts for each band is complex and includes a number of calculations which are shown in detail in Appendix 12. The resultant relevant amount per band is summarised in the table below:

Table 6.1- Number of dwellings by Band

Band	Relevant Amount (i.e. number of dwellings)
A	2,823
B	8,946
C	21,392
D	19,733
E	10,571
F	6,816
G	7,284
H	1,352
TOTAL	78,916

- 6.13. The relevant amount has increased by 2,943 over the original 2016/17 assumptions. This is predominately due to the combined effect of an

increase in dwellings achieved during 2016/17 and a reduction in estimated numbers to be applied under the CTRS (the latter which increases the base), and an assumed further increase in dwellings in 2017/18 from planned new homes.

- 6.14. The collection rate is the council’s estimate of the proportion of the overall council tax collectable for the year that will ultimately be collected. This is expressed as a percentage.
- 6.15. In arriving at a decision on the collection rate a number of factors need to be taken into account which includes:
- Appeals against valuation
 - The mobility of the local population, particularly in the private rented sector
 - The level and timeliness of information available when properties are sold, or let *and*
 - The customers ability to pay
- 6.16. 2017/18 collection rates are forecast to be close to 95.5%. The tax base is calculated by applying the following formula:

$$A \times B = T$$

Where:

A is the total amount of the relevant amounts for that year

B is the authority’s estimate of its collection rate for that year.

T is the calculated tax base for that year

- 6.17. In accordance with the requirements of the regulations, the calculation of the Council Tax Base for the London Borough of Haringey in 2017/18 is as follows:

Table 6.2 – Collection Rate

	2017/18
Total of relevant amounts (A)	78,916
x	
Collection Rate (B)	95.5%
Council Tax Base (T)	75,365

- 6.18. The relevant average council tax amount which is the equivalent of the Band D amount is £1,243.54. Once adjusted for the 3% adult social care precept increase, this represents a 3% increase on the 2016/17 average council tax amount of £1,208.01. The average Band D amount multiplied by the council tax base gives a council tax requirement of £93,719,392.10.
- 6.19. The below table sets out the council tax amount for other bands.

Table 6.3 – Council Tax (excluding Precept) by Band

	Ratio	Ratio as %	Amount £
Band A	6/9	67%	829.03
Band B	7/9	78%	967.20
Band C	8/9	89%	1,105.37
Band D	9/9	100%	1,243.54
Band E	11/9	122%	1,519.88
Band F	13/9	144%	1,796.22
Band G	15/9	167%	2,072.57
Band H	18/9	200%	2,487.08

- 6.20. The GLA is proposing a precept of £280.02 in 2017/18 – an increase of 1.5% on the amount of £276 in 2016/17. The average council tax amount including GLA precept is £1,523.56. The below table sets out the council tax amount including precept for other bands.

Table 6.4 – Council Tax (including precept) by Band

	Ratio	Ratio as %	Council Amount £	GLA Precept £	Total Council Tax
Band A	6/9	67%	829.03	186.68	1,015.71
Band B	7/9	78%	967.20	217.79	1,184.99
Band C	8/9	89%	1,105.37	248.91	1,354.28
Band D	9/9	100%	1,243.54	280.02	1,523.56
Band E	11/9	122%	1,519.88	342.25	1,862.13
Band F	13/9	144%	1,796.22	404.47	2,200.70
Band G	15/9	167%	2,072.57	466.70	2,539.27
Band H	18/9	200%	2,487.08	560.04	3,047.12

Core Spending Power

- 6.21. The impact of these changes on Haringey's core spending power is shown in the table below:

Table 6.5 – Core Spending Power

	2015- 16	2016- 17	2017-18	2018-19
	£'000's	£'000's	£'000's	£'000's
Settlement Funding Assessment	140.8	126	115.2	109.2
Council Tax	83.9	87.2	93.7	98.8
Improved Better Care Fund	-	-	0.4	3.8
New Homes Bonus	6.2	6.9	5.7	4.2
Rural Services Delivery Grant	-	-	-	-
Transition Grant	-	-	-	-
Adult Social Care Support Grant	-	-	1.2	-
Core Spending Power	230.8	220.1	216.2	216
Change %		-4.70%	-1.40%	1.40%
Cumulative change %		-4.70%	-6.00%	-4.70%

Four Year Settlement

- 6.22. Whilst the SFA allocations for 2018/19 and 2019/20 are only indicative at this stage, local authorities had the opportunity to fix these at the announced amounts by submitting an efficiency plan by 14 October 2016. Haringey submitted its efficiency plan to the Department of Communities and Local Government (DCLG) and have received confirmation that Haringey is now formally on the multi-year settlement (covering 2018/19 to 2019/20).

Social Care Precept

- 6.23. The introduction of a social care precept was originally announced at SR2015. In the 2016/17 local government finance settlement, the government confirmed that there would be a 2% social care precept and that this would be available for four years up to 2019/20.
- 6.24. The provisional 2017/18 local government finance settlement has amended the use of this additional precept. It was announced that it can be applied at 3% per annum for the next two years, up to 2018/19, but maintains a maximum additional precept of 6% for the period 2017/18 to 2019/20. Therefore if an authority chooses to use the higher 3% threshold in each of 2017/18 and 2018/19, then it would not be able to have an additional precept in 2019/20.
- 6.25. To ensure that councils are using income from the precept for adult social care, councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer (Section 151 Officer). Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017/18 must also show how they plan to use this extra

money to improve social care. The government intend to provide further guidance to adult social care authorities on the conditions of the scheme in the near future. Section 7 below contains the Council's outline approach to the use of the additional precept.

New Homes Bonus

- 6.26. The government has made the following changes to the Scheme:
- Funding is reduced by £241m in 2017/18 (funding remains at pre-announced levels for 2018/19 and 2019/20);
 - Funding will be reduced from 6 years to 5 years' worth of payments in 2017/18;
 - Funding will then reduce to 4 years' worth for 2018/19 onwards.
 - From 2018/19, the government will consider withholding payments from local authorities that are not "planning effectively, by making positive decisions on planning applications and delivering housing growth".
 - A consultation is planned regarding withholding payments for homes that are built following an appeal.

Adult Social Care Support Grant

- 6.27. This is a new funding stream announced for 2017/18. Funding for this has been taken from previously announced New Homes Bonus allocations. Funding has been allocated based on the adult social care relative needs formula.

Business Rates

- 6.28. Alongside the move to 100% Business Rates Retention, the target level of business rates that authorities need to collect (known as the Business Rates Baseline) is to be reset in 2020. This figure is key to individual authorities, because where a target is set too high they will receive a lower amount of business rates revenue than was originally allocated via the needs based funding formulae (although, there are resource gains to be made if it is set lower than anticipated business rates income).
- 6.29. If the methodology in determining the baseline is similar to that used in 2013/14 (for the current baseline), it will be based upon actual amounts collected in a specified number of prior years. This approach may be advantageous to Haringey as it has been below its baseline over the period 2013/14 to 2015/16 (as per the chart below) and therefore, all things being equal, it could expect a have the baseline reduced as part of this reset. This should provide it with a lower target amount to collect and therefore increase

the chance of exceeding the future target and therefore receive higher revenue from business rates than the initial target allocation.

- 6.30. Given the amount of risk and reward is likely to increase post 2020 (i.e. Haringey currently receives 30% of business rates retained and this is likely to increase), a lower business rates baseline is even more important than at present.
- 6.31. As highlighted in the December 2016 Cabinet report, the business rates base was to be re-valued in line with the methodology outlined in the October 2016 technical consultation. This revaluation has now been completed and a summary of the main changes is provided below:
- The top up/tariff amount for each authority has been adjusted to reflect the change in ability to collect business rates locally (taking into account the net change as a result of the rateable value change and the decrease in the multiplier, before inflation and the adjustment for appeals). This change results in a change in authorities' NNDR baseline also.
 - For 2017/18, this adjustment has been made on figures taken from the 2015/16 NNDR3 form. However, for 2018/19 onwards (until the reset), the adjustment will be based upon figures taken from the 2016/17 form, with a one-off adjustment in 2018/19, to reflect the variance between the 2015/16 and 2016/17 NNDR3 amounts.
 - There is no change to authorities' baseline need amounts (and therefore no change to the safety net), other than for the 2% increase for inflation.
 - Authorities' levy percentage amounts have changed based on their new NNDR baseline amounts. For most authorities, including Haringey, this change is irrelevant i.e. they remain a top up and still have a 0% levy or remain at the maximum levy amount of 50%. However, for certain authorities, there has been either an increase or decrease.
- 6.32. DCLG intend for Revaluation 2017 to be revenue neutral for local government nationally. However, the extent to which this will be the case is not possible to forecast at this stage. DCLG have made an allowance for the national loss in Rateable Value, due to appeals, following revaluation at 4.7%. If this estimate is too low, then local government will lose out; if this estimate is too high then local government will gain.
- 6.33. The financial implications of revaluation for individual local authorities is more difficult to estimate, as these will be a combination of the accuracy of the national allowance for appeals and the extent to which local appeals are above or below the estimated national average.
- 6.34. Due to the number of unknowns it has therefore been assumed that revaluation will be revenue neutral at this stage for Haringey. However,

officers will be monitoring developments around the updated Rateable Values and the DCLG's approach to appeals over the coming months, with a view to adjusting the medium term resources projection, if needed.

Education Services Grant

- 6.35. The £2.784m Education Services Grant (ESG) pays for a range of services, including Early Years Quality Team , Attendance and Welfare, Redundancy costs in maintained schools, Statutory and Regulatory Services in all schools and academies and central costs for finance, governance, ICT, HR, audit for maintained schools.
- 6.36. The Department for Education have transferred £0.550m of ESG to the Dedicated Schools Grant. This accounts for the Statutory and Regulatory Services for all schools and academies and Schools Forum have agreed that this may be used for the same purposes in 2017/18. The transitional ESG for 2017/18 is £0.795m and the DfE have indicated that a further provisional £0.130m may be available to support School Improvement. Overall, this is a total of £1.475m, a loss of £1.309m. In 2018/19, the £0.550m in the DSG is expected to remain, but all the other elements of funding are expected to be removed: a further loss of £0.925m.
- 6.37. The DfE proposed the removal of the ESG when they were considering legislation to transfer maintained schools to academy status; the legislation is not now being pursued, but the grant reduction is continuing. It leaves the Authority with obligations (such as redundancy costs in maintained schools) with the specific funding source having been removed.
- 6.38. Normally, loss of specific grant would mean that the associated expenditure would reduce commensurately. The majority of the costs supported by the ESG, however, are recharges and apportionments of central costs, mostly from Priority X. So, a like-for-like reduction is not practical, and much of the loss of this grant is contributing directly to the overall funding gap with which the Council has to contend.

7. General Fund Revenue MTFs position 2017-18-2021/22

Government Funding

- 7.1. The main impacts for Haringey from the changes introduced by the Provisional Local Government Settlement published in December 2016 are the reduction in New Homes Bonus for 2017/18 of £2.1m and the introduction of the new Adult Social Care Support grant of £1.2m for 2017/18.

Council Tax

- 7.2. Each year the council as Billing Authority is required to calculate the tax base for the Borough in order for it to calculate its own council tax but is also

required to notify this figure by 31st January each year to any major precepting authority (the GLA) as well as any levying body (Environment Agency, Lee Valley Regional Park Authority, North London Waste Authority, London Pension Fund Authority) in order for them to calculate and set their own budgets and determine the level of precept / levy to be made to Haringey.

- 7.3. The calculation of the council tax base is prescribed by regulations. Put simply, it is the aggregate of the estimated number of properties in each valuation band each year, subsequently adjusted to take account of the estimated number of discounts, disregards and exemptions which are likely to apply and any estimated increase / decrease in the list for the forthcoming year.
- 7.4. The 2016/17 local government finance settlement (LGPS) sets out that local authorities could choose to increase their Council Tax by up to 2% in each of the 4 years 2016/17 to 2019/20. The 2017/18 LGPS amends this and local authorities may now choose to increase Council Tax (for the social care precept) by up to 3% in 2017-18 or 2018-19, but still cannot exceed 6% in total over the three-year period to 2019/20.
- 7.5. To ensure that councils are using income from the precept for adult social care, councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer (Section 151 Officer).
- 7.6. Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017-18 must also show how they plan to use this extra money to improve social care. The Department will write to adult social care authorities with further details on the conditions of the scheme in the near future and no such details had been provided at the time of writing this report.
- 7.7. The MTFS assumptions work on the basis that the Authority increases the Council Tax by 3% in 2017/18 as a result of the social care precept. This would raise an additional £2.7m. The budget for Adults Social Care has not been sufficient in 2015/16 and 2016/17, with planned savings being delivered, but demand for services continues to grow.
- 7.8. The December 2016 budget report to Cabinet set out the demand pressures of £11.889m that were being acknowledged as part of the review of the Medium Term Financial Strategy. When the Department for Communities and Local Government seek evidence of how the precept is being used, officers will point to the need to build growth back into the budget for Adults Social Care and the impact of that on the proportion of the Council's budget which Adults Social Care will receive in 2017/18.
- 7.9. The projections for Council Tax income for the MTFS period are set out in the table below:

Table 7.1 - Council Tax Assumptions 2017/18 to 2021/22

COUNCIL TAX ASSUMPTIONS					
	2017/18	2018/19	2019/20	2020/21	2021/22
Tax Base	77,605	78,916	80,595	82,274	83,953
Tax Base change	1.70%	2.10%	2.10%	2.00%	2.00%
Tax Base for year	78,916	80,595	82,274	83,953	85,632
Collection Rate	95.50%	95.50%	95.50%	95.50%	95.50%
Tax Base after collection rate	75,365	76,968	78,572	80,175	81,779
Council Tax increase	0%	0%	0%	0%	0%
Social Care precept	3%	3%	0%	0%	0%
Band D rate	£1,243.54	£1,279.07	£1,279.07	£1,279.07	£1,279.07
Council Tax Yield (£000)	£93,719	£98,447	£100,499	£102,549	£104,601
Change year on year (£000)	£4,190	£4,728	£2,052	£2,050	£2,052

7.10. Key assumptions in the MTFS are that:-

- Members will continue the policy of freezing council tax up until 2018/19, in line with this administration's manifesto commitment;
- The 3% social care precept will be applied for the next two years;
- The tax base is assumed to grow in line with GLA housing projections;
- The Council Tax collection rate for will be 95.5%.

Business Rates

7.11. The impact of business rate revaluation and other proposed changes to the business rates system had previously been reported to members. Although, the Council continues to enjoy a growth in business rates income, it remains a 'top up' authority as the Council's baseline business rates level is lower than its business rates funding level.

7.12. The below table sets funding levels for the next three years.

Table 7.2 – Elements of the Business Rates Retention Scheme

	2016/17	2017/18	2018/19	2019/20
Baseline Funding Level	75,048	76,316	78,791	80,578
Baseline Business Rates	19,828	22,084	20,824	20,758
Top Up	55,220	54,232	57,967	59,820

7.13. The figures in the MTFS are based on the latest available information which has been submitted to government. However, there remains risk around the revaluation changes mostly from appeals lodged by businesses.

Fees and Charges

- 7.14. Each year the Council reviews the level of fees and charges through consideration of a report by the Cabinet and Regulatory Committee where it is a requirement that they are considered and approved.
- 7.15. A separate report with the majority of proposed fees and charges is included elsewhere on the Cabinet agenda with the Regulatory Committee meeting on 30th March 2017 to consider and approve the proposals.
- 7.16. The Council's income policy requires that as part of an annual review, levels of fees and charges levied upon users should ensure that income is maximised based on full cost recovery. Therefore, the majority of fees and charges will increase by inflation to reflect increased cost of service provision.
- 7.17. In some cases, fees and charges are increased above the prevailing rate of inflation to align them with market rates and in other cases to ensure that the Council's levels of fees and charges are in line with neighbouring/similar authorities. Additional income to be raised from fees and charges after adjustment for savings proposals is estimated at £121k in 2017/18.

Summary funding assumptions

- 7.18. The table below sets out a summary of the funding assumptions used in the 5-year Medium Term Financial Strategy.

Table 7.3 - Summary of funding assumptions 2017/18-2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Main Funding					
New Homes Bonus	5,712	4,200	4,228	4,899	4,899
Adult Social Care Grant	1,195	1,195	1,195	1,195	1,195
Revenue Support Grant	38,590	30,202	21,641	20,015	18,357
Council Tax	93,719	98,448	100,499	102,550	104,600
Retained Business Rates	22,084	20,824	20,758	21,173	21,597
Top up Business Rates	54,232	57,967	59,820	61,016	62,236
Total Main Funding	215,531	212,836	208,140	210,848	212,884
Core Grants					
Public Health	20,742	20,203	19,677	19,677	19,677
Other core grants	10,653	12,687	15,116	14,381	14,895
TOTAL (External) Funding	246,926	245,726	242,933	244,906	247,457
Contribution from/(to) Reserves	8,782	2,933	4,312	2,230	3,708
TOTAL FUNDING	255,708	248,659	247,245	247,136	251,165

- 7.19. There has been a total increase in external funding assumptions of approximately £3m for 2017/18 from those presented to Cabinet in December 2016 as follows:

- Adult Social Care Grant (£1.20m) has been added
- New Homes Bonus has been reduced by £2.1m
- Retained Business Rates (an increase of £1.85m) and Top-Up Business Rates (reduction of £2.07m) have now been confirmed with;
- Removal of contribution to Reserves; and
- Council tax has been confirmed at £93.7m, an increase of £900k.

Expenditure Assumptions and budget shortfall

- 7.20. The 2016/17 financial year has seen increasing budgetary pressures for key demand led services: Temporary Accommodation, Adults Social Care and Children's Social Care. For each of these areas an extensive exercise has been carried out to assess the levels of activity that has been driving costs. There is an assumption in the MTFs that the current level of spend in these areas will not reduce and therefore additional core budget has been allocated to the relevant priorities for 2017/18 and the MTFs period.
- 7.21. In the previous MTFs (2014/15-2017/18), savings of £24.163m were assumed for 2017/18 based on the proposals agreed at that stage. However, during 2016/17 it has become apparent that many of those savings are not being delivered as planned. For the purposes of this revised MTFs, the assumption is that where savings have been flagged as being at risk in 2016/17 then these will not be achieved in 2017/18. In total £22.197m of these savings have been taken out of the planned 2017/18 budget.
- 7.22. A Non-Service Revenue budget provision has been made for the following:-
- An estimated £1.2m is required by 2020/21 as an additional employer's contribution to the pension fund following the triennial revaluation. The working assumption is that a further £1.2m will be required for the same period of time following the next revaluation (i.e. in 2020/21).
 - Levies:
 - a) £385k for a new Apprenticeship Levy which comes into effect on 1st April 2017. This is a levy on all employers whose payroll exceeds £3m and is charged at 0.5% of the pay bill.
 - b) £1.335m increase in the North London Waste Authority levy.
 - c) 2% increase has been assumed on all other levies (e.g. the Environment Agency).
- 7.23. After taking into account the funding and expenditure assumptions outlined above, the overall summary position is set out in the table below:

Table 7.4 - Summary of expenditure and funding 2017/18-2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Budget requirement b/f	255,627	255,708	248,659	247,245	247,136	1,254,375
Unavoidable growth	26,626	2,273	1,072	2,136	746	32,854
Original MTFS year 3 savings	-24,163	-450	0	0	0	-24,613
Original savings not achievable	22,197	0	0	0	0	22,197
Additional savings	-18,800	-1,000	-500	0	0	-20,300
New investment	4,382	212	624	1,639	1,379	8,236
Additional income	0	-1,022	-2,022	-2,022	-23	-5,089
Other adjustments	-2	953	3,356	-362	1,947	5,892
Budget requirement	265,867	256,675	251,189	248,636	251,185	1,273,551
Proposed MTFS Savings	-10,159	-8,016	-3,944	-1,500	-20	-23,639
Net Budget Requirement	255,708	248,659	247,245	247,136	251,165	1,249,913
Available funding	246,926	245,726	242,933	244,906	247,457	1,227,948
Net Budget Shortfall to be funded from Reserves	8,782	2,933	4,312	2,230	3,708	21,965

- 7.24. On the assumption that all budget proposals presented to Cabinet in December 2016 are implemented and delivered the residual budget shortfall will be as in Table 7.4 above.
- 7.25. For 2017/18 the budget shortfall will be funded from reserves but there will be a requirement to develop further savings proposals early in the MTFS period in order to avoid any further use of reserves.
- 7.26. If any of the savings proposals are not accepted then it will be necessary to find replacement savings as soon as possible.
- 7.27. The profile and level of the budget shortfall has changed from the position reported to Cabinet in December 2016. The main changes relate to more accurate projections on business rates and council tax income in 2017/18 and 2018/19. There has also been other expenditure pressures identified which have a compound effect on the MTFS.

Savings proposals 2017/18 to 2021/22

- 7.28. The key issue for Haringey is how to address 2017/18 and 2018/19 where there is a substantial budget gap before funding and expenditure become more closely aligned.
- 7.29. In order to bridge the £45.6m gap, Officers have developed savings proposals and each is supported by a document describing the action/outcome, highlighting the value of the saving, the impact on workforce numbers, and setting out the associated risks and assumptions. Higher value proposals (those over £1m) are supported by a full business case. These were presented to Cabinet in December 2016 and are set out in the table below and attached at Appendix 10.

Table 7.5 - Summary of savings proposals

Proposal	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
P1 - Childrens(Enable every Child to have the best start in life, with high quality Education)	2,762	1,748	310	-	-	4,820
P2 - Adults(Empower all adults to live healthy, long and fulfilling lives)	2,411	3,137	84	-	-	5,632
P3 - A clean and safe borough where people are proud to live	1,685	2,580	150	-	-	4,415
P4 - Drive growth and employment from which everyone can benefit	503	-	-	-	-	503
P5 - Create homes and communities where people choose to live and are able to thrive	-	-	-	-	-	-
PX - Enabling	2,798	551	3,400	1,500	20	8,269
Total	10,159	8,016	3,944	1,500	20	23,639

- 7.30. It will be important that the front-loaded profile of savings for 2017/18 and 2018/19 are achieved in order to mitigate against any overspend in those years and further use of reserves.
- 7.31. The proposed savings have been subject to public consultation and scrutiny by the Overview and Scrutiny Committee and recommendations have been proposed which are outlined in Section 12 and 13 in this report. Cabinet are considering those recommendations as part of this report.
- 7.32. If the total value of savings proposed is £23.6m and if all these savings are applied, the budget gap, over the 5-year MTFS period, will reduce to £22.0m.

Budget Strategy

- 7.33. The budget strategy has been developed on a number of key principles. A recognition of the acute pressures facing demand-led services and therefore an appropriate re-allocation of resources.
- 7.34. This has led to increase in the adult social care budgets so that these budgets represent 35% (31% in 2016/17) of the total resource allocation.
- 7.35. With the planned devolution of business rates in 2020, a 5-year MTFS has been developed to straddle the new funding era. The importance of Council tax and business rates to our future financial sustainability is therefore recognised crucial that as an authority we are clear about the proportion of our resources that are spent on creating growth opportunities. The proposal, therefore, is that over the 5-year MTFS period a reasonable allocation of

revenue resources will be assigned to activities that create these growth opportunities.

7.36. The scale of the gap in 2017/18 (£19m) is such that it is not possible to make sufficient savings to bridge the gap in one year, and therefore the strategy has been to smooth the savings over the MTFs period through the use of reserves. The challenge is to achieve this via:

- Balancing the need to maintain our focus on transformation in high demand priorities with acknowledgement of the growing pressures in those areas
- Ensuring the proportion of total budget committed to those high demand areas is in line with appropriate benchmarks
- Ensuring an appropriate balance between the proportion of the gap apportioned to delivery of priorities and to growth

7.37. The level of reserves available will be dependent on the extent to which we utilise our existing reserves to fund our deficit at year-end. The Chief Finance Officer will be seeking to consolidate the reserves position in order to be able to fund the deficit. This will be considered as part of the Chief Finance Officer's consideration of the adequacy of reserves which will be presented to Council on 27th February 2017. The Council will look to recommence building Reserves in the next financial year to provide further future resilience to the Council's financial position.

7.38. At this stage there is insufficient clarity around the last two years of the MTFs to make decisions about further cuts, and the residual budget gap for those years will be addressed once the longer term government funding and local resources have been firmed up. Additionally the next administration will review Council Tax rates.

Summary General Fund Revenue Budget Position 2017/18 to 2021/22

7.39. The summary revenue budget position over the 5 year period is shown in the table below:

Table 7.6 - Summary of proposed MTFs budgets

Services	2016/17		2017/18		2018/19	2019/20	2020/21	2021/22
	£'000	%	£'000	%	£'000	£'000	£'000	£'000
Priority 1	50,682	20%	61,199	24%	59,354	59,155	58,935	59,016
Priority 2	80,420	31%	87,893	34%	88,412	90,560	93,835	97,491
Priority 3	28,226	11%	28,894	11%	24,813	22,663	20,663	20,663
Priority 4	15,601	6%	15,373	6%	15,373	15,373	15,373	15,373
Priority 5	3,722	1%	9,214	4%	8,642	9,364	8,616	8,308
Enabling	76,975	30%	53,189	21%	52,120	50,184	49,768	50,368
Total Budget	255,626	100%	255,762	100%	248,713	247,299	247,190	251,219

Review of assumptions and risks 2017/18-2021/22

7.40. The main uncertainties and risks identified to date which will impact on the Council's budget and Medium Term Financial Strategy are:-

- Move to Council Tax and Business Rates as the main funding driver exposes the Council to risks such as collection rates, adverse changes in the size of the taxbase and negative cashflows.
- The Council's Transformational Programmes do not deliver the required savings, do not deliver savings quickly enough, or are counteracted by demographic trends particularly in critical areas such as Children's and Adults Social Care and Temporary Accommodation.
- Increases in national minimum wage (NMW) and London living allowance (LLA) which will particularly affect care providers and Direct Payment rates and may drive up prices.
- Any deterioration in the forecast 2016/17 position, including the risk that the measures put in place to reduce spending (such as the current voluntary severance exercise) do not deliver.
- Changes in Non Service Resources budgets over the next few months – for example the amounts provided for levies are currently based on estimates.
- General population increases are expected over the next 5 years and any associated growth in demand - other than specifically allowed for – may lead to financial pressure.
- The need to balance revenue and capital priorities to ensure the most appropriate use of available resources.

7.41. Other risks which we are aware of that may impact on the Council's budgets:-

- National economic uncertainty, including economic stability, inflationary pressures, etc including any factors relating to Brexit. In particular, there may be a slow-down in housing delivery once article 50 is triggered by the UK government.
- Housing Benefit admin fee may end during the period of the MTF5.
- The impact of changes in legislation – for example the Homelessness Reduction Bill.
- The impact of inflation pressures above current assumptions (e.g. energy costs which are currently estimated at around 13% increase for 2017/18).
- Ability to work collaboratively with a number of partner organisations – for example on shared services.
- Impact of NHS Sustainable Transformation Plans (STPs) may result in a transfer of costs.
- Additional pressure may arise from the provision of support to further Syrian refugees.
- Ability to implement savings. All savings have been risk assessed for ease of delivery and a summary risk assessment is as follows:-

Table 7.7 - Summary risk assessment

Risk Rating	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Green	6,711	1,431			20	8,162
Amber	3,198	4,913	3,944	1,500		13,555
Red	250	1,672				1,922
Total	10,159	8,016	3,944	1,500	20	23,639

Haringey Development Vehicle

- 7.42. In order to facilitate the Council's ambitious housing and jobs growth plans, officers have been working on the procurement of a jointly owned development company which will be 50% owned by the Council and 50% owned by a private sector development partner and is currently known as the Haringey Development Vehicle (HDV). The financial impact of the development schemes within the HDV are complex and the detail will not be known until specific schemes come on stream however high level impacts, where they are known and where they are within the span of this MTFS, have been included in the Capital Strategy which was approved by Council in July 2015 with the cost of borrowing included within the Council's analysis of Minimum Revenue Provision in this MTFS.

8. Dedicated Schools Budget

Dedicated Schools Grant (DSG)

- 8.1. The Department for Education announced the schools funding settlement for 2017/18 in December 2016 and Schools Forum considered the position at its meeting on 16th January 2017. The Dedicated Schools Budget is substantially funded from the Dedicated Schools Grant, a ring-fenced grant which must be spent only in accordance with the prevailing Schools and Early Years Funding Regulations.
- 8.2. Further information on the details of the strategic financial position for the Dedicated Schools Budget can be found in the papers to the Schools Forum, which are publicly available.
- <http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=664&MId=7985&Ver=4>
- 8.3. Cabinet are asked to agree the use of the DSG as set out in this section (ie Schools Block, High Needs and Early Years Block, as indicated).

Schools Funding for 2017/18 (Dedicated Schools Budget)

- 8.4. The settlement was a headline increase in the overall DSG of £7m from £242.6m to £249.6m. This increase is accounted for through additional pupil numbers, provision for the extension of early years provision to 30 hours for 3 and 4 year olds, some transfers of responsibilities from other funding streams and some additional funding for 2 year olds, high needs budgets and maintained nursery schools (who would otherwise have acute difficulties in managing the required changes to the early years funding formula). Table 8.1 below, sets out the details of those movements.

Table 8.1 - Explanation of change in overall DSG from 2016/17

DSG allocations prior to deductions for academies recoupment and direct funding of high needs places by EFA	2016/17 DSG	Rebasing (October 2016)	Pupil numbers and High Needs 2017/18	Early Years Block changes	2017/18 DSG
	£000's	£000's	£000's	£000's	£000's
Schools block	195.492	-2.585	2.381	0	195.288
Provisional Early Years Block	15.453	0	0	2.993	18.446
High Needs Block allocation	31.638	3.702	0.514	0.000	35.854
Total additions for non block funding	0.048	-0.048	0	0	0
Total DSG allocation	242.631	1.069	2.895	2.993	249.588

- 8.5. Schools Forum also took account of unspent DSG from previous years brought forward. There was £3.252m brought forward at the start of 2016/17. During 2016/17 the Early Years service has been funding 2 year old providers at £6 per hour, rather than the £5.28 being received through the DSG; this draws on £0.367m of the brought forward. In the High Needs budget, Schools Forum were advised in December 2016 that there was a £0.915m forecast overspend here. Overall, the expected carry forward at the end of the financial year is currently £1.970m. As set out in Table 8.2, Schools Forum operates on the basis that each block is responsible for its own surpluses and deficits. This approach can only work while there is sufficient funding overall and the deficit in the High Needs Block would need to be recovered before the full amount of underspends in other blocks was applied.

Table 8.2 - Amount of unspent DSG brought forward and expected to be carried forward in 2016/17

Block	Brought forward 2016/17	In-year budget 2016/17	Forecast spend 2016/17	Forecast carry-forward 2016/17
	£000's	£000's	£000's	£000's
Schools Block	255	141,300	141,300	-255
High Needs Block	-46	32,623	33,538	961
Early Years Block	3,043	15,454	15,821	-2,676
Total Schools Budget	3,252	189,377	190,659	-1,970

- 8.6. There is a separate Cabinet report on the Early Years Funding arrangements which seeks agreement on the formula for Early Years settings for 2017/18

Schools Block

- 8.7. The Schools Block allocation for 2017/18 is £195.288m. Schools Forum agreed the centrally retained budgets and those elements of funding which could be de-delegated from maintained schools' budgets. **Appendix 5** sets out the figures arising from their proposals for all the blocks.
- 8.8. The formula for primary and secondary schools had to be submitted to the Education Funding Agency by 20th January 2017, using an Authority Proforma Tool (ie a spreadsheet). There was one change to the formula considered and proposed by Schools Forum regarding the weighting to be attached to the deprivation factor. So, officers have distributed the available funding in **Appendix 5** on the basis of the proposed formula, a summarised version of which is in **Table 8.3**. The submission is subject to agreement of Cabinet to this approach.
- 8.9. The formula allocates £190.014m to schools, after all agreed deductions. This represents a tight funding settlement for schools. While the DSG settlement recognised growth in pupil numbers and individual schools will be funded for changes in pupil numbers, 28 out of 77 schools (one-third) will receive budgets that rely on the Minimum Funding Guarantee of their 206/17 budget per pupil less 1.5%.

Table 8.3 - Comparative distribution of funding 2016/17 and 2017/18

	Actual APT 2016/17 £'000	Proposed APT 17/18 £'000	2017/18 v 2016/17 £'000
Age-Weighted pupil units	140,404	143,579	3,176
Deprivation factors	21,828	21,403	-425
Other formula funding	23,258	22,925	-332
Total before MFG	185,489	187,908	2,419
Prior Year Adjustments	-165		165
MFG capping	-2	-16	-14
MFG support	3,958	3,152	-805
Total after MFG	189,280	191,044	1,765
Less De-delegation	-908	-908	0
Less Central Services	0	-122	-122
Total distributed to schools	188,372	190,014	1,643
Number of schools needing MFG support	35	28	-7

8.10. There were two proposals by Schools Forum where they did not agree to proposals for centrally retained budgets.

- Supplementary Schools (£26k) where this activity may not now be charged to the DSG and will need to either find alternative funding sources or cease.
- Redundancy costs in maintained schools (£177k). This leaves the Authority with a potential pressure, which will be a call on the General Fund budget. In law, it is normally the local authority's central budget which pays for school redundancy costs, unless there is an exceptional reason why that should not happen. The withdrawal of the Education Services Grant from September 2017 means that the current funding source will be removed. With school budgets being tight and expenditure pressures increasing, more school redundancies are likely and this is a risk to the General Fund.

Early Years Block

8.11. There are significant changes in the Early Years Block with the introduction of a higher degree of prescription in how the funding may be used. There is a separate report on this agenda which deals with final decisions on the funding formula for early years settings and the overall strategy for early years provision.

- 8.12. At Schools Forum, the funding arrangements, set out in **Appendix 5** were agreed (Disability Fund of £60k was omitted and will be submitted to them at their meeting on 23rd February 2017. This allocates all of the £18.442m from the 2017/18 Early Years Block element of the DSG and commits £0.888m from brought forward DSG; £0.188m to allow a continuation of the policy of funding settings for 2 year olds at a rate of £6 per hour and £0.700m to manage the phased withdrawal of Childcare Subsidy by September 2017.

High Needs Block

- 8.13. It is for the Authority to set the High Needs budget and to manage it. The High Needs Block of £35.854m has included past transfers of funding from other blocks. So, there are no proposals to transfer further funding from other blocks. Schools Forum noted the proposed budget for 2017/18, set out in **Appendix 5**. More detail is included in the Schools Forum paper from 16th January 2017. While this allocated the in-year funding, it did not address the overspending of £0.915m reported for High Needs in 2016/17.
- 8.14. Schools Forum was advised that further consideration of the measures necessary to contain expenditure, including spending to save, is needed to reduce commitments in the medium-long term. Although a comprehensive plan of action has been drawn up to address this forecast overspend implementation has been slow and budget pressures continue to escalate on the High Needs Block.

Overall DSG position

- 8.15. The proposals in this paper, if agreed as necessary, would result in the following budgets for 2017/18.

Table 8.4- Forecast unspent DSG by the end of 2017/18

Block	Estimated brought forward DSG 2017/18	DSG funding 2017/18	Proposed budgets 2017/18	Estimated carry forward DSG 2017/18
Schools Block	255	195,288	195,288	-255
High Needs	-961	35,854	35,854	961
Early Years	2,676	18,446	19,278	-1,844
Total	1,970	249,588	250,420	-1,138

9. Housing Revenue Account (HRA)

Housing Rents

- 9.1. The HRA is the Council's record of the income and revenue expenditure relating to council housing and related services. Under the Local

Government and Housing Act 1989, the HRA is ring-fenced and cannot be subsidised by increases in council tax. Equally, any surplus in the HRA or balances held in reserves cannot be transferred to the General Fund. Since April 2012, the HRA has been self-financing and the main income is the rent and service charges paid by tenants.

Housing Rents

- 9.2. The Council is required to comply with section 23 of the Welfare Reform and Work Act 2016 by reducing tenants' rents (excluding service charges) by 1% each year for four years starting from 1 April 2016.
- 9.3. Although the Act does not say how the reduction should be implemented, (it could be by a 1% reduction from the beginning of a year or a larger reduction later in the year), the Council has applied the 1% rent reduction from the beginning of the year. The first rent reduction started with effect from 4 April 2016. At the same time, the Council took advantage of the government's one year exemption for tenants living in sheltered / supported housing and increased the rent for these tenants by 0.9% (CPI rate at September 2015 of 0.1% plus 1%).
- 9.4. From 3 April 2017, all rents including sheltered housing and affordable rents will be reduced by 1%. However, shared ownership rents will increase by 2% (CPI rate at September 2016 plus 1%) as the Act exempts these properties from the rent reductions.

General needs and sheltered / supported housing

- 9.5. This is the second financial year that rents in general needs properties are to be reduced by 1% but the first rent reduction for tenants living in sheltered/supported housing. Under the original rent restructuring regime, these rents would have increased by 2% (CPI at September 2016 of 1% plus 1%) from next April.
- 9.6. Provisional rents for general needs and sheltered/supported housing for 2017/18 have been calculated so that the rent paid by existing tenants is reduced by 1% from the 2016/17 levels. On this basis, the current average weekly dwelling rent will reduce by £1.04 from £104.80 to £103.76. The potential rental income budget for 2017/18 will reduce by £1.012m against the budget for 2016/17. Table 9.1 below sets out the average weekly dwelling rents for 2017/18 by property size.
- 9.7. The current policy of increasing rents to the 2015/16 formula rent (adjusted for 1% reduction each year thereafter) on new secure tenancies will continue.

Table 9.1 - Proposed rents for general needs and sheltered / supported housing

Number of Bedrooms	Number of Properties	Current average weekly rent 2016/17	Proposed average weekly rent 2017/18	Proposed average rent decrease
Bedsit	137	£84.91	£84.07	-£0.85
1	5,468	£90.00	£89.10	-£0.90
2	5,240	£104.90	£103.86	-£1.05
3	3,782	£120.19	£118.98	-£1.20
4	586	£136.54	£135.17	-£1.37
5	102	£157.96	£156.38	-£1.58
6	13	£166.18	£164.52	-£1.66
7	2	£157.59	£156.01	-£1.57
8	1	£178.40	£176.62	-£1.78
All dwellings	15,331	£104.80	£103.76	-£1.04

New build

- 9.8. On 12 July 2016, the Cabinet approved the rent levels for new council homes built under the Council's New Build Programme. Rents in new build homes are set in accordance with the affordable rents guidance set out in the draft Housing Strategy. Phase 1 of the new build programme is expected to deliver 18 new homes in 2016/17 which will be let at affordable rents on completion. Affordable rents will reduce by 1% from their current levels with effect from 3 April 2017. These rents will also be further reduced over the next two years. The proposed HRA budget includes £236K for these additional units, however, should the delivery programme alter in any way this may affect the income achievable.

Service charges

- 9.9. In addition to rents, tenants pay service charges for services they receive which are not covered by their rent. Service charges must be set at a level that recovers the cost of the service, and no more than this. The Council's policy has been to set charges at the start of each financial year to match budgeted expenditure. Therefore, the weekly amount is fixed and a flat rate is charged.
- 9.10. Charges are calculated by dividing the budgeted cost of providing the service to tenants by the number of tenants receiving the service. The amount tenants pay increases where the cost of providing the service is anticipated to increase. Equally, charges are reduced when the cost of providing the service reduces or where there has been an over-recovery in the previous year.

9.11. Tenants pay for the services listed below:

- Concierge
- Grounds maintenance
- Caretaking
- Street sweeping (Waste collection)
- Light and power (Communal lighting)
- Heating (including Gas or Oil/Electricity)
- Integrated reception service (Digital TV)
- Estates road maintenance
- Bin and chute cleaning

9.12. Table 9.2 below sets out the proposed changes in tenants' service charges for 2017/18.

Table 9.2 - Proposed tenants' service charges for 2017/18

Tenants' service charge	Current Weekly Charge 2016/17	Proposed Weekly Charge 2017/18	Increase/ (decrease)	Projected Annual Income
	£	£	£	£
Concierge	£15.66	£15.43	-£0.23	£1,554
Grounds maintenance	£3.16	£2.77	-£0.39	£1,306
Caretaking	£4.29	£4.02	-£0.27	£1,544
Street sweeping (Waste collection)	£3.56	£3.62	£0.06	£1,553
Light and power (Communal lighting)	£2.19	£2.62	£0.43	£1,203
Gas (Elderly Person)	£10.64	£11.16	£0.52	£217
Gas (Not Elderly Person)	£10.17	£10.67	£0.50	£60
GLC Heating	£11.66	£12.23	£0.57	£38
District Heating 6	£10.93	£11.47	£0.54	£0.60
Oil/Electricity (Elderly Person)	£8.33	£8.74	£0.41	£18
Integrated reception service (Digital TV)	£0.77	£0.77	£0.00	£349.90
Estates road maintenance	£0.50	£0.57	£0.07	£266
Bin and chute cleaning	£0.16	£0.16	£0.00	£72.70
Proposed tenants' service charge income				£8,186.10
<i>Projected annual income is based on the number of tenants receiving the service for 52 weeks with an allowance of 1% service charges loss due to empty properties.</i>				

Water rates

- 9.13. The Council collects weekly water rates on behalf of Thames Water Utilities Ltd from tenants if the water supply to their home is unmetered. The amount is set by Thames Water on the basis of the rateable value of each property.
- 9.14. The weekly water rates to be paid by each tenant in 2017/18 will be provided by Thames Water in March 2017. Tenants will be notified accordingly.

Commercial Rents

- 9.15. Commercial rents are not globally increased each financial year as commercial leases will be subject to a scheduled rent review.
- 9.16. It is anticipated that the HRA commercial portfolio will transfer to the Haringey Development Vehicle (HDV) upon its establishment. As the procurement process is still in train, clarity about financial impact is yet to be assessed but will be considered in detail once the procurement for the HDV has completed and will form part of the detailed arrangements for the HDV to be presented to Cabinet in July 2017.

HRA Expenditure

- 9.17. The Council's Arms Length Management Company (ALMO), Homes for Haringey manages the dwellings stock and garages on behalf of the Council. The management fee the council pays for these services is budgeted at £39.586m for 2017/18 compared to £34.4m budgeted in 2016/17.
- 9.18. Other significant items of expenditure include the capital financing charge and depreciation. The capital financing charge is the interest on HRA loans and internal funding and is budgeted at a lower level than 2016/17 due to reduced borrowing rates. Depreciation has previously been based on an allowance per property determined in 2012 when self financing was introduced. From 2017/18 this must be calculated on the cost and expected life of assets. The new calculation will be carried out as part of the year end closure processes.

HRA Budget 2017/18

- 9.19. The 2017/18 HRA budget surplus has increased by £2.1m from the revised 2016/17 budget surplus of £14.86m to £16.98m. This increase mainly reflects the removal of the £2.2m new build budget.
- 9.20. There are a number of new initiatives being developed which may impact on the overall HRA budget for 2017/18. Any impact on the HRA revenue budget position will be highlighted in any report to Cabinet or Council.

HRA MTFs 2017/18-2021/22

- 9.21. This report sets out the proposed 2017/18 budget for the HRA. The HRA MTFs covering the period to 2021/22 will be presented to Cabinet during the next financial year together with a HRA 30-year business plan.

HRA Capital Programme 2017/18

- 9.22. In October 2016, Cabinet approved a new standard for investment in the Council's housing stock and delegated the authority to approve the detailed asset management plan and investment programme to the Director of Regeneration, Planning and Development after consultation with the Lead Member for Housing and the Chief Operating Officer. The proposed capital programme for all HRA schemes for 2017/18 is included at Appendix 4.
- 9.23. The new standard requires an annual investment of around £40m. There are also other capital schemes such as the High Road Regeneration project which requires HRA investment to purchase the leaseholder properties on these estates.
- 9.24. Although the 2016/17 year end carry forward position could impact on next year's capital programme, it is currently estimated that an element of the investment of the existing stock will also require borrowing.
- 9.25. The HRA currently has around £56m of borrowing headroom and it is estimated, based on the proposed capital programme, that there will be around £49m of borrowing headroom available at the end of 2017/18.
- 9.26. The comprehensive HRA MTFs will be presented to Cabinet, along with a 30-year business plan, in the 2017/18 financial year.

Development of HRA Business Plan

- 9.27. Production of an HRA Business Plan is not a statutory requirement, but is considered by the Chartered Institute of Housing (CIH) and Chartered Institute of Public Finance and Accountancy (CIPFA) to be good practice. It is particularly important for Haringey given the size of its housing stock and the scale of potential movements in stock numbers over the coming years. A good business plan provides a framework for future investment and other housing policy decisions.
- 9.28. The original intention was to present the HRA Business Plan to this meeting of the Cabinet, at the same time as the main budget report. However, delays in important government policy guidance being issued and ongoing work on a number of local initiatives has meant that the information required for a comprehensive HRA Business Plan is not currently available and more time is needed to develop the plan.
- 9.29. The government policy changes introduced in the Housing and Planning Act 2016 where guidance has been delayed include:
- Introduction of the High Value Asset levy – the legislation enables the Government to introduce a levy on local authorities which it expects authorities to fund from the sale of high value housing assets. The regulations for this, however, have been delayed and a statement by the new Housing Minister in November 2016 suggested this would

require 'quite a notice period' before being introduced. It therefore seems unlikely it will be commenced in 2017/18.

- Introduction of 'Pay to Stay' – this required the Council and other social landlords to charge a higher rent to tenants where their income exceeds £40,000 (in London). However, following the Autumn Statement in November 2016, it was announced that this would no longer be mandatory, although landlords have discretion to introduce this where appropriate.
- Introduction of Fixed Term Tenancies – this will have an impact on tenants, but there will be no material short term financial impact unless the Council adopts differential rent policies for re-lets in future or a discretionary 'Pay to Stay' policy.

9.30. The Council's ongoing local initiatives include major estate regeneration programmes, at High Road West and Northumberland Park. There are several issues relating to these developments which may impact directly on the long-term position of the HRA, which will need to be reviewed and incorporated into the HRA Business Plan, including the valuation of the sites disposed of, the new dwellings acquired and the related impact on the housing stock and HRA debt.

9.31. There will be greater clarity about the impact of government policy and estate renewal later in 2017, and it is therefore considered more realistic to present an HRA Business Plan to Cabinet during the 2017/18 financial year. This would then provide the framework for the HRA MTFS covering the period to 2021/22.

10. The Council's Capital Strategy and Programme 2017/18-2021/22

10.1. The MTFS capital programme represents years two to six of the ten-year council Capital Strategy, introduced to the Cabinet in December 2015 and approved in June 2016. This strategy has been developed to ensure that the Council takes a longer-term view of the assets required to deliver its Corporate Plan priorities.

10.2. The Council's Capital Strategy is an ambitious mix of regeneration; growth and asset availability that will ensure deliver a range of improved outcomes for its residents. The long term view also aims to secure stability for financial planning purposes as Government support reduces and the Council becomes more reliant on locally determined sources of funding such as Council Tax and Business Rates.

10.3. The MTFS capital programme funding assumes a mix of capital receipts, grant funding and prudential borrowing. Borrowing has an on-going impact on the Council's revenue budget and must be affordable. Such borrowing is closely controlled by legislation defined under the Prudential Code for capital

expenditure and is monitored through the Treasury management report. To the extent that capital receipts and grant do not meet the cost of the capital programme, there are two main options for borrowing:

- Temporary borrowing, pending the realisation of future capital receipts, providing that there is certainty over the amount and timing of the receipt;
- Prudential borrowing on an on-going basis to finance that capital expenditure that cannot be met from capital receipts.
- The table below reflects the revised delivery assumptions of the capital over the Council's 5-year MTFs period and net borrowing requirement. This includes assumptions around delivery bias within the original programme timing and approved in-year budget changes.

10.4. There have been minor changes to the core programme approved by Cabinet in June 2016 and a re-profiling of expenditure. These changes have been reported through to Cabinet as part of the quarterly monitoring report and the revised detailed programme is attached at Appendix 3. The revised 5-year expenditure profile in the table below is within the overall approved capital budget framework.

10.5. The main capital financing elements of the £286.6m 5-year programme are Grants at £99.7m (35%), Developer contributions at £60.1m (21%) Capital Receipts £32.6m (11%) and PFI reserve £4.8m (2%) the balance of £89.4m (31%) will need to be borrowed.

Table 10.1 - General Fund 5-Year Capital Programme

Capital Programme, 5 year MTFs overview	17/18 £,000	18/19 £,000	19/20 £,000	20/21 £,000	21/22 £,000	Total £,000
Re-profiled Expenditure	64,690	56,688	64,466	50,088	50,624	286,556
Funding						
Grants & Contributions	37,968	26,560	31,383	28,939	34,911	159,762
Capital Receipts GF	12,610	5,000	5,000	5,000	5,000	32,610
Use of Reserves	1,409	1,272	1,129	978	-	4,788
New Borrowing Requirement	12,703	23,856	26,954	15,170	10,713	89,397
Cost of Borrowing						
Interest on new borrowing	(1,246)	(1,595)	(2,166)	(2,667)	(3,005)	(10,679)
MRP on new borrowing	(1,099)	(1,331)	(1,782)	(2,285)	(2,543)	(9,040)
Cost of New borrowing	(2,345)	(2,927)	(3,947)	(4,953)	(5,548)	(19,719)

10.6. It should be noted that the cost of new borrowing for 2017/18 includes provision for year one (£54.9m) of the ten programme as MRP is provided the year after the asset comes into operation.

- 10.7. For any borrowing undertaken, the Council is required to set aside sufficient revenue resources to fund a Minimum Revenue Provision (MRP) and interest payable on the cost of servicing any debt in order to comply with the Prudential Code. However, the Code only provides a framework for determining the prudent amount required for the MRP and the Section 151 Officer has discretion to consider the adequacy of the provision.
- 10.8. The Section 151 Officer has revised the Council's MRP policy and the new policy is included within the Treasury management strategy which will be presented to Full Council on 27th February.
- 10.9. As with any longer term strategy, there is a need to undertake regular reviews of detailed action plans to take account of changing circumstances. There is likely to be a need to revise the capital programme, subject to appropriate approvals, to take account of changes to existing schemes or to fund new schemes and in particular to take advantage of additional external funding or capital receipts.

11. Reserves and Risk

- 11.1. The Council's original MTFS 2015-2018 included annual contributions from reserves to set a balanced budget in the first two years (£4.220m 15/16 and £3.116m 2016/17) and a contribution to reserves in 17/18 of £3.047.
- 11.2. The latest revenue monitoring projections for quarter 3 of 2016/17 indicate that there is likely, due to demand-led pressures, to be an overspend of around £21m. This means that the actual contributions from reserves to balance the financial year 2016/17 will be around £24m.
- 11.3. As is highlighted in this report, a contribution from reserves of around £8m will now be required for 2017/18 in order to set a balanced budget which will mean that General Fund non-earmarked reserves will be £11m lower at the end of the original MTFS period than anticipated.
- 11.4. At the end of March 2016, the General Fund non-earmarked balance was £20m and earmarked reserves stood at around £67m. Given the scale of the 2016/17 overspend and the contribution required to set the 2017/18 budget, the S151 Officer undertook a review of revenue earmarked reserves. This was in order to ensure that: the purposes for which reserves were created remain relevant and align with Council priorities; that reserves are utilised to best effect and that opportunities are identified to release funds to support the budget strategy.
- 11.5. As a result of this review and in consideration of the financial risks the Council faces a number of reserves have been identified as either no longer required for their original purpose or can be reduced using a risk-based approach and are, therefore, available to be released to support the budget strategy and Council priorities. The Section 151 Officer is therefore

proposing to transfer a total of £25.1m of earmarked reserves which would result in General Fund non-earmarked balances of around £15m remaining at the end of 2017/18.

- 11.6. The projected balance is within the 5% of gross expenditure or 3% of net expenditure approved limits.
- 11.7. The transfer and use of reserves to smooth the impact of the current financial uncertainty is not without risk but these will risks will be closely monitored by the S151 Officer during the financial year and she will ensure that balances do not fall below the level required to maintain financial resilience.

12. Consultation

The Council undertook a pre-budget engagement exercise consisting of a series of events and activities during October and November 2016. The summary of these conversations and feedback from residents can be found [here](#).

- 12.1. In December 2016, the Cabinet agreed to begin the necessary statutory consultation on the Medium Term Financial Strategy and proposals set out in that report, running from December 19th 2016 through to January 22nd 2017.

MTFS Consultations Outcomes and Findings

- 12.2. The consultation on proposals set out in the December Cabinet report started on Monday December 19th 2016 and closed Sunday January 22nd 2017.
- 12.3. Detailed information was made available in the following ways:
 - A specific event with our local businesses to receive their comments and feedback
 - dedicated pages on our website
 - An on-line survey available on the Haringey Council and Homes for Haringey websites
 - Three drop-in sessions were held at our Hornsey, Marcus Garvey Wood Green libraries
 - Hard copies of the budget proposals were available at all libraries in the borough Haringey People Online referred to budget proposals each week during the consultation people – this email is sent directly to residents who have signed up to My Account;
 - Daily social media promotion

- Engagement with local media
- Publicised through our partners and volunteer organisations
- A specific consultation meeting held with the Haringey Business Alliance who represent Haringey's business community

12.4. The consultation resulted in 143 responses. For a full breakdown please see Appendix 8.

12.5. Summary of responses:

Q1- Which proposals do you support?	Amount of people supporting proposal
Charging for bulk waste collection	8
Sharing Services	9
Protect and Improve health	4
Helping people stay independent	5
Investment in the borough	7
Street cleaning and recycling	2
School Improvements	5
Cameras to reduce fly tipping	2
Increasing on-line services	6
Increase parking permit charges	4
Reducing cost of senior management	9
Vacating Alexandra house	3
Council tax proposal	5

12.6.

Q2- Are there any specific proposals you think we should not progress and why?	Amount of people opposing specific proposals
Increasing council tax	5
Paying for Green waste	23
Closing down recycling centre	14
Paying for wheelie bins	13
Reduce opening hours in the libraries	73
Parking Charges	6
Paying for bulky waste removal	11
Review of Osborn Grove-Do not want it to close	5
Corporate projects-transfer of functions to HDV	2
Cuts to children's Services	4

- 12.7. A number of people disagreed with the proposals to cut the library hours. Many stated that libraries are important for socialising, educating both the young and the old and also gave residents the opportunity to be able to attend various groups and classes of their choice. They also expressed a need for a safe place for people to come together in the community and highlighted how they benefit from attending their libraries.
- 12.8. The general view, regarding the reduction in library opening times in six branches, was that this could have an impact on different groups of people. The groups mentioned were the elderly, young people, students and groups who meet for coffee mornings including Alzheimer awareness sessions and other health related issues. Many thought that it would have an impact on many groups and young people and adults who work, use the libraries during the evenings.
- 12.9. The charging for the removal of green waste was also opposed as many thought that it would lead to people disposing of it with the household rubbish. They also expressed that fly tipping was an expensive problem and would only increase if charges were imposed on waste removal.
- 12.10. The closure of the recycling centre and paying for lost wheelie bins was also cited as an issue. Some said that they would not have the means to take the rubbish to another recycling centre and this would lead to fly tipping which would cost the council more in the long term.

Q3 Are there any changes or proposals we haven't included that you think we should consider?	Number of people
Employment and payment to consultants-cutting salaries of senior workers	7
Explore if outsourced services would be cheaper to run in-house	3
Save more by cuts on "Healthier Living" the Nov/Dec survey said among the least important.	1
A ring fence to protect libraries	5
Raising the Council Tax payments	3
I would welcome an open debate on Haringey's spending on private sector	1
Increase spend on schools	2
Increase use of speed camera to make roads safer	3
Fund and support food banks-restructure capital spending for homeless(rough sleepers)	2
More thought to integrating health and social care-explore the role of the voluntary sector-how can they work together	4
Increase commercial opportunities in Alexandra park	2

Q4. We have a legal duty to test our proposals to ensure they do not have an unfair impact on different groups of people.	Number of people
The proposal to cut library hours	21
If our environment deteriorates it could affect all groups.	1
All cuts to services inevitably impact most on those on lower incomes	2
No equality in this budget - those with money will be able to replace lost council services.	2
Moving too much on-line - disadvantages many	1
Social care impact will be mostly felt by Afro Caribbean, Turkish and Irish Communities.	1
Loss of recycling facility-Residents west of the borough will be better off	1
Proposals to introduce charges for waste collection will impact on the poor-Clearly an equal proposal	1

13. Overview and Scrutiny

- 13.1. As part of the Council's governance arrangements for scrutiny of the Medium Term Financial Strategy, the Council's Overview and Scrutiny Committee and Panels have scrutinised all of the savings proposals presented to the December 16 Cabinet.
- 13.2. As part of the Council's governance arrangements for scrutiny of the Medium Term Financial Strategy, the Council's Overview and Scrutiny Committee and Panels have scrutinised all of the savings proposals presented to the December 2016 Cabinet. Following consideration by Cabinet, all four Scrutiny Panels met in December to scrutinise the draft budget proposals that fell within their portfolio areas:
- Children and Young People Scrutiny Panel (Priority 1)
 - Adults and Health Scrutiny Panel (Priority 2)

- Environment and Community Safety Scrutiny Panel (Priority 3)
 - Housing and Regeneration Scrutiny Panel (Priority 4 and Priority 5)
- 13.3. In addition, the Overview and Scrutiny Committee met on 17 January to consider proposals relating to Priority X (Enabling).
- 13.4. Cabinet Members, senior officers and finance leads were in attendance at each meeting to present proposals and to respond to questions from members. For some of the proposals, additional information was requested. This was considered by the Overview and Scrutiny Committee on 30 January, along with emerging recommendations from each Panel, ahead of final recommendations being agreed and referred to Cabinet.
- 13.5. The key recommendations from the Overview and Scrutiny Committee are attached at Appendix 7.
- 13.6. The key recommendations are the removal of the following savings proposals:
- Ref 2.3 Fees & Charges – DRE – saving of £129k for 2017/18;
 - Ref 2.3 Fees & Charges – Transport Day Opportunity with a saving of £61k for 2017/18;
 - Ref 3.10 New Parking Operating Model - saving of £920k for 2018/19;
 - Ref 6.6 - Reduce Opening Hours in our six branch libraries to 36 hours per week – saving £150k for 2017/18
- 13.7. Cabinet will consider these recommendations at its 14th February meeting taking into account Officers proposed responses to these recommendations as outlined in Appendix 9.

14. Cabinet Member recommendations

- 14.1. Cabinet should take into account the strength of response to some of the specific proposals to achieve the savings required in 2017/18 and 2018/19. There has been a clear view expressed both through the public consultation and by scrutiny panels and OSC that we should not proceed with the reduction in opening hours of branch libraries. Given the weight of opinion on this issue, the recommendation is that this item (£150,000 saving in 2017/18) is removed from the savings proposals. Equally, there has been a strong view expressed by scrutiny panels and OSC to the proposal to seek a new operating model for the parking service (£920,000 saving in 2018/19) and the recommendation is that we also remove this item from the savings proposals at this stage. Cabinet should review the parking service operating model again at a later date to assess if there is any room for further efficiencies.

- 14.2. Scrutiny panels and OSC have also raised concerns about the impact of proposals to review charges for transport to day opportunities (£61,000 saving). The recommendation is that this saving is retained in the proposals but that we aim to achieve it in 2018/19 rather than 2017/18, giving the service time to review feedback and further assess impact and viability.
- 14.3. These recommendations will increase the budget gap for the first two years, increasing it by £211,000 in 2017/18 and, significantly, by £859,000 in 2018/19. In order to balance the budget, therefore, we must identify new proposals that can be delivered in the next two years that total at least these sums. Cabinet should be aware that this is a challenging task and could require us to re-examine proposals previously regarded as unpalatable.

15. Statutory Officers comments

Comments of the Chief Finance Officer and financial implications:

- 15.1. Under Section 25 of the Local Government Act 2003 the Section 151 Officer is required to include in the Budget Report a statement of her view on the robustness of any estimates for 2017/18 and the MTFS period to 2021/22 and the adequacy of proposed earmarked reserves and balances included in the report.
- 15.2. This budget has been prepared in line with detailed guidance from the S151 Officer. Cabinet has received quarterly budget monitoring reports identifying in-year spending pressures. Furthermore, continuing service and budget pressures have been identified through the development process of the MTFS.
- 15.3. The process of identifying and developing savings has been a continuous one. Additionally, service managers have been required to categorise the degree of risk in respect of proposed savings included in the 2017/18 budget and MTFS.
- 15.4. The revenue implications arising from the 10-year Capital Strategy have been incorporated within the proposed budget and MTFS period.
- 15.5. All of these measures give assurance to the S151 Officer regarding the robustness of all estimates contained within this report based on financial information available at the time.

Comments of the Assistant Director of Governance and legal implications:

- 15.6. The Local Authorities (Standing Orders) (England) (Regulations) 2001 and the Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution, set out the process that must be followed when the Council sets its budget. It is for the Cabinet to approve the proposals and submit the

same to the Full Council for adoption in order to set the budget. However the setting of rents and service charges for Council properties is an executive function to be determined by the Cabinet.

- 15.7. Where detailed savings proposals are yet to be developed, the Cabinet will need to ensure that where necessary, consultation is carried out and equalities impact assessments are undertaken and the outcomes of these exercises inform any final decisions.

16. Equality comments

- 16.1. The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not. With a challenging financial environment and increasing demand for services, it is becoming more difficult to mitigate against negative equality impacts.

- 16.2. With a challenging financial environment and increasing demand for services, it is becoming more difficult to mitigate against negative equality impacts.

- 16.3. Ensuring a fair and equal borough is a priority for the Council and this is reflected in the objectives and performance targets set out in the 2015-18 Corporate Plan. Equality Impact Assessments (EQIAs) were developed and published in February 2015 against each of the five priorities in the Corporate Plan and linked explicitly to budget allocations.

- 16.4. Further EQIA's have been and will be developed as new operating models, service and policy changes have been considered, consulted on and implemented during the first year of our three year Medium Term Financial Strategy, Corporate Plan and Workforce Plan. These are consulted on and published as each decision is taken or change implemented.

- 16.5. EQIAs and equality considerations have been included in Appendix 11 for decisions that are being taken in February. Further EQIAs and equality considerations will be developed and published when required as decisions are brought forward to Cabinet, or if delegated decisions to officers, for their consideration.

17. Use of Appendices

Appendix 1 – General Fund Revenue MTFS 2017/18-2021/22

Appendix 2 – HRA Revenue Budget 2017/18

Appendix 3 – General Fund MTFS Capital Programme 2017/18-2021/22

Appendix 4 – 2017/18 HRA Capital Programme

Appendix 5 – Dedicated Schools Budget 2017/18

Appendix 6 – General Revenue Budget 2017/18

Appendix 7 – Overview and Scrutiny Committee recommendations and proposed response

Appendix 8 – Summary of Consultation Responses

Appendix 9 – Consultation and scrutiny recommendations response

Appendix 10 – MTFS savings proposal summary

Annex 1 – P1 savings

Annex 2 – P2 savings

Annex 3 – P3 savings

Annex 4 – P4 savings

Annex 5 – P5 savings

Appendix 11 – EQIAs Summary

Annex 1 – EQIA Charging for replacement wheeled bins

Annex 2 – EQIA Charging for green waste collection service

Annex 3 – EQIA Charging RSLs for recycling

Annex 4 – EQIA Charging for bulky waste collection service

Annex 5 – EQIA Charging for flats above shops sacks

Appendix 12 – Calculation of 2017/18 Council Tax Base

18. Local Government (Access to Information) Act 1985

- December 13th 2016 Cabinet Report – Medium Term Financial Strategy 2017/2018 -2021/222
- July 18 2016 Full Council - Capital Strategy

For access to the background papers or any further information please contact Jo Moore, Deputy Chief Finance Officer.