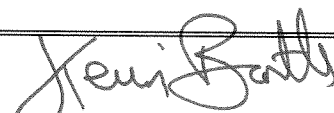


## Overview and Scrutiny Committee

On 11 September 2008

<b>Report title:</b>	<b>Budget Scrutiny</b>
<b>Report of:</b>	<b>Chief Financial Officer</b>
<b>Wards effected:</b>	<b>All</b>
<b>1. Purpose</b>	
1.1	To approve the framework for financial scrutiny, the timetable for budget planning and scrutiny within the Council's financial and business planning framework and to consider the financial strategy issues for the three-year planning period.
<b>2. Recommendations</b>	
2.1	To agree the budget scrutiny framework and associated timetable for the coming months as set out in this report.
2.2	That the committee considers any further issues in respect of the financial strategy for the Cabinet to consider in the budget setting process.
<b>Report authorised by:</b>	 for <b>Gerald Almeroth</b> <b>Chief Financial Officer</b>
<b>Contact officer:</b>	<b>Kevin Bartle</b> <b>Head of Corporate Finance</b>
<b>Telephone:</b>	<b>020 8489 3743</b>

<b>3. Executive summary</b>	
3.1	This report sets out the process for scrutiny of the budget within and aligned to the Council's financial and business planning framework.

## **4 Policy implications**

- 4.1 The business planning and budget preparation process is a fundamental part of the process in ensuring the Council is using its resources effectively to support the Community Strategy priorities and the scrutiny of the budget should support that process.

## **5 Access to information: Local Government (Access to Information) Act 1985**

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

Report of the Chief Financial Officer to the Cabinet on 15 July 2008 – **Financial Planning 2009/10 to 2011/12**

**For access to the background papers or any further information please contact Kevin Bartle on 020 8489 3743**

## **6 Background**

- 6.1 A key role for all Members is to assist in the achievement of the Council's priorities, aims and objectives as set out in the Community Strategy. The budget process plays an important role in aligning resources to the key priorities and ensuring that the Council is achieving value for money. The scrutiny of the budget formulation plays a prominent role in that process.
- 6.2 This report includes the budget scrutiny framework for approval by Members and sets out the timetable for business planning and budget setting over the coming months.
- 6.3 The report also sets out the overall financial strategy issues for the three-year planning period as reported to Cabinet on 15 July 2008 and asks the committee to consider any further issues for Cabinet to consider in the budget setting process.

## **7 Budget Scrutiny**

- 7.1 Members have considered the role of scrutiny in respect of the budget and on-going financial scrutiny process throughout the year. The paper setting out the process is attached to this report as Appendix 2 for approval. Key activities highlighted in the paper are:
- Challenging and seeking to influence how the budget is constructed and commenting on how well it matches the Council's priorities; and,
  - ensuring value for money is being achieved and that the Council is obtaining maximum benefit from the resources it is using.

7.2 In order to achieve these aspects of the role the following actions are required:

- in respect of the annual budget process that the new savings and investments from the PBPRs are considered at meetings during December and that Chief Officers and/or business unit managers attend to present their proposals and to answer questions on them;
- regarding the scrutiny of value for money that the committee ensure that wherever possible, in scrutiny reviews the specific issue of value for money is investigated using the cost, performance and perception matrix; and,
- that the committee additionally consider the budget review areas recently identified with a view to assessing their impact on delivering Council priorities and value for money.

7.3 For the budget scrutiny process sufficient background information will be made available in a pack for members that will include summary budget analysis by business unit, savings and investment totals previously approved and, where requested, the full individual PBPRs.

7.4 The key dates in the timetable for the business planning and budget setting process are set out in the table below.

<b>Activity</b>	<b>Date</b>	<b>By</b>
Agree area(s) for short budget review	30 June	Overview & Scrutiny
Send out PBPR forms with: <ul style="list-style-type: none"> <li>• Growth and savings forms</li> <li>• Savings targets</li> <li>• Capital bid forms</li> <li>• Guidance notes</li> </ul>	24 July	Corporate Finance and Policy & Performance
Complete PBPRs and associated forms	14 September	Business Units
Initial review of PBPR submissions	15 -19 September	Corporate Finance
CEMB review of key budget issues	23 September	CEMB
Agree draft PBPRs with Cabinet Members and submit for Budget Challenge process	By 1 October	Business Units
Budget Challenge meetings	13 October – 24 October	Various
Financial planning report – agree preliminary budget proposals	18 November	Cabinet
Overview & Scrutiny review preliminary budget proposals	8 – 18 December	Overview & Scrutiny

Financial planning report – agree final budget proposals	26 January 2009	Cabinet
Financial planning report – agree final budget proposals and set Council Tax	9 and 23 February	Council
Finalise individual business plans and Council Plan	March / April	Business Units

7.5 The training sessions provided in both the last two years were understood to be well received and will be offered again this year during October. Content will include general local government finance and the budget process. Members are asked to consider the content and whether there are any additional requests for inclusion in the seminar.

## **8 Financial planning**

8.1 The Cabinet considered the financial planning report at the meeting on 15 July 2008. This strategy covers the period 2009/10 to 2011/12. The report is attached at Appendix 1 and as agreed at Cabinet, as part of the budget setting consultation process, is reported to Overview and Scrutiny Committee for consideration.

8.2 Overview and Scrutiny are invited to comment on the overall strategic position for feedback into the consideration of the budget process and financial strategy by the Cabinet.



Haringey Council

**[No.]**

Agenda item:

**Cabinet****15 July 2008**Report Title: **Financial planning 2009/10 to 2011/12**

Forward Plan reference number (if applicable):

Report of: **Chief Financial Officer and Director of Corporate Resources**Wards(s) affected: **All**Report for: **Key decision****1. Purpose**

1.1 To set out key financial and business planning issues to enable Members to consider the resource strategy for the administration.

**2. Introduction by Cabinet Member for Resources (Cllr Adje)**

2.1 This report informs Members on the steps being taken for the Council's financial planning period 2009/10 to 2011/12 and highlights the key issues for consideration in this process. The report proposes setting additional efficiency savings targets for the business planning process, which will enable further value for money to be achieved.

**3. Recommendations**

3.1 That Members approve the financial position for planning purposes as stated.

3.2 That the budget changes and variations as set out are approved.

3.3 That the proposed business planning process is agreed.

Report Authorised by: **Chief Financial Officer**Contact Officer: **Gerald Almeroth, Chief Financial Officer**

#### **4. Executive Summary**

- 4.1 There are a number of national policy issues outlined in this report that will need to be considered as part of the Council's business planning process. The national local government funding position is guided by the previous years three year settlement following the comprehensive spending review 2007.
- 4.2 The local strategic context is defined by the manifesto commitments and their incorporation into the Community Strategy and the Council Plan. These priorities and actions inform the business planning and resource allocation process.
- 4.3 The existing medium term financial strategy is soundly based and provides additional investment in Council priorities whilst delivering significant levels of efficiency savings. This report rolls the three year strategy forward one year and identifies a subsequent budget gap in that third year. It also proposes a further target for efficiencies in the first two years thereby offering Members additional flexibility for investment and delivering more opportunities for increased value for money. The overall savings target now proposed is £7.6m.

#### **5. Reasons for any change in policy or for new policy development (if applicable)**

- 5.1 The financial strategy is designed to give effect to Members' policy aspirations and therefore is a key element of the strategic planning for the Council.

#### **6. Local Government (Access to Information) Act 1985**

- 6.1 Sustainable Community Strategy 2007-2017  
6.2 Council Plan 2007-2010  
6.3 Comprehensive Spending Review 2007  
6.4 Audit Commission Value for Money Profile 2007  
6.5 Financial Planning Risk Analysis July 2008

#### **7 Background**

- 7.1 The Council's current financial strategy covers the three year period 2008/09 to 2010/11. The strategy reflects the policy aspirations of the administration to achieve excellence in service delivery and to address the place shaping agenda. This will be done whilst at the same time constraining the impact on council tax via the structured pursuit of efficiency savings. The Council has a sound position on which to base this ambition having achieved three stars in the 2007 Comprehensive Performance Assessment (CPA).
- 7.2 The context for the current strategy has been severe constraint on non-schools resources. As a result of government changes to resource distribution, the Council has received the 'floor' (lowest possible) increase in grant for the six years from 2003/04. It has therefore not shared in the increases in total government funding which were made available over this period.

- 7.3 The current grant settlement was announced for the three year period 2008/09 to 2010/11 in line with the government's Comprehensive Spending Review 2007. Therefore there is relative certainty over funding for the next two years. Current planning is based on target council tax increases of 3.0% (in line with the manifesto commitment of no more than 3%) and Members will be aware of the government's determination to use capping powers to keep council tax increases low. It is important to note that current plans include £30m of efficiency savings to be delivered in 2008/09 to 2010/11.
- 7.4 This report is designed to set out financial planning issues to enable Members to consider future financial strategy for the administration.

## 8 National context

- 8.1 Local government function and finance has been the subject of much review and discussion in recent years and a number of key papers and reports have emerged in recent years to that effect.
- 8.2 A key document was the government's **White Paper for Local Government 'Strong and Prosperous Communities'**, which aims to give local people more influence and power to improve their lives. The vision is for revitalised local authorities to work with their partners to re-shape public services around the citizens and communities that use them. The key aspects of the paper are for responsive services with choice for the communities; effective, accountable and responsive local government; local government as a strategic leader and place-shaper; a new performance framework; efficiency and transforming local services, and community cohesion. The paper also promotes wider use of locally devolved budgets and the benefits and implications of this will need to be considered. Many of the current initiatives support this paper including Local Area Agreements.
- 8.3 Other key reviews include:
- **Sir Michael Lyons'** review of local government and the funding regime. It recommends incremental change on the basis of a developmental approach with some modest changes that will build trust and create the basis for future reforms. The report suggests that local government needs to develop its wider place-shaping role and also makes the case for central government to create more space for reform by reducing targets and developing key financial reforms to enable more local flexibility. There are minimal immediate changes;
  - the report on public service delivery by Sir David **Varney** identifies further opportunities to make public services more accessible, convenient and efficient to meet changing citizen and business expectations;
  - the report on Land Use Planning by Kate **Barker** and in response the White Paper from central government entitled Major Planning Reforms for a Sustainable Future, which promises to speed up the planning system alongside improving community consultation;

8.4 The **Comprehensive Spending Review (CSR) 2007** issued in October 2007 set totals for national local government expenditure together with Treasury-lead policy directions. The key aspects of the CSR 2007 were:

- current spending across the whole public sector to increase by an average of 1.9% per annum, in real terms, for each of the three years;
- within the above, spending on Education to rise by an average of 2.5% per annum in real terms;
- extension of the efficiency savings targets from the 2004 Spending Review, supported by Gershon, to increase to 3% per annum and for all of these savings to be cashable and therefore to be taken into account when considering resources available overall;
- public sector pay to be kept in line with the government's inflation target of 2%.

8.5 The grant settlement announced last year set out the funding for the following three years with reducing **grant floors** from 2% in 2008/09 to 1.75% in 2010/11 and then down to 1.5% in 2010/11.

8.6 The consultation on the **formula grant system** last year included key areas of high impact to Haringey. The current system of resource allocation (formula grant) is complex and, in the Council's view, understates Haringey's relative needs. The issues of particular significance that arose from the grant settlement for 2008/09 were:

- estimates of **population**, which underpin the system appear flawed, particularly in respect of under-enumeration and migration for Haringey;
- the **area cost adjustment** reflects local wage cost pressures relative to others, the grant system does not properly reflect the local position in Haringey as we are grouped as an outer London borough;
- under representation of costs and need on **Children's Social Care and Younger Adults**, the reduced weighting for deprivation in the formula from 2006/07 resulted in a significant shift of resources away from London;
- the higher cost of **concessionary fares** in London does not appear to be matched by resources through the formula, and;
- revenue funding for government-supported borrowing within the **capital financing** part of the formula is not transparent in the system and penalises authorities that are on the grant floor.

8.7 These individual issues were raised with Ministers during the consultation process and although no notable changes were made to the formula, there were commitments to address some issues in time for the next three year settlement in 2011. These include:

- a full review of the area cost adjustment;
- look at the potential for including a population mobility factor;
- review the use of projected and averaged data in the formula.

8.8 In addition there is likely to be significant change with a review of school's funding dedicated schools grant moving to a formula basis and a separate review of 6<sup>th</sup> form

funding with a likely transfer of responsibility and funding from the Learning Skills Council to local authorities.

- 8.9 There continues to be extensive further government work on **population** statistics. A report from a Treasury Select Sub-Committee published in May 2008 has called into question the reliability of the statistics data and its use in allocating resources to local authorities. Separately the Office for National Statistics (ONS) is taking forward a work programme to address the five recommendations from a previous Task Force report issued in 2006.
- 8.10 Additionally the **Housing Revenue Account** (HRA) is the subject of a joint review due to report in spring 2009 by the Department of Communities and Local Government and the Treasury.
- 8.11 A green paper has been launched by the government to consult on reform of the system for **funding of social care** where it is predicted that the numbers of older people requiring care is set to increase significantly over the next two decades. This will involve a review across all sectors of provision.
- 8.12 In support of the government's policy agenda and recent white paper on Local Government, a draft national strategy on **participatory budgeting** was launched. Members will need to consider this in light of existing consultation processes.
- 8.13 The inspection regime for local government is a key driver for financial strategy. The new regime under **Comprehensive Area Assessment** (CAA) continues to evolve and it is planned the full system will be in place from 2009. The **Use of Resources** will remain as a key feature and a revised framework has come into effect for 2008/09. This amended approach has a more broad base and includes effective management of other resources including the workforce and natural resources.

## 9 Local context

- 9.1 The local context at the strategic level is defined by the policy programme set out in the **manifesto** of the majority group.
- 9.2 The manifesto programme feeds into the Council's contribution to the Community Strategy. The **Sustainable Community Strategy** sets out the aspirations for the borough of the Haringey Strategic Partnership (HSP). The strategy revised in 2007 covers the period to 2017. The Council Plan, built up from the individual business plans, includes the key actions over the next few years required to achieve those priorities and objectives.
- 9.3 The government also expects that Community Strategy priorities at the partnership level are further articulated in the **Local Area Agreement** (LAA). The LAA sets out high level objectives for the partnership and specific targets, grant, and enabling flexibilities which are negotiated with the Government Office for London (GoL) and now supported by agreed set of performance targets from the new national indicator set.
- 9.4 The Council maintained its three stars in the 2007 **CPA** with an improving well direction of travel statement. It is a key priority for the Council to make progress towards

excellence. In the new **CAA** this will require even greater focus on working with partners to make a difference to the borough as a place to live and work, and ensuring outcomes are achieved for residents. Whilst the performance of individual Council services and the value for money they deliver will remain crucial, greater external focus and capacity to deliver on that agenda will be the key local strategic drivers.

## 10 Key financial issues and risks

### 10.1 Corporate issues

- 10.1.1 There are two key issues in respect of **remuneration** going forward in the budget process. Firstly, the 2008/09 pay increase has not yet been settled, but as previously stated, there is an expectation that public sector pay will remain within the Chancellor's inflation target of 2%. Current financial plans include an assumption of 2.5%. Unions have recently balloted their members who have voted in favour of strike action. Secondly, all authorities were required to implement 'single status' pay arrangements (incorporating former manual staff) by April 2007. An offer was made to the unions before the deadline and negotiations are now almost concluded. A contingency sum was added for estimated ongoing costs in last years budget process and this will need to be reviewed once final agreement is reached. The back dated pay issues are now resolved with the significant majority of one-off compensation sums being paid in March 2008. These were funded in 2007/08 by using the capitalisation direction obtained from central government.
- 10.1.2 The latest triennial valuation of the **pension fund** for 2007 was completed by our actuaries for last years budget process. The employer's contribution for the Council remained at the same level confirming the 20 year deficit recovery plan is on target. This will be reviewed again fully at the next triennial valuation in 2010, however in light of the recent economic conditions including the credit crunch this may impact on current plans, therefore the annual interim valuations will enable this to be done. There are some issues with the levy to London Pensions Fund Authority in respect of residual body pensions and costs. The levy for 2008/09 increased significantly and this will need to be kept under review for future years.
- 10.1.3 **Inflation** has been steady for a number of years and therefore not a major concern in financial planning. More recently though the combination of high energy and oil prices may lead to more sustained upward pressure on prices. The provision for price increases in the financial plans will need to be reviewed carefully.
- 10.1.4 The overall position of the general **economy** shows a worsening position and consideration will need to be given to how the Council may need to respond to these conditions. If the downturn continues this may for example increase the workload of housing benefits or may show reduced income on discretionary services such as leisure.
- 10.1.5 The Council has developed and embedded an effective approach to **efficiency and value for money** which has underpinned our financial strategy in recent years. Members have agreed an **Achieving Excellence** programme to assist in delivering this. The three key objectives are to improve performance, efficiency and

perception. Progress in this programme and delivery of the £5m target savings will be monitored through the project management framework.

10.1.6 The Council's approach to this includes:

- effective investment and use of IT;
- strategic approach to asset management and flexible working;
- maximise the opportunities of procurement, including through shared services and outsourcing, and;
- a structured approach to vfm and zero based budgeting reviews.

10.1.7 There are major **specific grant** funding streams that are subject to review in three years time. The move to **area based grant** (ABG) managed through the LAA gives the Council the opportunity with our partners to ensure these resources are providing effective outcomes. The area based grant totals £21.8m in 2008/09 increasing to £23.3m by 2010/11. Supporting people grant will be added to the ABG from 2009/10 onwards. The supporting people grant continues to reduce over the planning period and this will need to be managed carefully in order to minimise any disruption of existing services provided.

**10.1.8** The Council's **capital programme** is underpinned by the generation of **capital receipts** and over the planning period the number of surplus saleable assets will diminish. Delivery of receipts from the strategic site disposals will be key to maintaining funding for the current capital programme. An overachievement of receipts in 2007/08 can be carried forward for review and this may be required to fund existing commitments in light of a recent sharp downturn in right to buy receipts. There will be a need to maximise external funding in line with the Council's approved capital strategy to ensure that continued investment is available and can be focussed on the Council's key priorities. In addition there may be an impact in respect of the change of mayor at the **GLA** with a potential shift in priorities and therefore potential funding available for Haringey, particularly in relation to transport schemes.

10.1.9 There are significant investment programmes proposed, particularly **Building Schools for the Future (£200m)** and **Decent Homes (£200m)**. The funding and management of these will be important in terms of reducing financial risk, but also in terms of ensuring that successful outcomes are delivered from improving the asset base.

10.1.10 The **accommodation strategy** will continue into its second phase based on the approved principle of self-generating funding from asset sales and will be key to delivering a more effective, flexible and efficient service. Significant savings are included in the Achieving Excellence programme from this as a result of overall office building reductions as the Council moves to a more flexible way of working.

10.1.11 Capital bidding on a zero based approach is integrated within the pre-business plan reviews and allocation of resources to priorities is a key factor in ensuring maximum value for money and will include information from the **asset management plans** in the appraisal process.

10.1.12 **Alexandra Palace** continues to require financial support from the Council and as the lease transfer process is not complete there is a degree of uncertainty in terms of how this is incorporated in the Council's financial plans. This will be kept under review as the Trust progresses with their development process.

## 10.2 Children and Young People

10.2.1 The integrated Children's Service is now well established. Children's Trust arrangements are well embedded and meet the government's expectations set out for April 2008.

10.2.2 The establishment of area-based **children's networks** is a key part of service improvement. The greater integration of services, and earlier intervention will enable services to meet the needs of children and young people as well as deliver efficiency savings. In taking this forward, the relationship with other area-based aspects of the Council's and partners' work will need to be developed further so that key strategies including child poverty can be delivered.

10.2.3 The budget for **looked-after children** is an area of significant volatility and risk. Current plans are based on a clear strategy which involves managing a gradual decline in total numbers with a cost-effective commissioning strategy that is in place. Maximising the opportunities for adoption and fostering is key to delivering further value for money and reducing overall unit costs.

10.2.4 The position on unaccompanied **asylum** seeking children remains complex with the continued risk of insufficient funding being available. The Home Office has agreed to review the position with the Department for Children, Schools and Families. The Council supports children over eighteen if they are continuing with their education without any significant level of reimbursement of costs.

10.2.5 The Council is progressing major construction programmes in respect of **BSF** for secondary schools and the new **Primary Strategy for Change (PSC)** has been approved and submitted. The PSC will enable almost £12m of new capital resources to be released in the first two years to 2010/11. This investment will be crucial to the delivery of the Council's education vision, in particular maximising the benefit of putting schools at the heart of communities with improved use of assets and a greater impact on social and economic regeneration.

## 10.3 Adults, Culture and Community

10.3.1 **Social care** budgets are under significant national pressure, primarily as a result of increasing demand and moves towards the personalisation agenda with greater user choice and control. Nationally there have been risks to health care delivery as financial problems within the NHS have led to reductions in some services and funding for local authority areas. On a local basis this has been kept to a minimum.

10.3.2 The budget process in the previous year highlighted the need for effective **transition planning** and funding as children with special care needs become adults where different levels of care are required. Significant growth has been built into the

financial plans for 2008/09 onwards, particularly in learning disabilities, and this will need careful ongoing management and review.

10.3.3 The position on the provision of services for adult **asylum** seekers is a complex one. There is no funding from central government for these cases and they are adults without recourse to public funds so cannot claim benefits. Actions to reduce the number of these supported by the Council is ongoing in order to reduce the cost to the council tax payer. Savings of £0.5m are built into the budget for 2009/10.

10.3.4 The Council has been very successful at achieving green flag status in many of its **parks and open spaces**. This is a high Council priority and consideration may need to be given to ensuring that sufficient resources are in place to maintain and possibly improve on this excellent performance.

#### 10.4 Urban Environment

10.4.1 During this and the previous administration, Environment has been the focus for investment in the **Better Haringey** programme. Although this remains a key priority for the Council under the cleaner, greener and safer agenda, it is in the context of greater resource constraint and therefore the Council will need to continue seek further options to improve services from within existing resources.

10.4.2 The Council's delivery arrangements for **waste management, street cleaning and recycling** are currently under review and the potential future procurement options are being developed that may include a wider scope of services and a different delivery vehicle. The current contract with Enterprise (Accord) is due to expire within the current financial planning period. Future plans assume the delivery of savings as well as improved performance thereby increasing the overall value for money offer.

10.4.3 The cost of **waste disposal** will continue to increase at a higher rate than other service areas in the short term. Our current plans allow for this, however extra costs may need to be provided for as plans are rolled-forward. Members of the North London Waste Authority (NLWA) have agreed a joint waste strategy and the procurement process for future provision of disposal facilities is progressing. The current facilities are near the end of their useful life and new strategies are required to deal with the higher level of recycling and avoidance of highly geared landfill tax rises. An outline business case is due to be submitted to government in October this year for PFI support. In the medium to long term this is likely to be the single most significant item for future financial planning. Early analysis estimates a doubling of costs for Haringey in 2014, which could lead to significant rises in council tax. A funding strategy will need to be developed before the outline business case is submitted to ensure agreement to affordability.

10.4.4 Waste stream **minimisation and recycling** will remain key issues, with demanding targets set by government. The Council successfully achieved 25% household recycling in 2007/08 ahead of target, however, a target of 35% by 2010/11 will require significant efforts to meet.

- 10.4.5 The estimate of income from **parking** is under pressure in the current year following a shortfall in 2007/08. This position will need to be kept under review as further controlled parking zones are rolled out subject to demand.
- 10.4.6 The Council's share of the costs of **concessionary fares** in future years is estimated to increase significantly as reported in the previous budget report. This is the subject of debate at London Councils as proposals to move the allocation of costs to a usage basis means that boroughs with a higher level of public transport infrastructure and concession applicable travellers will attract a higher cost. An estimated amount is built into the financial plans and this will require review once an agreement is reached.
- 10.4.7 The Council has recently updated the strategy for dealing with **homelessness**. The previous position reflected success in commissioning private sector leases which are associated with a relatively favourable subsidy regime. The Department for Work and Pensions (DWP) have implemented across the board subsidy reductions of 5% and 10% in the last two years for London authorities only. Current plans assume a further reduction in 2009/10 as a result of moving to a cost plus formula based approach. Early indications are that the DWP will not be ready to implement this new system in 2009/10. The current financial plans will therefore need to be reviewed further once a more definitive position is available.
- 10.4.8 Effective support for Homes for Haringey will be important to enable the successful delivery of the **decent homes** investment. There will also be a need to deal with the financial consequences of any new arrangements for services provided by the Council which Homes for Haringey may wish to make following conclusion of their value for money review process.
- 10.4.9 The **housing revenue account** shows a balanced position over the medium term, but this is predicated on planned savings in the repairs and maintenance service and the net subsidy position does not worsen further than current expectations. There are significant challenges going forward to maintain the balanced position and a robust business planning process will be key to ensuring that this is achieved. The framework for converging **rents** continues to draw debate as tenants' rent increases continue to be above inflation following the government formula.

## 10.5 Corporate Resources

- 10.5.1 Delivery of efficient corporate and support functions will contribute significantly to the improvement in value for money. This is an integral part of the achieving excellence programme with specific projects designed to deliver improved performance, efficiency and perception. This includes projects reviewing the operating model, procurement, information knowledge management and smart working.
- 10.5.2 Ensuring effective use of IT, improving the customer experience and taking a strategic approach to asset management for the benefit of services and the community are key to the success of the service.
- 10.5.3 The office **accommodation strategy** coupled with the **flexible working** programme is expected to deliver significant medium to long term savings as a result of a net

reduction in office space requirements. This was built into the previously agreed savings profile, but can now be extended a further year as plans roll forward. Clearly this also supports the greenest borough strategy with carbon reductions being explicit objectives of the proposals. Further savings may arise from new initiatives utilising the **sustainable investment fund**.

10.5.4 The budget plans include reductions in the specific grant for **housing benefits** administration and as yet there are no known further reductions. The impact of the introduction of Local Housing Allowances in April 2008 has been managed within existing resources.

10.5.5 The debate on the issue of income from **land charges** is still progressing. It is likely that authorities will be required to reduce their charges to only cover costs on average over a three year period. The current budget plans have a contingency built in for this purpose although demand may reduce further that may impact on the income target.

## 10.6 Overview

10.6.1 Taking account of the starting position at the end of the 2008/09 budget process and given that we have a three year grant settlement and a matching medium term financial strategy in place, and after allowing for the matters set out in this report, the overall position is as set out in appendix A. Appendix A sets out the gross budget showing the starting position, changes anticipated for that year, and the funding elements assuming a 3.0% increase in Haringey's **council tax** (as per previous planning assumptions). Members may wish to consider this assumption in light of the overall financial position later in the process.

10.6.2 An assumption on the level of **revenue support grant** has been made that provides the new year of 2011/12 with a floor increase estimated at 1.5%, the same as in 2010/11. The review of the formula will be carried out in time to make changes from 2011/12 onwards, however the impact of these changes will not be known for some time.

10.6.3 A **review of the risks** identified in this report incorporating some sensitivity analysis around the range of financial consequences has been carried out. I have updated the Financial Planning Risk Analysis and am satisfied that the levels of reserves are sufficient to deal with the identified risks as set out in this report. For the purposes of prudence it is recommended that an allowance is made for additional pension fund contributions in the third planning year at this time. Other changes and variations against existing contingencies will be reviewed again later in the process. The total resource shortfall of £7.6m is shown in appendix B and this demonstrates the continuing financial challenge faced over the planning period.

10.6.4 The proposed **savings targets**, to allow Members to consider some further investment options as part of the budget process, represent 0.6% of the net budget for each of the first two years. This is addition to the existing 12.1% already in the plans.

## 11 Business planning process and consultation

11.1 For a number of years now the Council has managed an integrated **business planning process** with the budget process at business unit level. The business plans are formed via the pre-business plan reviews (PBPR) over the summer period taking into account the high level priorities set out in the **Sustainable Community Strategy** and developing revenue and capital budget proposals. Based on the priorities in strategy the Council's own actions are contained in the **Council Plan** and that this defines the detail of plans and actions at business unit level. This gives greater coherence to detailed work and avoids unnecessary work on investment options which do not reflect partnership and Council priorities. The annual review process also derives information from the following to inform effective service planning:

- the comprehensive annual residents' survey;
- revisions of targets through performance monitoring;
- new national targets or service initiatives, and;
- the borough profile.

11.2 The business planning process will also feature reviews of the key elements of the service wherever relevant in terms of:

- effective risk management reporting and controls;
- equalities impact assessments;
- workforce and people planning, and;
- use of natural resources.

11.3 **Engagement with local communities** and other stakeholders is a key policy drive from central government in respect of a wide range of functions and the financial planning process is no exception with this being mentioned in the new Use of Resources guidance for 2008/09. There is already an embedded **consultation process** with the Council's business planning and this includes:

- consultation on growth and savings options to a wide range of stakeholders including the voluntary sector, key partners, tenants and leaseholders panels, schools forum, trade unions;
- strategic level consultation with the Haringey Strategic Partnership and the local business community;
- public meetings of the Overview and Scrutiny Committee, and;
- a comprehensive annual residents' survey.

11.4 Members will wish to consider how these matters are handled in future, and specifically whether there should be any additional budget **consultation with residents** on the whole budget package and council priorities. This could be achieved through a number of means such as citizen workshops, public meetings, focus groups, tailored interviews and on-line surveys.

- 11.5 A further government policy initiative is the development of **participatory budgeting**. Although this can be structured in many ways, this primarily involves local people providing specific input into the decision making process for the budget or a part of the budget. The Council has for some time had initiatives like this in place for example:
- £350k for 'Making the Difference' – allocated £50k to each area assembly, members of the public provide ideas for projects or investment, there is sifting and short-listing process, members of the public express their preferences at a public meeting and the area liaison officer makes the final decision;
  - budget resources in parks – there is significant consultation with 'friends of parks' local organisations that contribute to the allocation of resources to specific projects and shaping the programme of spend to reflect local priorities, and;
  - specific consultation on highways service and spend in 2007 leading to a budget decision for 2008/09 for additional investment in pot hole repairs.
- 11.6 A prime requirement of the budget process will be the systematic identification of improved **value for money**, both in terms of improved outcomes from given resources and the delivery of cashable efficiency savings. This will be supported by corporate investment in improved systems and processes (including shared services and outsourcing where appropriate), but will primarily be delivered through change at local level.
- 11.7 **Savings targets** are proposed to support this process and these will be calculated on a base combination of gross expenditure and income and will take into account existing savings proposals already agreed over the three year planning process from 2008/09. Alongside this will be the analysis of the value for money position of services and high cost areas will be encouraged to ensure savings are delivered in these areas. Reviewing areas such as discretionary services and fees and charges will be a requirement. The savings target sum will be the current gap over three years identified in this report of £7.6m. Existing savings will be reviewed as part of the process and any shortfalls identified will need to be replaced with alternatives by individual departments.
- 11.8 Overall when **comparing value for money** to our nearest neighbours in London and the under the Council's broad service headings the Council's cost per head of population are either lower or medium quartile (reference to the Audit Commission Value for Money Profile 2007). When looking at the more detailed analysis there are a number of individual services that appear in the upper quartile cost bracket. This information is utilised in the Council's ongoing business planning process and actions are in place to deal with these issues:
- Children and Young People's Services – a number of specific services show costs in the upper quartile (LEA central functions, SEN, statutory and regulatory duties) – these will be addressed as part of the zero based budgeting review in 2008;

- Adults Culture and Community – mental health services in upper quartile and learning disabilities close to upper quartile – these are targeted for action in the rolling programme of vfm reviews;
- Urban Environment – waste collection costs per head of population are close to the upper quartile – this is being addressed in the as part of the procurement strategy for the service and savings are already built into plans, and;
- Corporate Resources – the cost of council tax benefit administration per head of population is in the upper quartile – a further follow up vfm review is being carried out this year.

11.9 Proposals for **investment** will also come forward from the business planning process and these will need to be aligned to the Council's priorities as previously stated:

- Key priorities in the Council Plan;
- Services requiring additional resources for improvement in performance where identified, and;
- Areas requiring improved perception ratings (as measured in the residents surveys – highest concern 'crime and the fear of crime').

11.10 Key service areas where investment may be required are then as follows:

- dealing with issues of crime and anti-social behaviour;
- the greenest borough strategy;
- housing strategy;
- communications to affect positive behaviour and perception, and;
- meeting the revised recycling target and increasing waste minimisation.

11.11 Cabinet approved a **sustainable investment fund** on 20 June 2007 as part of the financial outturn report for 2006/07 of £500k and this will assist in funding invest to save schemes including reducing energy use. This is designed to be a revolving fund and therefore will be reimbursed by the revenue savings that are generated by the investments. Initial commitments to date amount to £155k.

11.12 A more detailed business planning and budget **timetable** will be presented in due course, but the key dates are outlined in the table below. The informal budget challenge meetings will be chaired by the Leader and will include the Cabinet Member for Resources and the Cabinet Member for the Service as well as senior officers. All revenue and capital budgets will be part of this process.

<b>Activity</b>	<b>Date</b>
Key priorities stated in Council plan	Jun 08
Cabinet consider financial planning report	Jul 08
Pre-business plan review (PBPR) preparation	Jul – Sep 08
PBPR officer review process	Sep 08
Budget challenge meetings	Early Oct 08
Cabinet agree release of PBPRs for consultation	Nov 08
Budget consultation process including Overview & Scrutiny Committee	Dec 08
Cabinet consider draft settlement	Dec 08
Cabinet agree budget package	Jan 09
Council agree budget package and council tax	Feb 09
Finalise individual business plans and overall Council Plan	Apr 09

## **12 Comments of the Head of Legal Services**

12.1 The Head of Legal Services confirms that the budget strategy and process set out in this report fulfil the Council's statutory requirements in relation the budget.

Gross Budget Trail	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b>Budget brought forward</b>	<b>399,578</b>	<b>410,511</b>	<b>422,208</b>
<u>Changes and variations</u>			
Inflation	8,090	8,510	8,900
Changes agreed in previous years budget process	(1,402)	4,495	0
Changes and variations in this report (see appendix b)	0	0	1,000
<u>Investments</u>			
2007/08 process	0	40	0
2008/09 process	1,030	530	0
Proposed investment fund	1,500	1,500	0
	<u>2,530</u>	<u>2,070</u>	<u>0</u>
<u>Savings</u>			
2007/08 process	(3,847)	(2,745)	0
2008/09 process	(4,512)	(3,722)	0
	<u>(8,359)</u>	<u>(6,467)</u>	<u>0</u>
<u>Dedicated schools grant (DSG)</u>			
Passporting of DSG	5,603	6,538	6,047
Prior year adjustment for actual pupil numbers			
	<u>5,603</u>	<u>6,538</u>	<u>6,047</u>
<u>Balances</u>			
Contribution to / (from) balances 2007/08 process	5,725	(2,645)	
Contribution to / (from) balances 2008/09 process	246	696	
<b>Gross Council budget requirement</b>	<b>412,011</b>	<b>423,708</b>	<b>438,155</b>
Less dedicated schools grant (specific grant)	(166,220)	(172,758)	(178,805)
<b>Net Council budget requirement</b>	<b>245,791</b>	<b>250,950</b>	<b>259,350</b>
<b>Funding</b>			
Council tax (see below)	101,771	104,825	107,968
Government support - formula grant and NNDR	142,520	144,625	146,795
	<b>244,291</b>	<b>249,450</b>	<b>254,763</b>
<b>Resource shortfall/(excess)</b>	<b>1,500</b>	<b>1,500</b>	<b>4,587</b>
<b>Council tax</b>			
	£	£	£
Council tax (LBH)	1,196.51	1,232.41	1,269.38
Council tax base (after provision for non-recovery)	85,056	85,056	85,056
<b>Precept</b>	<b>101,770,355</b>	<b>104,823,865</b>	<b>107,968,385</b>
Rate of council tax increase (Haringey element)	3.0%	3.0%	3.0%
GLA rate of council tax increase	n/a	n/a	n/a
Combined council tax increase	n/a	n/a	n/a
£ per week increase (Haringey element)	£0.67	£0.69	£0.71

<b>Resource Shortfall Tracker</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>	<b>Total £'000</b>
<b>Position at end of 2008/09 process</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Update for 2009/10 process</u>				
- inflation			8,900	8,900
- increase assumption in formula grant at 1.5%			(2,169)	(2,169)
- increase assumption in council tax at 3%			(3,144)	(3,144)
- grant formula methodology and data changes			?	?
			<hr/> 3,587	<hr/> 3,587
<u>Changes and variations 15 July 2008</u>				
- pension fund employers contributions			1,000	1,000
	<hr/> 0	<hr/> 0	<hr/> 1,000	<hr/> 1,000
Proposed investment fund	1,500	1,500	0	3,000
<b>Position as at 15 July 2008</b>	<b>1,500</b>	<b>1,500</b>	<b>4,587</b>	<b>7,587</b>
Efficiency savings target % of net expenditure	0.6%	0.6%	1.8%	3.0%
Savings proposals already in place (2008/09 6.1%)	3.4%	2.6%		12.1%

# **Financial scrutiny throughout the year**

## **The annual cycle**

Preparation of the Council's budget is an ongoing process so for budget scrutiny to be effective it needs to take place throughout the year. Scrutiny should not confine itself to an annual review of budget growth and reduction schedules before the Cabinet decision. The scrutiny process should be undertaken within the wider context linking the budget to the council's corporate strategies and to its performance.

The basic components of financial scrutiny throughout the year can be summarised as:

- Scrutinising the council's medium term financial strategy including financial and corporate planning and the national and local issues that may impact on it, as well as the level of risk involved and how it will be managed.
- Challenging and seeking to influence how the budget is constructed and commenting on how well it matches the council's priorities.
- Undertaking reviews of reported significant variances from budget as required.
- Undertaking some evaluation of performance and value for money.

Robust budget scrutiny should therefore:-

- ✓ Feature on outcomes rather than inputs.
- ✓ Measure the effectiveness or impact of its resource allocation decisions and spending.
- ✓ Monitor performance against financial targets and indicators having regard to the council's medium term forecasts and situation.
- ✓ Consider how well integrated service and corporate planning is with financial planning.

## The Haringey context.

It is widely accepted that the budget scrutiny process has improved over the past 3-4 years and that there is now a much greater knowledge base amongst non-cabinet members on their role in scrutinising the budget and how to go about it. That is not to say that there is no room for improvement. It is therefore critical to reach a common understanding on what, when and how scrutiny will go about its budget scrutiny role and that both the scrutiny committee and the Cabinet sign up to it.

The kind of annual budget programme that could be followed is:-

June/July	<ol style="list-style-type: none"> <li>1. Consider a report from the Chief Executive, having already reported to Cabinet, on the previous year's performance against the Council's basket of key indicators reported in a balanced scorecard format.</li> <li>2. Consider a report from the Chief Financial Officer, having already reported to Cabinet, on the medium term financial plans, including national issues, pressures and risk.</li> <li>3. The Scrutiny Committee will discuss with officers the need to commission one or more budget scrutiny reviews on a task and finish basis. Reviews may be zero based in their approach and will comment on VfM. The reviews could also be themed or area based, considering how other organisations contribute resources and how we deliver the service. All reviews should look at the impact of expenditure – what was achieved? Each year a task and finish scrutiny panel will scrutinise the Council's performance against the efficiency National Indicator.</li> </ol>
October	<ol style="list-style-type: none"> <li>1. Scrutiny Committee will consider and comment upon the proposed Cabinet budget consultation process.</li> <li>2. A seminar for Members, facilitated by the Head of Corporate Finance, will be held on the budget setting process.</li> </ol>
November/ December	<ol style="list-style-type: none"> <li>1. Scrutiny committee will hold 3 meetings dedicated to the scrutiny of the Cabinet's Capital and Revenue budget proposals for the next financial year. This will be done by portfolio area. Corporate Finance in conjunction with the services will be responsible for producing reports for consideration by the Committee. Scrutiny Committee will place a greater emphasis on taking an overview and commenting on whether the budget proposals are in line with the Council's stated vision, values and priorities and less on individual bids through a review of the Pre Business Plan Reviews (PBPR) produced by Business Units. Scrutiny Committee will not concern itself with specific grants as they are ring-fenced. Each Scrutiny Committee member will</li> </ol>

	<p>be responsible and take the lead on the scrutiny of at least one portfolio area and will link with two other non cabinet members to do so (one from each political group). Recommendations resulting from the scrutiny process will be made to the Cabinet for consideration.</p>
February	<p>1. Scrutiny Committee to consider whether they should review any significant budget variances reported to Cabinet for the third quarter (ending December 31<sup>st</sup>). If so, members will take an overview and will raise issues and may request written answers to questions or require the appropriate Cabinet Member or officers to attend the next scrutiny Committee meeting to answer questions. It is anticipated that this overview will confine itself to identified areas of budget variance and amber and/or red performance indicators</p>
April/June	<p>1. Consider the annual report from the Chief Executive and the Chief Financial Officer taking a backward review of performance and how well the budget has been managed. The report to cover:</p> <ul style="list-style-type: none"> <li>• Have planned service outputs and outcomes have been met?</li> <li>• Has the council managed its resources effectively throughout the year?</li> <li>• Why are there under or over spends?</li> <li>• What has been achieved with additional resources?</li> <li>• Where does this year's outturn leave the council's finances for next year?</li> <li>• Has the Government's efficiency savings targets been met?</li> </ul> <p>2. Review the financial scrutiny processes</p>