

Council

On 3 February 2003

Report title: Financial Planning 2003/04 – 2006/07**Report of: Director of Finance****Wards affected: All****1. Purpose****1.1** To propose the Executive's budget package to Council.**2. Recommendations**

- 2.1 To note the outcomes of the various consultation activities conducted as part of the budget process, set out in section 13.
- 2.2 To agree the efficiency savings set out in section 9 and Appendix C.
- 2.3 To agree the investments set out in section 12 and Appendix F.
- 2.4 To agree the budget changes set out in section 10 and Appendix D for Education.
- 2.5 To agree the budget changes set out in section 11 and Appendix E for the Housing Revenue Account.
- 2.6 To agree the proposed budget for the general fund and that the Council's budget requirement, subject to the final settlement, final consultations and the decisions of levying and precepting authorities, is £307.9m.
- 2.7 To agree the proposed budget for the Housing Revenue Account.

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3.1 Executive summary

- 3.1.1 This report sets out the Executive's budget package for Council decision. Over the four year planning period the package contains efficiency savings of £ 9.1m and investment of £8.4 m.
- 3.1.2 The report assumes continued passporting of Education resources and passporting plus for 2003/04 only to ensure that the increase in Education resources is passported through to schools.
- 3.1.3 The report proposes a balanced HRA budget for 2003/04 and an approach to resolving budget shortfalls in later years over the coming period.

3.2 Reasons for any change in policy or for new policy development

- 3.2.1 The financial planning process, by its nature, involves policy decisions and resource decisions to implement in principle policy decisions. Key financial policy issues are discussed within the report.

4. Access to information: Local Government (Access to Information) Act 1985

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

The draft settlement, accessible at <http://www.local.dtlr.gov.uk/finance/0304/grant.htm>

For access to the background papers or any further information please contact Justin Holliday on 020 8 489 3129.

5 **Background**

5.1 The Council's budget for 2002/03 is £287 million, which is funded from external support from the government (Revenue Support Grant (RSG) and redistributed National Non Domestic rates (NNDR) amounting to £223 million) and local council tax payers (£64 million).

5.2 This report sets out the changes to the 2002/03 base budget for the planning period in nine sections:

- government support
- changes and variations
- strategic approach
- efficiency savings
- education
- HRA
- investment
- council tax
- consultation.

5.3 This analysis is supported by six appendices:

- Appendix A sets out the gross budget trail;
- Appendix B tracks the resource shortfall over the financial planning process;
- Appendix C sets out the proposed efficiency savings;
- Appendix D sets out the education budget report;
- Appendix E sets out the HRA budget report; and
- Appendix F sets out the proposed investments.

6 **Government support**

6.1 The government provides 78% of the Council's non ring fenced resources. The distribution of government grant has, therefore, a major impact on us. Although the resources are not ring fenced, members will recall that substantial pressure (now backed up by a legal power) has and is brought to bear on authorities to passport the increase in education resources through to education.

Draft settlement – changes to the system

6.2 Members will recall that, after a four year methodology freeze, earlier in the year the government consulted on revisions to the mechanism for distributing support to local authorities. The draft settlement was received on 5 December. The final settlement is expected on 3 February.

6.3 The key change is that the concept of Council Tax at Standard Spending has been abolished, but is still implicit in the system. This has broken the link between FSS

(Formula Spending Share, the progeny of SSA) and expenditure. The methodology adopted for education is based on the old logic and DfES are still expecting authorities to passport.

- 6.4 There are overall floors and ceilings based on changes in the level of external support (3.5% and 8% for education/social services authorities). Education has separate floors and ceilings based on support per pupil (3.2% and 7%). The overall floors and ceilings and the Education ones are not linked; so more than the total increase in grant could be required for education passporting. Next year 11 London boroughs would be required to apply more than 90% of their grant increase to Education if they were to passport.
- 6.5 Other major methodology changes are the expected split of education into a schools (which is not for schools but for costs to do with pupils) and a Local Education Authority (LEA) block, reform of the Environment (EPCS) block (based on the variant that was worst for Haringey) and amendments to the Area Cost Adjustment (ACA) methodology. The inclusion of population estimates based on 2001 census has had major data implications.
- 6.6 There is now a fundamental flaw in the new system in that it is half a hypothecated grant regime (Education) and half a grant allocation regime (the rest). This creates substantial, and potentially irresolvable, tension within the system.

Draft settlement – impact on Haringey and London

- 6.7 The settlement is bad for Haringey, north London and London in general. Haringey has net gains from both floors. The underlying increase in Education FSS is 2.7% (damped up to 3%). The underlying overall increase is 1.3%, damped up to 3.7% (slightly above the floor due to an arcane adjustment relating to capital). The principal reasons are
- ACA methodology change – outer London has been split between the west and the rest. For example, our EPCS ACA is less than those for Berkshire, Surrey, Hertfordshire and Buckinghamshire. The estimated cost at the time of the grant consultation was £4.7 million. If we were part of west London, we would receive £11 million more grant;
 - EPCS methodology change – the formula has been extensively amended. The closest variant in the grant consultation was estimated to cost us £6.5 million. The ALG estimate that this variant has cost us £9 million in FSS, which equates to £7 million of grant; and
 - census – we had a disproportionately large population drop. This has cost us £2.5 million in the EPCS block alone, with further losses particularly in social services.

6.8 In 2004/05, we are likely to be at the overall floor again, but education will be comfortably above its floor.

6.9 This was a poor settlement for London. Three of the four North London Strategic Alliance (NLSA) authorities had floor increases and Enfield's was only 3.9%. The underlying grant increase for London boroughs was 4.2% (damped up to 5.4%). This compares with a national increase of 5.9%. The biggest gainers were the metropolitan districts, with an underlying increase of 7.8% (damped to 7.2%).

7 **Changes and variations**

7.1 Changes and variations agreed in previous processes

7.1.1 The process which set the 2002/03 budget was a three year process, covering 2003/04 and 2004/05. The following changes and variations were recognised in the process:

- increases in the employer's **pension fund** contribution of 0.7% in both years (£0.7m in 2003/04 and £0.75m in 2004/05), following the valuation of the council's pension fund as at 31 March 2001;
- a projected increase in the North London Waste Authority (**NLWA**) levy in 2003/04 of £0.14m;
- residual **corporate priority resources** which have been applied following member decisions to the waste management contract and investment in corporate capacity (£1.003m); and
- £0.25m agreed to reflect the hardening of the **insurance** market and increased premiums being experienced by the Council.

7.1.2 The total changes and variations agreed in the 2002/03 process is £2.093m for 2003/04 and £0.75m in 2004/05.

7.2 Function changes

7.2.1 The draft settlement contains a number of function changes arising from the 2002 Comprehensive Spending Review. I have assumed that these will be revenue neutral and that the net increase in FSS of £0.27m will be matched by increased expenditure.

7.2.2 The Social Services changes have been reviewed. The key risk area is the transfer of £1.5 m from FSS to the NHS in relation to free nursing care, with the expectation that the Council will recoup these resources from the NHS as contributions to care packages. This is likely to be administratively time consuming

and we will need to closely monitor, through budget management, the success in securing these resources.

7.2.3 There is one final area of uncertainty. £1.5m has been removed from EPCS FSS for benefit administration which we should receive in grant. The initial grant announcement has been made, which is adverse, but there are a range of other funding opportunities available from the Department for Work & Pensions grant regimes for which further detail is awaited. It is reasonable to set the 2003/04 budget on a revenue neutral assumption; the base position for 2004/05 may need to be revised in light of the full suite of grant resources available.

7.3 Changes and variations crystallised by 16 July report

7.3.1 The report to Executive on 16 July which set out the strategic context for the administration and for this budget setting process laid out a number of changes and variations which were agreed:

- the cost of the **pay bill** is an increasingly important factor. Previous planning had assumed that the rate of increase in pay will track that of general inflation in the economy. This change encapsulated a 1% differential at a cost of approximately £1m per annum (assuming continued passporting, ie excluding education). Base plans allow, therefore, allow for an annual pay award of 3.5%;
- **employers' national insurance rate** is to increase by 1% from 1 April 2003. This will add a further £0.95m to the pay bill next year;
- the **education PFI** scheme signed in October 2000 was based on a Council contribution of £2m per annum from 2006/07. This was due to additional scope of the project and the timing inconsistencies in the method of government support. The year 2006/07 is now within our planning horizon, therefore this sum needs to be included for planning purposes, although the possibility of this being contained within any passported sum will no doubt arise in due course;
- the other factor which impacts on the cost of employment is the employer's contribution to the **pension fund**. It seems clear that the pressures on final salary pension schemes will continue to increase and additional provision of £0.5m per annum has been included for planning purposes in 2005/06, with a further such sum in 2006/07;
- the changing scope and ambit of the HRA compared with the general fund combined with the separation of the strategic landlord role from the rest of housing provision Council will require some **inter fund rebalancing**. The net impact is likely to be a cost increase for the general fund and it is

recommended that provision is made for planning purposes in the sum of £0.5m in 2003/4, with a further £0.5m the following year;

- a **funding package** for social services was agreed by Council on 24 June 2002. This had three components: £2m on staff related costs, spending pressures in respect of children's commissioning (£1m) and hospital discharges (£0.5m); and
- the report recommended setting aside additional provision of £1.0m for the costs relating to **asylum seekers** exceeding the grant from government. This will need to be reviewed in light of the emerging financial performance in the current year.

7.3.2 The changes and variations set out above amount to £13.7m over the planning period.

7.4 Changes and variations crystallised by 17 December report

7.4.1 The report to Executive on 17 December set out a number of changes and variations which were agreed:

- the **national pay rise** was agreed in August. Members will recall that the basic agreement was 3% from 1 April 2002, a further 1% from 1 October and a further 3.5% from 1 April 2003, with some bottom loading. This has a full year effect of 4% in 2003/04. Base provision has been made for an award of 3.5%, the cost of the additional 0.5% is £0.6m;
- Executive on 17 September agreed the submission of a bid to roll out **recycling** further within the borough. The external funding is, in essence, for the capital cost. The on going revenue cost of £0.55m needs to be built into budgets;
- the revised structure of **PECS** agreed by Executive on 30 July has an additional base budget cost of £0.2m from 2004/05. The indexation of the **waste management contract**, which is based on RPI less an efficiency factor, needs to be built into financial planning. The major efficiency gain is in 2006/07, where there is a saving of £0.5m. The net saving over the planning period is £0.1m;
- the additional costs of the levy from **NLWA** is a feature of this planning cycle. The September report to the NLWA advised us to build in additional costs of £1.8m. Subsequent announcements by the Chancellor in the Pre-Budget Report have heralded further increases in the land fill levy. I have estimated the increased cost to the Council as a further £0.8m;

- we build the cost of national and local **elections** into base budgets. This has a net cost over the planning period of £0.05m; and
- the scope of **concessionary fares** is to be extended to men over 60 and the range of concessions for disabled people is likely to be increased. The cost of the former is estimated to be £0.55m and the later £0.25m. A £0.5 million contingency was built into estimates for this purpose in previous processes. The additional provision now required is, therefore, £0.3m.

7.4.2 The changes and variations set out above amount to £4.2m over the planning period.

7.5 Changes and variations crystallised by the 14 January report

7.5.1 Based on the budget management position and of the risks facing the Council, Executive on 14 January agreed the following amendments to base budgets:

- the **children's commissioning budget** is projected to overspend by £2.2m. The overspend is a function of net increases in the number and cost of children placed in residential care settings, and in particular children towards the upper end of the age range. There are complex issues in respect of the care planning of these children through their early years and the impact of the Climbie case on commissioning practice within the service. It is also recognised that foster care services need to be developed to reduce the demand for residential placements. In view of these factors, it is clear that a strategy needs to be developed and implemented to reduce cost pressures from commissioned services over the medium term. The Director of Social Services has now produced a report on this matter. The report concludes that significant cost pressures will continue to impact over the next four years, but that it is possible to develop and deliver a strategy to mitigate the impact on the budget. Should that strategy be delivered, then it should be possible to contain costs at around a level £2.5m above the current budget. This will require that a further £1m be added to the £1.5m already set aside for cost pressures in social services. It should also be noted that the costs of this provision are shared with education, and that there will be implications of this increase which will need to be managed within education resources;
- projected overspends have also been reported in respect of the **asylum service** where costs incurred may exceed the grant thresholds set by government. More recent information indicates that there has been some progress in moving minors into fostering and other forms of supported care which is delivering cost savings. We have also been informed that our claim for extra grant in 2001/02 has been successful, and this is likely to be helpful in securing realistic grant rates for the current year. In view of these developments an overspend in the current year is now less likely, but this

remains a significant risk area for the Council, and it is recommended that the additional £1m contingency agreed for next year at the July meeting remains in place. The government aspires to remove these responsibilities from local authorities in April 2004, although there are significant doubts about the realism of this and it is likely that the Council will retain responsibilities where children are involved. It is reasonable, however, for planning purposes to assume that the additional contingency will not be required from 2005/6;

- the budget for the current year contained a specific contingency of £0.5m in respect of **homelessness** which budget monitoring indicates will not be required. The position for next year is that there is potential for further savings such that the current £0.5m provision will not be required and a further net saving of £1m is projected to arise. There is, however, a shortfall of £300k within the non-ringfenced management and administration budget which has arisen when budgets were incorrectly disaggregated following the restructuring of the housing service. This is a key risk area for the Council and needs to be adequately resourced. It is therefore recommended that the shortfall is made good, and that a net saving of £1.2m is assumed;
- the Council's **general contingency** provision for the current year has been utilised in dealing with members' allowances, unfunded property transfers and an undelivered grant switch to education. A sum of £450k is required to correct the position;
- the current plans provide for additional resources for the **PFI scheme** of £2m per annum from 2006/07. The requirement reflects timing differences in the profile of government support and additional scope of the project. There will be important developments in respect of this matter over the next year with the new system of capital controls, possible refinancing of the PFI deal and the investment strategy for the earmarked reserve. In the light of this, the planned commencement of the additional requirement in 2006/07 can be deferred. To support this strategy, it will in due course be proposed formally that future increases in revenue support for capital financing should be ringfenced for that purpose; and
- initial consideration has been given to the Council's **accommodation strategy**, and in particular the report prepared by CB Hillier Parker. That report highlighted the inadequacy of existing base budgets to provide an acceptable standard of accommodation to support high performing services. It is therefore proposed that the base budget should be increased by £1.5m over the two years 2004/05 and 2005/06. The capital requirements in respect of any reconfiguration of accommodation will need to be considered separately.

7.5.2 The changes and variations set out above amount to a reduction of £1.2m over the planning period.

8 Strategic approach

8.1 The Executive's financial planning process has been located within a clear strategic context. The key aspects are:

- the Community Strategy which sets the strategic aims for the Council and other local public services;
- the CPA Action Plan which will require comprehensive measures to improve the Council's service performance and corporate capacity; and
- the Council's development agenda which reflects the need to invest in electronic government, office accommodation and key regeneration sites (particularly Heartlands).

8.2 The important impact of this context is the fact that it is comprehensive and has implications for all services and the capacity of the corporate management of the Council. For financial planning purposes, there are no 'easy options': the relationship between performance, efficiency, investment and local taxation is explicit across the board, with all budget areas subject to stakeholder inspection and review. This is a challenging agenda for the Council, but the increases in spending implied in the Spending Review 2002 would have assisted in dealing with these issues. The very poor settlement for the Council does, however, mean that the challenge is now of a different order of magnitude.

8.3 The key aspirations of the Executive in response to this strategic agenda can be summarised as follows:

- an investment programme for Civic Pride to deliver residents' priorities of cleaner, safer streets;
- an investment programme in other key service areas to ensure service improvement and greater customer focus;
- continued prioritisation of resources for schools;
- a package of efficiency savings which do not damage front line services; and
- a council tax strategy designed to balance investment and financing requirements.

9 Efficiency savings

9.1 Savings of £1.6m were agreed in the 2002/03 process to take effect in 2003/04.

9.2 The Executive has reviewed the savings options from the pre-business planning process in terms of impact on performance and fit with Council priorities. This has resulted in an additional package of savings which are proposed for implementation, and summarised at appendix C. The Executive has adopted the following principles in proposing these savings:

- underlying base budgets must be soundly based;
- savings should only be taken where there is no damage to front line services;
- savings should only be taken where there is consistency and coherence with the investments;
- savings assumptions should be prudent, with contingency provision where appropriate; and
- technical services savings should be held as a contingency pending the resolution of inter fund rebalancing issues.

9.3 Recent consideration of both IEG and the accommodation strategy has highlighted major opportunities to achieve efficiency savings and service improvements across the organisation. The Executive's view is that the savings proposed in the pre-business plan reviews do not, in the main, address this agenda, but that the Council will need to exploit this opportunity if it is to protect and maximise its ability to promote its strategic priorities. The realisation of such savings will, however, be extremely challenging for the organisation and will require a high level of commitment together with rigorous project management. It is also the case that delivering these initiatives will require significant up-front investment. The overall approach needs to be developed at both officer and member level over the early part of 2003. The Executive proposes, however, that our financial plans should recognise that pay-back opportunities will be available and, in order to provide a focus for planning, that savings targets of £1m be set for each of the three years from 2004/5. Such targets can be reviewed as the Executive's approach to change management is crystallised over the coming months.

9.4 The aggregate new savings over the planning period are £9.1 million, comprising £6.1 million set out in Appendix C and £3 million as described in the previous paragraph.

10 **Education**

10.1 The position for education in financial planning terms has been neutral in recent years as the increase in SSA (as was) has been passported through.

10.2 The increase in education resources for 2003/04 is, on a like for like basis, 3.0%. This substantially below the real cost pressures which are being experienced in both schools and the LEA. The initial estimate of the resource shortfall was £5.9m. Through the review of growth projections and cost pressures, the gross gap has been reduced to £4.6 million. Net savings proposals of £1.6 million have been

identified and the residual gap is £3.1 million, of which £2.5 million is in school budgets. The budget problems which some schools will experience are likely to be greater than this due to the withdrawal of various elements of the standards fund which proportionately benefited the east of the borough.

- 10.3 In order that the pressures on non-delegated education budgets do not impact on the cash available to schools and so that that the delegated cash increase is not less than the headline increase, Education Management Board have advised that the Council identifies additional resources, over and above the passported sum, such that the headline increase can be delivered. Specifically, the Board has requested that the education share of the cost of social services children's commissioning at £0.6m is met via 'passporting plus'. The financial implications of the acceptance of this advice are contained within this report.
- 10.4 The full changes, variations and savings to the Education budget are set out in the report to Education Management Board which is at Appendix D. EMB commend the proposals in the report and note that, in considering the proposals, Members will wish to bear in mind the substantial financial difficulties which will be facing schools as they set their budgets for 2003/04.

11 **Housing Revenue Account**

- 11.1 The HRA is faced by two key structural difficulties: declining stock base and a repairs backlog.
- 11.2 The Executive on 17 December agreed as a basis for consultation, the implementation of rent restructuring and the unpooling of service charges. This is to comply with government policy which aims to bring the total charges paid by tenants in the local authority sector in line with the RSL sector. The effect of the changes is an average rent increase for Haringey tenants of 2.6%; the aggregate charge (taking into account rent and service charges) to an individual tenant is capped at 2.75% plus £2 per week. The results of the consultation are set out in section 14. Taking these results into account, the implementation of the proposals to both unpool service charges and restructure rents in the 17 December report is recommended.
- 11.3 Appendix E sets out the other issues for the HRA budget. The proposals set out in Appendix E bring the HRA into balance for the coming financial year by:
- suspending the cyclical internal decorations programme pending consideration of the use of other funding options (Supporting People) and the development of a more targeted approach;
 - a phased increase in the concierge charge for leaseholders to the full costs;
 - the tactical identification of management savings; and

- controlling expenditure on external decorations pending the stock survey and a reshaped investment programme.

11.4 Section 14 sets out the results of the consultation with housing management board and Scrutiny. It is recommended that Council accept the views of scrutiny in relation to the cyclical decoration programme and that the resulting budget shortfall in 2003/04 is funded from the supporting people windfall and resolved in the base in 2004/05 as part of the resolution of the policy issues in this area.

11.5 The structural issues set out in 11.1 are not being dealt with fully in this budget setting process as for a full assessment we are dependent on the stock condition survey which will not be completed until the early summer. This will allow a comprehensive review of the HRA financial strategy and reports will be brought back to members in the coming period.

12 **Investment levels**

12.1 Section 8 of the report sets out the strategic approach adopted by the Executive in compiling its budget package. The Executive has identified an investment package, based on the pre-business plan review process which has enabled a comprehensive assessment of potential investment and payback to be made.

12.2 The package to support the support the Council's strategic agenda has three components:

- the investment package summarised in appendix F1. The proposals are divided between those designed to deliver on aspects of the Civic Pride agenda and those which are in response to other aspects of the strategic context. The benefits of the Civic Pride package are set out in more detail at appendix F2. For many of the proposals the revenue investment has been split over the next two years to reflect implementation during 2003/4. It has been agreed at the Haringey Strategic Partnership that the allocation of the increased Neighbourhood Renewal Fund resources over the next three years should reflect the priorities of the Community Strategy. It has therefore been assumed that NRF funding of £0.7m over the next two years will support the environment aspects of this proposed investment programme. The package also requires capital investment which will be included for consideration in subsequent capital programme reports. The delivery of the Implementing Electronic Government (IEG) strategy will require further capital resources in subsequent years;
- the Council has agreed a People Development Plan as a key aspect of delivering performance improvement. The proposal requires revenue funding of £0.25m; and

- there will be further investment requirements which will emerge as priorities are further clarified. It is therefore proposed that an Investment Fund of £4m be created from 2004/5.

12.3 The aggregate cost of these investments is £8.4m in the planning period.

13 Council tax

13.1 Background

13.1.1 The initial planning assumption was that that council tax would increase by 2.5% per annum. CSR 2002 assumed that council tax levels would increase by approximately 6% per annum for the three years of the CSR 2003/04 to 2005/06.

13.1.2 The reformed funding regime hides the government's assumption and expectation about standard or average council tax increases, but if the Council were to increase its council tax by the equivalent of 6% per annum additional base resource of around £10 million would be raised.

13.1.3 The planning assumption is that increases in the precept from the Greater London authority will be passported through to council tax payers. Latest estimates are of an increase in the precept of between 20% and 30%, which would add up to £52 to the band D council tax.

13.1.4 Members will also be aware that as the settlement has adversely affected many London boroughs, high council tax increases in London are likely.

13.2 Budget requirement and council tax level

13.2.1 Appendix A shows the budget requirement generated by the various budget changes set out in this report. This budget requirement, of £307.9m for 2003/04, is final subject to various consultations and announcements by third parties, in particular:

- any changes in resources arising from the finalisation of the local government settlement;
- the determination of funding requirements by the various precepting and levying authorities.

13.2.2 The Council will be setting the council tax on 17 February. Subject to these changes, the council tax increases being built into the Council's plans are:

- for 2003/04, taking into account an assumed increase from the Mayor of 29%, an overall increase of 19.4%, including the precept. **This will give a Haringey tax increase of 17.4%;**

- for 2004/05, the position regarding the precept in the Mayoral election year is difficult to predict and planning is based on an **increase in the Haringey tax of 15%**, with the precept being passported;
- for the two subsequent years, the planning is based on increases in the **Haringey tax of 2.5% per annum** with the precept passported.

13.2.3 Members will note that the balance of increase between 2003/04 and 2004/05 has been smoothed by a one-off contribution from reserves of £0.2m.

13.2.4 Members will also wish to note that the whilst the budget is balanced for 2003/04 over the planning period as a whole there is a small base deficit of £1m. This is in the later half of the planning period and, on the basis that this is equivalent to only a 1% rise in the bottom line council tax and given the uncertainty in projecting budgets forward for four years, I believe that this is an acceptable basis on which to set the budget. Clearly this deficit and, indeed, all our assumptions will need to be revisited in subsequent budget processes.

14 Consultation

14.1 There was a four pronged approach to consultation on the Executive's budget proposals:

- consideration of the Pre Business Plan Reviews by the Scrutiny Panels;
- schools;
- consultation on the proposed rent and service charge changes with Council tenants and leaseholders; and
- a business event with the local business community.

These are considered in turn.

14.2 Scrutiny

14.2.1 Members will recall that Executive on 22 October authorised the release of the Pre Business Plan Reviews (PBPRs). The PBPR is the foundation of the following year's business plan and they contain information on service objectives, performance, efficiency savings and potential investments. PBPRs were distributed to all members and a number of partner organisations. Feedback on the PBPRs was channelled through the Overview and Scrutiny Committee on 19 December. Key issues, by Scrutiny Panel, are set out below.

14.2.2 The Committee on 18 November considered the PBPRs for Finance, Support Services, Organisational Development and Members' Services. Communications and Equalities were considered on 19 December. The Committee expressed concern at the proposed reductions in Scrutiny resources and in Social Services training budgets (held within OD). Members will wish to note that the Executive

did not take the proposed Scrutiny saving and that the OD savings should properly be set in the context of the overall investment in Social Services in this package.

- 14.2.3 The Social Services & Health Panel formed a view on each of the proposed savings and investments put forward in each of the relevant PBPRs. This theme was similar to the views expressed by partners in the various consultation fora used by the service. The Panel was keen that the Executive's proposals should protect frontline service provision. The package of efficiency savings put forward by the Executive has followed this principle.
- 14.2.4 The Environment Panel met on 12 November. In broad terms the Panel was supportive of the proposals in the relevant PBPRs and, in particular supported the proposed investments in streetscene and enforcement. These investments are being proposed by Executive as part of the budget package. The Community Safety Panel took an interest in a number of PBPRs and supported, in particular, a number of the proposed investments in Environment.
- 14.2.5 The Lifelong Learning Panel examined the PBPR for Education and received a detailed presentation on the libraries Service. Particular interest was expressed by the Panel, echoing the Community Safety Panel, in the youth service and ensuring that savings proposals did not adversely effect its ability to deliver services.
- 14.2.6 The Regeneration panel on 2 December reviewed the Strategy PBRR. The Panel supported the proposed arrangements for the new Voluntary Sector organisation and noted the importance of enhancing the council's approach to consultation. The Housing Scrutiny Panel met jointly with the Housing Management Board on 16 January. The feedback from their meeting is set out in sub-section 14.4.

14.3 Schools

- 14.3.1 The Education has consulted with schools as part of the PBPR process and, subsequently, has been active in informing schools of the adverse settlement. Schools are understandably disappointed by the settlement.
- 14.3.2 The formal consultation with schools is through the newly constituted Schools Forum. The forum meet on 22 January and resolved as follows:

"Members of the Schools' Forum are shocked and very concerned at the effect the draft Budget Settlement will have on schools in the Borough. Secondary schools in the east fare worst, but all schools are faced with managing budgets that will not meet their current level of expenditure. The effective cuts range from an average of 4% for primary to nearly 8% for secondary.

Cuts of this order will inevitably lead to staff reductions; teachers and classroom assistants who have been so effective in supporting individual children, in raising achievement, improving behaviour, and reducing exclusions, are likely to be made redundant.

Headteachers who have achieved real improvements are fearful of seeing their schools slip back. Stability and progress within the service is put at risk.

We cannot believe that the government intended to undermine the education of some of London's most needy children in this way, and we urge the Council to make every effort to communicate to the Government the scale of the problem we face, and to press the government to respond appropriately."

- 14.3.3 The concerns of the forum echo those of the Council as a whole. These concerns were fed back to government in our representations on the draft settlement. Within the overall constraints facing the Council as a whole and the policy of passporting, the Executive has recognised the pressures facing the schools budget by proposing a one off passporting plus policy, as set out in paragraph 10.3.

14.4 Tenants and leaseholders

- 14.4.1 As set out in paragraph 13.2, the rent and service charge proposals were agreed by Executive as a basis for consultation. As a result of printing and distribution problems over the Christmas period, letters setting out the proposals for rent setting were hand delivered to all tenants on 6/7th January inviting comments by 15th January. Leaseholders, who are affected by the proposals to levy the full cost of concierge services, were sent a similar letter before Christmas. Specially arranged Area Housing Forum meetings were held on the 14th January.
- 14.4.2 Over 100 responses were received with most tenants (70%) wishing to remain with the status quo i.e. keeping rent and services charges pooled. Other comments were received via the Area Housing Forums as follows:
- some tenants felt that rents were too high, whereas others felt that rents should be increased further so that more repairs/replacements could be done;
 - the council should be doing more internal decorations;
 - tenants in the West of the borough were concerned about the level of the proposed rent rise rises;
 - many expressed the view that they found the proposals complex and confusing
 - the view was expressed that rent should relate to the quality of the property, not the location and some tenants wished to see an appeal mechanism introduced to consider disputes in relation to property valuation; and
 - a number of leaseholders who responded felt that they should not pay the same charges as tenants for the concierge service, as they felt tenants received a higher level of service.
- 14.4.3 A special joint meeting of the Housing Scrutiny Panel / Housing Management Board was held on the 16th January. The following issues were raised:

- a request that the Council investigate whether an appeals process in respect of rent determinations based on property values was appropriate, and whether the value ought to reflect the condition of the individual property;
- a request that the Executive considers the current policy of using for non-housing projects capital receipts received from the sale of housing property;
- a recommendation that the funding for internal decorations should be maintained at £475k (combined Supporting People and HRA Funding), but there should be a review to establish the level of need with a view to targeting this funding at those most in need e.g. the mentally ill, as suggested in the report;
- a recommendation that increased cost of the concierge service to leaseholders should be phased in over 3 years; and
- various items of information were requested for subsequent meetings.

14.4.4 Members will wish to note that whilst some sympathy might be felt with tenants in relation to the rent restructuring and the unpooling of service charges proposals which are an inherently complex set of proposals, the Council is implementing government guidance and policy and will be disadvantaged through the subsidy system if it does not comply. In relation to the other suggestions, this report recommends at paragraph 11.4 that alternative options for internal decorations are investigated in order to devise a programme that is fully funded programme based on current resources and which targets resources better at those most in need.

14.5 Business Community

14.5.1 A business event was held on 3 October which combined presentations from some of the Council's key partners as part of the local works project with a presentation on the Council's financial strategy and budget position. Over 100 local businesses were represented at the event. Local businesses now recognise that the Council does not set the NNDR multiplier and, therefore, concentrated their feedback on the local works project. The formal consultation, required by statute, is due to be held on 6 February; any matters arising therefrom will be reported to Council on 17 February.

15 Capital programme

15.1 A draft capital programme is to be consider by Executive on 4 February, based on the capital strategy approved and submitted in July. The programme will be presented for approval to Council on 17 February.

16 Risk factors

16.1 Inherent in these projection are a number of important risks that need to be recognised and managed through the Council's financial management process:

- **function changes** – the report set out the assumption that function changes are resource neutral. Paragraphs 7.2.2 and 7.2.3 set out the two key risks: the administrative effort required to recoup the funding of free nursing care from the NHS and the late announcement of various grants by Department for Work & Pensions;
- the possibility of housing benefit **subsidy clawback** remains a key risk factor for the Council. The government has now established the framework whereby ministerial discretion will be exercised on this matter and the Council has provided some further information in respect of this. Decisions may be received prior to budget setting. The worse case outcome has the potential to severely disrupt the financial planning assumptions;
- in respect of **financial reserves**, the Council has been scored as a 4 (the top mark) by the external auditor as part of the CPA process. It is essential that this financial strength is retained and the report to Council on 17 February will review the current position. It is crucial that emerging budget management issues in the current year are managed and, if there are base issues, these are addressed. Members will recall that the key issues are in the Children's service and Environment. The base issues in relation to Children's services have been discussed earlier in the report;
 - ◇ the **Environment directorate** is projecting an overspend in respect of leisure and streetscene. For leisure, there is a combination of cost pressures and the impact of one-off costs and delays in respect of the transfer to a new provider. It remains crucial for financial planning (and other) purposes that the transfer takes place but Members are aware that the selection of a preferred partner has been delayed. Completion of the arrangement should therefore remain a high priority. A small contingency provision has been added to the budget in respect of this. Planning is based on the delivery of the base budget next year and members will wish to keep the success in delivering this under review;
 - ◇ the budget for the revenue deficit of **Alexandra Palace** is £0.75m. The latest projected deficit for 2002/03 is £1m, an overspend of £1m. The Board has not yet determined the budget for 2003/04 but it is possible that the overspend will continue at this level in subsequent years. This will be containable within the provision for 2003/04 but there will need to be a fundamental review of the Council's commitment during the next year;

- we will need to keep the other key budget risk areas, particularly but not exclusively **homelessness** and **asylum seekers** under on-going review through budget management.

17 **Next steps**

17.1 The next stages of the budget setting process are set out in the following table:

Date	Body/Activity	Purpose
Today	Receipt of final settlement	
Tonight	Council	To agree the budget package, subject to third party decisions and consultation
4 February	Executive	To agree capital programme
6 February	Formal business consultation	
12 February	GLA	Determine mayor's precept
17 February	Council	To set the Council tax To agree the capital programme

Gross budget trail

	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Budget brought forward	287,077	307,860	327,329	340,981
<u>Changes and variations</u>				
Inflation	3,500	4,500	6,000	6,000
Reserve adjustments brought forward	348			
Reserve adjustments carried forward	(229)	229		
Agreed 2002/03 process	2,093	750		
Reported 16 July (see Appendix B)	6,900	1,500	1,600	3,700
Reported 17 December (see Appendix B)	2,058	996	760	341
Reported 14 January (see Appendix B)	252	750	(250)	(2,000)
<u>Education funding</u>				
Passporting of education FSS	4,796	7,599	8,596	7,476
Passporting plus	600			
<u>Function changes</u>				
Arising from CSR 2002 and 2003/04 settlement	268			
<u>Savings and investments</u>				
Savings from 2002/03 process	(1,578)			
Savings from 2003/04 process	(1,176)	(2,384)	(1,300)	(1,257)
Change		(1,000)	(1,000)	(1,000)
<u>Investments</u>				
Investments (net of NRF)	2,801	1,508	(40)	(150)
Investment fund		4,000		
People development plan	150	100		
Council budget requirement	307,860	326,408	341,696	354,092
Funding				
Council tax (see below)	75,598	86,938	89,111	91,339
Government support	232,262	240,391	251,870	261,532
	307,860	327,329	340,981	352,871
Resource shortfall/(excess)	(0)	(921)	714	1,220
	£	£	£	£
Council tax				
Council tax	949.70	1,092.16	1,119.46	1,147.45
Council tax base (after provision)	79,602	79,602	79,602	79,602
Precept	75,598,019	86,938,120	89,111,255	91,339,315
Increase in Council tax				
Haringey element (%)	17.4%	15.0%	2.5%	2.5%
Bottom line (%) (assuming precept increases by 29%)	19.4%	N/A	N/A	N/A
£ per week	2.70	2.74	0.52	0.54

Resource shortfall tracker

	2003/04	2004/05	2005/06	2006/07	Total
	£'000	£'000	£'000	£'000	£'000
Position at end of 2002/03 process	0	0			0
Funding changes	(1,016)	921	1,588	1,506	2,999
<u>Changes and variations (excluding education)</u>					
Fund pay increases in year	950	1,000	1,100	1,200	4,250
National insurance increase	950				950
PFI contribution				2,000	2,000
Provision for inter fund rebalancing	500	500			1,000
Pensions			500	500	1,000
Asylum	1,000				1,000
Social services	3,500				3,500
	6,900	1,500	1,600	3,700	13,700
Position as at 16 July	5,884	2,421	3,188	5,206	16,699
Impact of draft settlement	(760)	2,149	(163)	574	1,800
<u>Changes and variations (excluding education)</u>					
Pay rise	600				600
Recycling	550				550
PECs structure		200			200
Accord contract	146	234	0	(516)	(136)
NLVA levy (30 September 2002)	662	562	315	262	1,801
Landfill levy increase			396	396	791
Cost of local and national elections	(200)		50	200	50
Concessionary fares	300				300
	2,058	996	760	341	4,156
Education resource shortfall	5,900	0	0	0	5,900
Position as at 17 December	13,081	5,567	3,785	6,121	28,554
<u>Changes and variations (excluding education)</u>					
Children's commissioning	1,000				1,000
Asylum			(1,000)		(1,000)
Homelessness	(1,200)				(1,200)
Replenish contingency	452				452
Accommodation		750	750		1,500
Reprofile and restructure funding of PFI contribution				(2,000)	(2,000)
	252	750	(250)	(2,000)	(1,248)
<u>Savings</u>					
Efficiency savings	(1,176)	(2,384)	(1,300)	(1,257)	(6,117)
Change		(1,000)	(1,000)	(1,000)	(3,000)
<u>Education</u>					
Education block to fund gap	(5,900)				(5,900)
Passporting plus	600				600
Shortfall at 2.5% tax increase and before investments	6,857	2,933	1,235	1,864	12,889
<u>Investments</u>					
Investments (see separate sheet)	3,151	1,858	(40)	(150)	4,819
NRF contribution thereto	(350)	(350)			(700)
People development plan	150	100			250
Investment fund		4,000			4,000
Council tax increase	(9,853)	(9,731)	(489)	(502)	(20,575)
Position as at 14 January	(45)	(1,190)	706	1,212	683
Amendment to council tax increase	274	40	8	8	330
Reserves adjustment	(229)	229			0
Position as at 3 February	0	(921)	714	1,220	1,013

Proposed efficiency savings 2003/04 - 2006/07									
Proposed Efficiency Saving	Impact on Performance	03/04	04/05	05/06	06/07	TOTAL	Staff	Posts	
		£'000	£'000	£'000	£'000	£'000	Affected	Affected	
Reduction in internal home care	The in-house service is beginning to focus more on short term, rehabilitative work. This should reduce the need for a long term, "maintenance" service for some people. It should be possible to achieve savings in future years through this approach.	150	150	100	100	500	0	12	
Reduction in Commissioning budget	£200,000 will be taken out of this budget as a result of last year's budget setting. Improved management of the allocation of care packages indicates that further savings are possible. The risks to achieving savings arise from: (a) the retendering of home care contracts with the independent sector which are likely to result in higher prices in 2002/3 (b) the need to increase fees to independent sector residential and nursing homes (c) the impact of acute hospitals charging Social Services for delayed discharges (see proposed investments)		200	20	40	410	0	0	
Savings from implementation of residential strategy	Savings difficult to estimate. Dependent on how strategy rolls out and extent that intermediate care reduces long stay residential demand	0	50	200	200	450	0	0	
Older People Total		350	350	320	340	1,360	0	12	
Learning Disabilities Service:									
Transfer of support of group homes to Sanctuary Housing	This project is being progressed and will achieve the proposed savings		60			60	2	2	
Increased use of supported living arrangements	In progress	70				70	0	0	

Proposed Efficiency Saving	Impact on Performance	03/04		04/05		05/06		06/07		TOTAL		Posts	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Affected	Affected	Affected
Mental Health Service:													
Reduce commissioning budget via use of supported housing	Nil		125							125		0	0
Increased integration of mental health care	Nil			60						60		2	2
Physical Disabilities & Substance Misuse Services:													
Reduce HIV/AIDS care managers	Reflects move to combination drug therapies		28							28		1	1
Withdraw out-borough day service placements and re-provide at the Winkfield Resource Centre	Nil	32								32			
Reduce commissioning budget via application of Supporting People grant and Direct Payments	Nil							125		125			
Adults Total		102	213	60	125	60	125	500		5		5	5
No reduction													
Children's Total		0	0	0	0	0	0	0		0			
Youth offending team													
	Proposal is dependent on 1 x additional Probation Officer being gained which will then allow 1 x Social worker post to be saved	15	16	10	9			50				1	1
Social Services Total		467	579	390	474	390	474	1,910		6		6	18

Proposed Efficiency Saving	Impact on Performance	03/04		04/05		05/06		06/07		TOTAL		Staff		Posts	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Affected	Affected	Affected	Affected		
Leisure Transfer	Service externalisation	300	200	0	0	0	500								
	Contingency	(200)					(200)								
Parks transport costs	None	30	0	0	0	0	30								
Recreation business support	None	25	0	0	0	0	25								
Recreation Total		155	200	0	0	0	355								
Road Safety Education	Duties to be gradually absorbed by mainstream highways staff	0	0	56	0	56	56					0	0	2	2
Streetscene Total		0	0	56	0	56	56					0	0	2	2
Increased income from increased productivity:	Reduces the overall resources available for Planning and Enforcement this is addressed in section 8														
Pest Control		15	18	10	10	10	53								
Licensing		10	15	10	10	10	45								
Building Control		20	20	10	10	10	60								
Devpt Control		20	15	10	10	10	55								
Sub-Total		65	68	40	40	40	213								
Increased income from increased fees (excl. inflation):	Reduces the overall resources available for Planning and Enforcement this is addressed in section 8														
Pest Control		18	15	11	11	11	55								
Licensing		20	15	10	10	10	55								
Mortuary		10	5	5	5	5	25								
Building Control		0	10	10	10	10	30								
Sub-Total		48	45	36	36	36	165								
PECS TOTAL		113	113	76	76	76	378								
Through restructure and review of staff costs allocated to projects	None	21	0	0	0	0	21					2	2	Regen Posts	
Continued review to ensure external funds are maximised in charging staff time and costs	None	0	20	13	13	13	46					0	0		
Neighbourhoods Total		21	20	13	13	13	67					2	2		0
Environment Total		289	333	145	89	89	856					2	2		2

Proposed Efficiency Saving	Impact on Performance	03/04		04/05		05/06		06/07		TOTAL		Staff		Posts	
		£'000	(already taken)	£'000	£'000	£'000	£'000	£'000	£'000	Affected	Affected	Affected	Affected	Affected	Affected
Efficiency gains delivered by operational re-structure (incl. local admin)	Nil		(already taken)	111	0	0	0	111	0	0	111	200	200	3	
Efficiency gains from multi-skilling initiative	Nil		(already taken)	148	150	75	373				373	200	200	11	
Efficiency gains from integration of Supervisor/Technical Officer functions	Nil	46		46	46	46	184				184	50	50	6 (1.5FTE pa)	
Technical Total		46		305	196	121	668				668	450	450	20	
Employment of experienced part time solicitor to assist with homeless legal challenges.	Full impact still being assessed, but is expected to reduce costs of legal challenges and reduce litigation risks to the Council.	40		0	0	0	40				40	0	0	0	
Housing Strategy Total		40		0	0	0	40				40	0	0	0	
Housing Totals		86		305	196	121	708				708	450	450	20	
Processing changes arising from SAP & reallocation of tasks within the business unit	Nil	64		30	0	24	118				118	4	4	4	
Charging for receivership work	Nil	8		0	0	0	8				8	0	0	0	
Devpt of business with Risk Mgt & Ins.	Nil	0		0	0	7	7				7	0	0	0	
Improved interest returns on investments in light of additional investment vehicles available following the relaxation of the defined investment regulations.	Nil														
Merger of Plg Shop & Cashiers less pre-agreed	Improved service & cover	25		25	0	0	50				50	0	0	0	
		0		25	75	0	100				100	2	2	2	
		(116)		0	0	0	(116)				(116)	(3)	(3)	(3)	
Corporate Finance Total		(19)		80	75	31	167				167	3	3	3	

Proposed Efficiency Saving	Impact on Performance	03/04	04/05	05/06	06/07	TOTAL	Staff	Posts
		£'000	£'000	£'000	£'000	£'000	Affected	Affected
Income generated from tax credit etc.	No impact on performance - part set-up costs to be incorporated into ongoing running costs.	35	25	5	0	65	0	0
Reduce furniture budget	No impact	10	5	5	0	20	0	0
Reduce fraud staff	No impact	0	12	0	0	12	0	1
Reduce staff overpayments	No impact as new system and processes will realise savings.	0	19	19	0	38	0	2
Reduce scanning staff	No impact as savings realised through merged efficiencies	5	20	15	15	55	0	2
Reduce appeals staff	No impact	0	6	10	15	31	0	2
Max subsidy	No impact	20	20	20	30	90	0	0
Reduce Inspection staff	No impact as savings realised through merged efficiencies	0	0	10	0	10	0	1
Reduce Finance staff	No impact as savings realised through merged efficiencies	0	0	0	9	9	0	1
Reduce Liaison staff	No impact	0	30	0	0	30	0	1
E-gov	No impact	0	18	36	50	104	0	0
Benefits & L Taxation Total		70	155	120	119	464	0	8
Purchasing savings rephased (Table 5)	None	100	250	0	0	350		
Re-alignment of structure against role of CPU as determined in phase two review	None	0	32	24	0	56	2	2
Preagreed savings		(429)				(429)		
Procurement Total		(329)	282	24	0	(23)	2	2
Finance Total		(278)	517	219	150	608	5	13
Contract - reduction in charges under new infrastructure contract	n/a	450	250	0	0	700	0	0
Payroll Rebus contract expires	n/a	0	0	53	53	105	0	0
Oracle Licences end of contractual obligation	n/a	0	0	75	75	150	0	0
Orange rental charge reductions (Council wide impact)		0	50	0	0	50	0	0
BT - An independent audit (Maria) of BT bills highlighting mis-charging.		0	80	0	0	80	0	0
Managed Services contract for Revenues and Benefits		0	0	50	0	50	2	2
Staff reductions	TBA	0	0	0	65	65	TBA	TBA
CITS Total!		450	380	178	193	1,200	2	2

Proposed Efficiency Saving	Impact on Performance	03/04		04/05		05/06		06/07		TOTAL		Posts	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Affected	Affected	
Increased hire charges for Moselle Room	None anticipated	5								5			
Increased income from leased premises	None anticipated	25								25			
Reduction in temperature & tighter management of usage for gas/electricity in corporate buildings	Potential for complaints on effect on staff comfort	10								10			
Reduction in water usage	None anticipated	5								5			
Backlog of commercial rents		5	10	10	10	0	0	0	0	25			
NINDR Rate reductions (following successful appeals)	None anticipated	40	40	20	20	20	20	20	20	120			
Increase rental income from Commercial portfolio	None anticipated	20	20	10	10	10	10	10	10	60			
Decrease bad debt provision	None anticipated	15	0	0	0	0	0	0	0	15			
Reduction in building expenditure @ Technopark	None anticipated	10	10	10	5	5	0	0	0	25			
Increased rental income from Community Building portfolio	Possible reaction from VO occupiers	10	10	10	0	0	0	0	0	20			
Decrease expenditure on maintenance of Community Buildings	Possible reaction from VO occupiers	5	10	0	0	0	0	0	0	15			
Lease expiry on 72 Lawrence Road	Possible dilaps claim to be funded from rent savings	0	0	0	70	70	70	70	70	140			
Lease expiry on 87 Muswell Hill Broadway	Possible dilaps claim to be funded from rent savings	0	0	0	45	45	45	45	45	90			
Lease expiry 404 High Road N7	Possible dilaps claim to be funded from rent savings	0	15	0	0	0	0	0	0	15			
Property Total		150	115	160	145	145	145	145	145	570			

Proposed Efficiency Saving	Impact on Performance	03/04		04/05		05/06		06/07		TOTAL		Posts	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Affected	Affected
Combined effect of partnering arrangement and legal restructuring enabling some work presently carried out by the private sector to be carried out in house presents the potential for savings to be made from clients' budgets in 2004/5.		14	17	19	19	69	0	0					
Increase in paper based search fees over and above inflation.	Projected 2003/4 search fee of £177 compared with 2001/2 of £155 will still leave Council in 8th position among London Boroughs without taking into account increases that they are likely to apply for 2003/4. Must be recognised that this is a volatile income budget.	58	54	29	29	170	0	0					
Total Legal		72	71	48	48	239	0	0					
		None											
Customer Services Total		0	0	0	0	0	0	0					0
Support Services Total		672	566	386	386	2,009	386	2,009	2	2			2
Passport savings targets through to the voluntary sector. Given a 16% budget reduction in two years on top of a standstill budget for 6 years it will not be possible to achieve the full saving. Therefore propose 1.5% in 04/05 and 1% in each of the following years. Requires one-off £100k to finance review in 2003/4	Will reduce service role of the voluntary sector and impact on the council's relationship. It will reduce the number of organisations we are in a position to support.	(100)	142	27	27	96							
Reduce match funding for employ't projects within Econ Regen	As all funding goes to external groups it could be seen as a further reduction in external grants. It will reduce the ability of groups to match funding such as European funding. It will reduce the council's leadership role in employment work. The cuts have to be phased in to reflect his budget is subject to commitments externally that we have to meet in earlier years.	0	69	44	43	156							? All external
Strategy Total		(100)	211	71	70	252	0	252	0	0			0
		None											
Communication Total		0	0	0	0	0	0	0					0

Proposed Efficiency Saving	Impact on Performance	03/04		04/05		05/06		06/07		TOTAL		Posts	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Affected	Affected	
Restructure of harassment policy and casework.	Equalities Unit will be able to focus on policy development in harassment, whilst the casework function will be transferred to Housing.	16	16	0	0	0	0	0	0	32	2	2	2
Equalities Total		16	16	0	0	0	0	0	0	32	2	2	2
Reduction in projects budget	Reduced capacity to respond to deliver on CPA action plan and other service performance/corporate priorities as they arise	32	32	22	22					108	?	?	?
Reduction in OD & learning core prog	Leadership programme will reduce need for some courses on offer in this years Core Programme. Affects success of CPA action plan	23	0	0	0					23			
Integration of the training parts of the KTTF and Graduate schemes into the main Development and Learning programme.	Needs to flow from the KTTF review and be accompanied by a fresh approach to women/ bme management development.	5	0	0	0					5			
Printing – reduction in costs (current brochure will run for 2 years)	Less awareness of development opportunities	4	0	0	0					4			
Social Services Training Budget	Social services training support accounts for 45% of ODL budget. Saving achieved via reduced TSP grant bid and reduction in associated training management costs.	0	32	0	0					32			
Admin support in ODL team				2	2					4			
New Start	Will be unable to support current intake numbers	30	0	0	0					30			
Emergency Planning - reduce grant/spending	Less income & less training in this area	15	0	0	0					15			
H&S – offer savings by offsetting EP monies above	H&S resource is too little at present. This action would further divert this resource onto EP, an area where additional resource is not required.	5	0	0	0					5			
Occupational Health Review		18	0	0	0					18			
Reduction in Personnel budget resulting from greater efficiency of business processes		0	68	45	45					158			
Required to fund agreed restructuring		(96)								(96)			
OD Total		36	132	69	69					306	0	0	0

Proposed Efficiency Saving	Impact on Performance	03/04	04/05	05/06	06/07	TOTAL	Staff	Posts
		£'000	£'000	£'000	£'000	£'000	Affected	Affected
Reduce the "cover" rate and improve efficiency							4	4
Save counter staff by introducing TALIS Message and self-issue							3	3
Implement automated cataloguing and shelf ready stock delivery							1	1
Link material purchase system to SAP							1	1
Sub total		111	111	74	74	370	9	9
Savings required to secure base position		(111)	(111)	(74)	(74)	(370)		
Libraries Total		0	0	0	0	0	9	9
Delete half of one the Administrative Officer post in Representative Management	General administrative support to Members will be reduced by 50%	14	0	0	0	14	1	1
Members Services Total		14	0	0	0	14	1	1
Chief Executive's Total		(34)	359	140	139	604	12	12
Education - play service	Nil	20	30	20	20	90		
Education Total		20	30	20	20	90	0	0
GROSS GRAND TOTAL		1,222	2,689	1,496	1,378	6,785	465	55
Less:						0		
Technical services apply to rebalancing		46	305	196	121	668		
Amendments		46	305	196	121	668		
NET NEW SAVINGS		1,176	2,384	1,300	1,257	6,117		
						0		

Education Management Board

On

07 January 2003

Report title:	Budget Report 2003/04
Report of:	Directors of Finance and Education
Wards affected:	All
1. Purpose	
1.1	To set out the budget for the Education service for 2003/04 in light of the grant settlement.
2. Advice to Education Management Board	
2.1	That EMB recommend to the Executive that it agree:
	<ul style="list-style-type: none">• The proposed allocation of resources across the Education budget areas (schools block and non-schools block).• The ISB within the schools block• The savings and growth items set out in the report for the LEA• The 10% fee increase for Play Provision outlined in this report• The proposed Capital Programme for 2003/04
Report authorised by:	Andrew Travers Director of Finance
	Paul Roberts Director of Education

Contact officer: Justin Holliday

Gary Peile

Telephone: 0208 489 3129

0208 489 3806

3.1 Executive summary

3.1.1 This report sets out a proposed allocation of the budget for Education services following the grant settlement for 2003/04, which contained an increase in Formula Spending Share (FSS) of 3.0% for next year. Together with other funding changes, this is estimated to generate an overall shortfall of £5.9 million in education budgets. The report sets out proposed budget savings within the LEA.

3.2 Reasons for any change in policy or for new policy development

3.2.1 There are no policy changes recommended in this report. The financial planning process, by its nature, involves policy decisions and resource decisions to implement in principle policy decisions.

4. Access to information: Local Government (Access to Information) Act 1985

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

- Joint report of the Director of Finance and the Director of Education, to Education Management Board and Executive on 17th December 2002 – Financial Planning 2003/04 – 2006/07.

The settlement, accessible at <http://www.local.dtlr.gov.uk/finance/0304/grant.htm>

Education specific information accessible at <http://www.dfes.gov.uk/efsg/fundingreform.shtml>

For access to the background papers or any further information please contact Gary Peile on 0208 489 3806.

5 Introduction

5.1 The budget consultation with schools for 2002/03, the associated corporate financial planning reports for 2002/03 and the Pre Business Plan Review (PBPR) for 2003/04 set out the risk that 2003/04 would not be a good year for education funding in Haringey. The risk has materialised in the draft settlement issued on 5 December. The increase in the education FSS (Formula Spending Share, progeny of SSA) is 3%, although, after taking into account all changes in central government financial support that actual increase for schools, on a like for like basis, is 2.1%. This is a real terms reduction: the cost pressure overall is estimated at over 6% in the next financial year, a gap of 4% between funding available and cost pressures.

5.2 This report sets out:

- a summary of overall support from the Government and the potential impact for Haringey;
- an outline of the budget and cost pressure changes in:
 - ◇ the Schools Block, including the Individual Schools Budget (ISB) and the centrally held element
 - ◇ the Non-schools block centrally held
- savings options
- overall position on capital and a capital budget for 2003/4

5.3 The views of EMB are sought for onward transmission to the Council Executive.

6 Government Support

6.1 General Issues and Passporting

6.1.1 Members will recall that, after a four year methodology freeze, Government consulted on revisions to the mechanism for distributing support to local authorities. The draft settlement was received on 5 December.

6.1.2 The key change is that the concept of Council Tax at Standard Spending has been abolished, but is still implicit in the system. This has broken the link between FSS and expenditure. The methodology adopted for education is based on the old logic and DfES are still expecting authorities to passport.

6.1.3 Other major methodology changes are:

- the expected split of education into a Schools Block (which is both direct funding for schools and pupil related costs) and a Non-schools Block (Local Education Authority)

- amendments to the Area Cost Adjustment (ACA) methodology, and
 - the inclusion of population estimates based on 2001 census;
- 6.1.4 There is now a fundamental flaw in the new system in that it is half a hypothecated grant regime (Education) and half a grant allocation regime (the rest). This creates substantial tension within the system.
- 6.1.5 There are overall floors and ceilings based on changes in the level of external support (3.5% and 8% for education/social services authorities). Education has separate floors and ceilings based on support per pupil (3.2% and 7%). The overall floors and ceilings and those for Education are not linked, so more than the total increase in grant could be required for education passporting. Next year 11 London boroughs would be required to apply more than 90% of their grant increase to Education if they were to passport.
- 6.1.6 Haringey is likely to be in this position in 2004/05: the Council as a whole is likely to be at a floor increase, whereas the education increase may be substantially above both the education floor and the overall floor. If the Council were to passport, it is estimated that £7.6 million of the £8.1 million increase in grant (94%) will be required to fund the passport.
- 6.1.7 Current Council financial planning policy is that the whole of Education FSS is passported. The Secretary of State's new power to force authorities to passport is limited to the Schools Block. EMB members may be aware that other parts of the Council were obliged, as part of the PBPR process, to identify efficiency savings of 10% over 4 years. Given the poor settlement and the policy imperative to redirect resources towards priorities, a substantial proportion of the efficiency savings may need to be agreed. It may be difficult, in this context, to sustain a policy that protects the services that fall under the LEA block.
- 6.1.8 EMB is invited to express views on these potential developments to passporting policy.

6.2 Education FSS and Other Support

6.2.1 As widely predicted the education block has been substantially changed. The approach is more complex; there are two main blocks and seven sub-blocks. The Council's allocations are as follows:

	£'m	£'m	£m
Under 5s	16.605		
Primary	47.712		
Secondary	36.381		
High cost pupils	15.169		
Schools FSS	115.867	0.287	116.154
LEA central functions	12.698		
Youth and community	4.423		
Non Schools FSS	17.121	0.042	17.164
Education floor	0.330	-0.330	
Education FSS	133.318	0.000	133.318

6.2.2 This is an increase of 3% on the adjusted base for 2002/3. The trail from the 2002/03 SSA is shown in the following table:

	£'m	£'m
SSA 2002/03		128.522
Adjustments to base:		
Removal of St David & St Katharine (Grieg City Academy)	(3.255)	
Nursery Education Grant (NEG) conversion to SSA	0.961	
Class size grant conversion to SSA	0.434	
Teacher's pensions funding	2.777	
Revised base		129.439
Increase at 3%		3.879
Education FSS		133.318

6.2.3 It is worth noting that, as is traditional, the additions to base are less than the transferred commitments: the shortfall on NEG is £125k, on class size grant £98k and on teachers' pensions £109k (an aggregate shortfall of £332k).

6.2.4 EMB will have noted that the increase is 3% whereas the education floor, based on an increase per pupil, is 3.2%. This is because the pupil numbers in Haringey used by DfES show a marginal decrease. Officers are investigating and verifying the DfES data sources.

Learning and Skills Council

6.2.5 The LSC now funds post 16 education and the budget settlement for 2003/4 reflects this position. The funding base for 2003/4 provides for an additional 140 pupils (15% increase) in the post 16 age range which is reflected in an overall increase of 7.5% in the funding allocated.

Standards Fund

6.2.6 There have been a number of changes in allocations for Standards Fund grant, which will have an impact on Education services in addition to the general FSS settlement. A number of grants are time limited and due to end in 2002/03 – these total £1.75m. In addition, notification has been received of a number of grants that will be withdrawn in 2003/04 (£1.43m). These include grants for Social Inclusion, School Improvement and Teacher Retention. A large proportion of this money is devolved directly to schools.

6.2.7 There are a number of new Standards Fund grants in 2003/04. However, there is only one on which we can confirm the allocation to Haringey and that is the Leadership Incentive Grant of £1.250m, which is £125,000 per secondary school. For the other new grants, we do not yet know the amount allocated to Haringey. In some categories we know the national amount available (Targeted Improvement Grant, Vulnerable Children, Fast Track). In others, grants are subject to individual project bids and the total amount nationally has not been made known (Diversity Pathfinders, Extended Schools, Federations, Advanced Schools). It is likely that we will benefit from some of these new grants. It is very difficult to estimate the amounts at this time but, for this report, estimates are made and are indicated as such in the tables.

6.2.8 The net effect of the above changes is shown in the table below:

	Schools Block ISB	Schools Block Central	Non Schools Block	Total
	£m	£m	£m	£m
Grants withdrawn in 2003/04	1.171	0.261	0	1.432
Grants time limited to 2002/03	1.759	0	0	1.759
New Leadership Incentive grant	-1.250	0	0	-1.250
Estimate of other new SF grants	-0.275	-0.060	0	-0.335
Net Total	1.405	0.201	0	1.606

School Standard Grant (SSG).

- 6.2.9 School Standards Grant (SSG) is a specific grant that is available to every school. There are significant increases in the amount payable, on average 22%. Notwithstanding the fact that the increases will only be payable once satisfactory agreement is reached between 'unions and employers to a restructured teaching profession and a reformed school workforce,' it is assumed in this report that this extra resource will be available from 1 April 2003.

7 Changes and Variations

7.1 Establishing the Base Position

- 7.1.1 The following table summarises the main sources of Government funding for education in Haringey for 2003/4 and lays out comparison with the total of funding for 2002/3. It is important to look at this overall position as the FSS settlement is but one part of the overall position - which now must also take into account funding for post-16 provision in schools from the Learning and Skills Council, the Schools Standards Grant paid direct to schools and the Standards Fund.
- 7.1.2 What is important to note here is that the poor FSS settlement is ameliorated by the increase in Standards Grant and by the settlement from LSC but worsened by a reduction in the Standards Fund. The overall impact on Haringey schools is that of an increase in total Government funding of 2.1% - considerably less than the 3% FSS increase announced to Haringey schools in the letter to them from the Department for Education and Skills (attached as an appendix to this report) and the 5.9% national increase in schools funding.

Summary of Main Government External Funding	Schools Block ISB £'000	Schools Block Central £'000	Sub Total Schools Block £'000	Non-Schools Block - LEA £'000	Total £'000
<u>Formula Spending Share (previously SSA)</u>					
FSS 2003/04	99,333	16,821	116,154	17,164	133,318
SSA 2002/03 Adjusted Base	96,440	16,331	112,771	16,668	129,439
Increase in FSS on adjusted base	2,893	490	3,383	496	3,879
	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Learning Skills Council</u>					
LSC 2003/04	5,358	386	5,744	0	5,744
LSC 2002/03 Adjusted Base	4,983	361	5,344	0	5,344
Increase in LSC on adjusted base	375	25	400	0	400
	7.5%		7.5%		7.5%
<u>School Standards Grant</u>					
SSG 2003/04	3,270	0	3,270	0	3,270
SSG 2002/03 Adjusted Base	2,665	0	2,665	0	2,665
Increase in SSG on adjusted base	605	0	605	0	605
	22.7%		22.7%		22.7%
<u>Standards Fund (DfES grant only)</u>					
Standards Fund 2003/04	10,567	2,603	13,170	0	13,170
Standards Fund 2002/03 Adjusted Base	11,972	2,804	14,776	0	14,776
Reduction of Standards Fund on adjusted base	-1,405	-201	-1,606	0	-1,606
	-11.7%	-7.2%	-10.9%		-10.9%
<u>Total Main Govt. External Funding</u>					
2003/04	118,528	19,810	138,338	17,164	155,502
2002/03 Adjusted base	116,060	19,496	135,556	16,668	152,224
Total Increase in Funding	2,468	314	2,782	496	3,278
	2.1%	1.6%	2.1%	3.0%	2.2%

Note: In the above table the figure for Standards Fund 2003/4 includes best estimate of some Standards Fund grants yet to be confirmed. See Paragraph 6.2.7 of this report.

7.2 Impact on Schools

7.2.1 The following table summarises the impact of the settlement on Haringey schools:

Summary of Estimated Effect on Schools Block - ISB	Adjusted Base 2002/03 £'000	2003/04 £'000	Change £'000	%
<u>Core Funding</u>				
FSS	96,440	99,333	2,893	3.0%
LSC	4,983	5,358	375	7.5%
Sub-Total Core Funding	101,423	104,691	3,268	3.2%
<u>Estimated Cost Increases</u>				
Inflation			4,284	4.2%
Cost Pressures			1,442	1.4%
			5,727	5.6%
Estimated Core Funding Gap			2,459	2.4%
<u>Other Funding Sources</u>				
School Standards Grant	2,665	3,270	605	22.7%
Standards Fund – Total Spend	16,307	14,426	-1,881	-11.5%
Estimated Total Funding Gap			3,735	3.7%

7.2.2 Schools therefore face an estimated funding gap of some 3.7% for 2003/4 once the overall position involving FSS, LSC, Standards Grant and Standards Fund is established. Heads and Governors will need to take difficult decisions in order to set balanced budgets for the forthcoming year. For a primary school of 250 pupils experiencing no change in pupil numbers, the budget shortfall for 2003/4 will be in the order of £20,000. The impact in secondary schools will vary considerably depending on the level of Standards Fund Grant. Initial calculations suggest that this might range from £20,000 to £400,000.

7.2.3 In considering this position it is important to recognise that many schools have a budget surplus and a small number a budget deficit. Some of the surpluses have arisen through a planned build up to enable significant expenditure on a specific project. Careful work with schools on an individual basis will now be necessary to establish how schools will set balance budgets in this particularly difficult year. In

particular we will need to continue to work closely with those schools in deficit to ensure that they continue to move towards a balanced position.

- 7.2.4 The position for school budgets in 2003/4 inevitably raises the issue of longer term funding (particularly in the light of the new expectation to provide schools with three-year budgets). Clarity on longer term funding, for example through an early decision on passporting future FSS increases, would enable schools to make decisions in this difficult year in the light of potential increases in 2004/5 and beyond. This would go some way, for example, to reducing the potential for redundancies, which are more likely when this settlement is looked on a one-year basis. EMB will wish to give advice to Council Executive on this matter albeit baring in mind the overall difficult settlement for the Council.
- 7.2.5 This year's settlement does, therefore, raise the prospect of redundancy among school staff. It is impossible to judge how far this will become a reality until a detailed school by school analysis is undertaken. Education Services will work proactively with schools and the Trades Unions to avoid redundancies.

7.3 Impact on Education Services

- 7.3.1 The following table summarises the impact of the settlement on Haringey Education Services:

Summary of Core Funding Position	Schools Block ISB £'000	Schools Block Central £'000	Sub Total Schools Block £'000	Non- Schools Block – LEA £'000	Total £'000
Core Funding Increase					
- FSS	2,893	490	3,383	496	3,879
- LSC	375	25	400	0	400
	3,268	515	3,783	496	4,279
Estimated Cost Increases					
Inflation	4,284	1,001	5,286	579	5,865
Cost Pressures (see appendix B)	1,442	1,068	2,510	532	3,042
	5,727	2,069	7,796	1,111	8,907
Estimated Budget Gap	2,459	1,554	4,013	615	4,628
Savings Proposals					
LEA revised PBPR savings proposals (see appendix B)		-362	-362	-426	-788
Standards Fund - match funding saving		-1,081	-1,081	-241	-1,322
Standards Fund - loss of grant used centrally (net)		389	389		389
Standards Fund - match funding increase (2%)		100	100	52	152
	0	-954	-954	-615	-1,569
Revised Core Budget Gap	2,459	600	3,059	0	3,059
Council provide additional funding for SEN residential placements growth: 'Passporting Plus' to ensure schools receive full % from government		-600	-600		-600
Final Core Budget Gap	2,459	0	2,459	0	2,459

7.3.2 There is a particularly important proposal included in the above table referred to as "Passporting Plus". The pressure on the "Central" element of the Schools block is especially great as there is need to provide appropriately for the education element of Social Services commissioning of places for children out-borough. If that pressure is to be met then inroads would be made into the allocation for the school budgets element of the Schools block (It is unhelpful in the new DfES

arrangements that the so-called Schools block is not the same as the schools budgets - it does include a range of central expenditure, in particular relating to pupils with special educational need). The impact of that would be to reduce below 3% the increase that could be made in school budgets. It is therefore anticipated in a report to tonight's Leader's Conference that EMB would "request that the Council identifies additional resources over and above the passported sum, such that the headline increase (ie3%) can be delivered."

7.3.3 The other important point to bring to the attention of EMB is that this settlement requires Education Services to revisit its PBPR exercise and to present revised and extended proposals for reduction in service budgets. The full list of cost pressures and proposed reductions and growth items is attached as Appendix B.

8 Future Years

8.1 For the first time this year the DfES has given indication of the budget settlement over a 3-year period. This planning period provides an opportunity for the department to look at the overall financial position and provide EMB and the Executive with a possible financial strategy covering the next 3 years. This will include, for the LEA central block, proposals to meet the corporate 2.5% annual saving to enable the Council to consider resource distribution.

8.2 The DfES indicative increases for Education Formula Spending 2003/04 to 2005/06 on a like for like basis are:

2003-04 to 2004-05	5.5%
2004-05 to 2005-06	5.8%

The figures were provided to assist LEAs in forecasting their budgets over this period so that they can prepare three year indicative budgets for schools. The figures use national totals and therefore the actual settlements will depend upon how local changes in the underlying data compare with national changes.

9 Next Steps

9.1 The timetable for the rest of the budget setting process is:

Date	By whom	Activity
6 January	Informal Executive	To consider budget options and propose a budget package
7 January	EMB	To consider budget options for recommendation to the Executive
7 January	Leader's Conference	To consider budget options and propose a budget package

Date	By whom	Activity
14 January	Formal Executive	To agree a budget package for proposal to Council
31 January	Director of Finance	Confirm Schools Budget to DfES
3 February	Council	To agree the Council's budget
17 February	Council	To set the Council Tax
28 February	Director of Education	Distribute school budget shares for 2003/04 with further two year projections

10 Play Service

- 10.1 The play service is the one area of the education budget that is outside the FSS arrangements and, accordingly, the department is required to prepare budget reductions in line with the corporate guidelines.
- 10.2 The target reduction for the Play Service is £175,000 (being the saving needed to bring the budget into balance and the saving required in 2003/4). Consideration has been given to how this saving could be made. For example, savings of £175,000 could be made through the closure of five centres. However, there would be redundancy costs from this action and it is thought unlikely that closures could be achieved in a timescale to enable the sum to be saved in 2003/4
- 10.3 An alternative is recommended which is in line with Central Government strategy on Extended Schools and Children's Centres, and Haringey's Neighbourhood Renewal Strategy. Extended schools provide a range of services to meet the needs of pupils, their families and the wider community. Children's Centres cater for pre-school children, providing integrated education, childcare, health and family support services. The Government is promoting the benefits of Extended Schools, especially for neighbourhood renewal areas, and intends each of the country's 20% most deprived wards to have a Children's Centre by March 2010, with 50% of them having one by March 2006.
- 10.4 The Education Act 2002 gives a clear, legal base for governing bodies to provide and charge for such services and a number of Haringey schools are already delivering the types of services run by the Youth and Play Service, particularly after-school clubs. Some primary schools, affected by a falling demand for part-time nursery places, are considering creating full-time places by combining a free part-time place, as per the Haringey entitlement, with a paying childcare place as allowed under new legislation. In some cases, these will be combined with pre- and after-school provision.

- 10.5 The Government is also providing incentives to encourage schools to remodel their staffing structures through better deployment of existing support staff and recruitment of additional numbers. Staff could be employed by schools to work both in the school day, supporting delivery of the core curriculum, and within extended provision. Posts becoming available in schools are already attracting play staff.
- 10.6 Capital expenditure on schools is set to increase significantly over the next three years. The Government expects schools and the LEA to treat the requirements of Extended School models and remodelled workforces as priorities in determining how funds are allocated. The funds available for schools far outstrip what can be made available to maintain play centres.
- 10.7 In order to meet this agenda (and to find an alternative to closures to meet the budget pressure) it is proposed that there be a phased move of play and childcare provision to schools over the next two years. Delivering play/childcare provision through schools would mean delegating staffing, transport, consumables and equipment costs with premises running costs being covered by schools. If all provision could be re-located, savings of £186,000 could be achieved in a full year. However, the current estimate, based on interest expressed by schools and the potential of developing that interest, is that about 14 centres could be re-located over 2-3 years, achieving savings of approximately £120,000.
- 10.8 In order to meet the base budget requirement for 2003/4, it is proposed that fees be increased by 10% with effect from April 2003. This would realise £63,000 (taking into account some reduction in usage that would come with such an increase.)
- 10.9 In order to ensure that the budget for the Play Service can be secured in 2003/4, further work is being conducted into the following:
- the feasibility of schools, or alternative providers, being able to deliver
 - the impact of moving staff to school management
 - any other potential increases in income e.g. external grant

It is envisaged that a further detailed report will be prepared for the next meeting of the Board on this issue.

11. Capital Budget 2003/4 and Beyond

- 11.1 In addition to the settlement on revenue, the department has also received notification of the capital allocations for 2003/4 and provisional indicators for future years. As a result of bids made for basic need in the secondary sector (together with the commitments from approvals in previous years), Haringey has received a

substantial increase in Basic Credit Approval (BCA). In addition further allocations for condition and suitability works in schools will provide for works to be carried out in line with priorities from condition and suitability surveys. The allocations for 2003/4, as currently notified, are as follows:

	£'000
Basic Need (including commitments)	12,605
Modernisation	923
Condition	1,657
Seed Challenge	279
Devolved to schools	2,091
Schools Access	345
Expansion of Popular schools	151
Total	18,051

11.2 The above table relates to school related capital expenditure. The department has also been informed of other capital allocations (notably for ICT in schools, Early Years and Sure Start) that increase the overall sum available for 2003/4 to over £25 million. Appendix C to this report sets out a planned capital programme for next year (and a preliminary programme for 2004/5) in the light of this resource allocation. It is intended to provide more detail on this programme at the next meeting of EMB once further consideration is given to needs at individual school level.

To: All Headteachers

5th December 2002

Dear Colleague

NEW FUNDING SYSTEM FOR LOCAL EDUCATION AUTHORITIES

The Government today announced details of the new system of local authority funding. I wanted to ensure that the effects on education were properly set out for you. The system we announced today is the result of careful consideration of the many responses to the consultation document issued in July. We have decided not to adopt in full any of the options we set out in the consultation document, but have responded to many of the points made during the consultation process.

Reform of the current education funding system was badly needed: it was out of date; it was complicated and hard to explain; it did not reflect the division of responsibilities between schools and LEAs; and it was widely seen as unfair, because it was based on spending patterns from 1991.

Our aim in the new system is to ensure that similar pupils in different parts of the country attract similar amounts of funding. We intend funding to be matched to the separate responsibilities of schools and LEAs and to be more fairly distributed between LEAs. So the new system consists of a basic amount per pupil – which is the same everywhere - with top ups for pupils with additional educational needs (again the same per pupil everywhere), and for areas with high costs for salaries, recruitment and retention.

The main decisions we have made about the new system are set out below.

- We have struck a balance between funding for the deprivation top up and for the basic amount, by opting to cover half of current unmet additional educational needs
- We will use data on the Working Families' Tax Credit alongside that on Income Support, to reflect the needs of children in poverty. The needs of children with English as an additional language and those from low achieving ethnic groups will also be recognised.

- We have refined the current system for Area Costs: the number of authorities receiving an adjustment will increase, and the existing boundaries will change to reflect more closely the evidence on wage rates. This funding is for authorities to deal with recruitment and retention issues.
- The needs of sparsely populated authorities are reflected through an increase in the overall funding that is allocated to them to meet their high transport costs, and to cover the costs of rural primary schools.
- All LEAs will see an increase of at least 3.2% per pupil for next year, with further increases in the following two years. In order to pay for this we are phasing in gains through a maximum increase of 7% per pupil.

The increase for each local education authority, on a per pupil basis and also in cash (which reflects the per pupil increase and the change in the number of pupils) is set out in the table attached to this letter.

We are taking steps to ensure this extra funding gets through to your schools. LEAs will have to send all their schools an account of schools funding each year showing whether they have passed on increases in Government funding. We also have a power to set a minimum level of budget for an LEA's schools where we think an LEA has set an inadequate budget.

We want to ensure that the distribution of the schools budget by LEAs is fairer too: Fair Funding formulae often do not take enough account of the needs of deprived children – that can be a significant cause of the differences in funding between similar schools in neighbouring authorities. We have issued guidance to LEAs about their use of deprivation funding to help ensure similar pupils in different parts of the country receive similar support.

In addition to the increase in general funding, schools will continue to benefit from increases in the School Standards Grant, which will be available once we have concluded an agreement on reform of the school workforce with national partners. Alongside this, we will continue to provide grant funding as in previous years through the Standards Fund for priority programmes to support improvements in standards.

I believe the new system is a substantial step forward from the old: it is evidence based, not backward looking; it reflects LEAs' and schools separate responsibilities; it uses up to date data, that is relevant to the current needs of children; and it is simpler than the old system. We promised a fairer, simpler system, with rising budgets across the country, and I believe this has been delivered.

I hope this is helpful.

DAVID MILIBAND

D, 17 d 24

	Per pupil Increase	Cash Increase
Barking and Dagenham	3.2%	6.3%
Barnet	7.0%	7.6%
Barnsley	6.2%	6.7%
Bath & North East Somerset	5.8%	8.3%
Bedfordshire	3.2%	5.9%
Bexley	3.2%	3.4%
Birmingham	7.0%	7.6%
Blackburn	7.0%	7.4%
Blackpool	4.9%	6.3%
Bolton	7.0%	6.5%
Bournemouth	3.2%	3.7%
Bracknell Forest	5.3%	6.1%
Bradford	7.0%	6.2%
Brent	5.5%	5.5%
Brighton and Hove	3.2%	3.7%
Bromley	3.2%	5.8%
Buckinghamshire	3.2%	6.4%
Bury	6.6%	8.3%
Calderdale	6.2%	6.8%
Cambridgeshire	7.0%	10.1%
Camden	3.6%	3.7%
Cheshire	5.6%	7.3%
City of Bristol	7.0%	6.8%
City of Kingston-upon-Hull	6.4%	4.7%
City of London	7.0%	-4.0%
Cornwall	4.5%	6.5%
Coventry	7.0%	6.5%
Croydon	3.2%	4.9%
Cumbria	7.0%	7.5%
Darlington	7.0%	8.1%
Derby	6.1%	6.9%
Derbyshire	7.0%	7.6%
Devon	4.7%	7.2%
Doncaster	6.9%	6.8%
Dorset	3.2%	6.8%
Dudley	7.0%	7.7%
Durham	6.4%	6.3%
Ealing	7.0%	8.2%
East Riding of Yorkshire	4.9%	7.7%
East Sussex	3.2%	6.5%
Enfield	3.2%	4.8%
Essex	3.2%	6.9%
Gateshead	6.7%	5.6%
Gloucestershire	5.0%	6.7%
Greenwich	7.0%	7.4%
Hackney	7.0%	7.3%
Halton	5.1%	3.8%
Hammersmith and Fulham	3.2%	3.3%
Hampshire	3.2%	5.9%
Haringey	3.2%	3.0%
Harrow	7.0%	8.9%

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	Per Pupil Increase	Cash Increase
Hartlepool	7.0%	6.5%
Havering	3.2%	3.8%
Herefordshire	5.3%	7.9%
Hertfordshire	3.2%	5.1%
Hillingdon	6.5%	9.6%
Hounslow	7.0%	7.4%
Isle of Wight Council	3.2%	4.8%
Isles of Scilly	7.0%	6.6%
Islington	6.9%	7.5%
Kensington and Chelsea	3.2%	6.9%
Kent	3.2%	6.6%
Kingston upon Thames	6.3%	8.1%
Kirklees	7.0%	8.1%
Knowsley	5.0%	3.1%
Lambeth	4.1%	7.1%
Lancashire	4.5%	4.7%
Leeds	7.0%	6.2%
Leicester	6.9%	7.4%
Leicestershire	3.2%	6.6%
Lewisham	6.9%	7.1%
Lincolnshire	4.3%	7.7%
Liverpool	5.3%	3.7%
Luton	5.5%	7.0%
Manchester	7.0%	6.1%
Medway	3.2%	3.6%
Merton	7.0%	7.5%
Middlesbrough	7.0%	4.6%
Milton Keynes	3.4%	8.4%
Newcastle upon Tyne	6.0%	5.7%
Newham	6.5%	8.4%
Norfolk	3.2%	5.6%
North East Lincolnshire	4.0%	4.1%
North Lincolnshire	4.7%	5.5%
North Somerset	3.5%	7.0%
North Tyneside	7.0%	6.9%
North Yorkshire	6.9%	7.4%
Northamptonshire	6.6%	9.3%
Northumberland	7.0%	7.2%
Nottingham City	7.0%	5.3%
Nottinghamshire	5.3%	6.4%
Oldham	7.0%	6.5%
Oxfordshire	3.2%	6.4%
Peterborough	7.0%	8.5%
Plymouth	3.2%	2.9%
Poole	4.3%	4.4%
Portsmouth	3.2%	2.8%
Reading	7.0%	7.8%
Redbridge	3.7%	5.6%
Redcar and Cleveland	6.5%	5.2%
Richmond upon Thames	3.2%	6.9%
Rochdale	7.0%	6.8%

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	Per Pupil Increase	Cash Increase
Rotherham	6.9%	8.2%
Rutland	7.0%	8.3%
Salford	7.0%	5.6%
Sandwell	7.0%	7.2%
Sefton	6.6%	5.9%
Sheffield	6.9%	7.2%
Shropshire	4.4%	7.3%
Slough	3.2%	5.9%
Solihull	6.4%	6.2%
Somerset	3.2%	6.5%
South Gloucestershire	5.5%	9.9%
South Tyneside	5.6%	3.8%
Southampton	3.2%	2.6%
Southend	3.2%	5.4%
Southwark	7.0%	8.1%
St Helens	7.0%	6.7%
Staffordshire	5.1%	7.2%
Stockport	6.0%	7.1%
Stockton-on-Tees	5.9%	5.0%
Stoke on Trent	7.0%	6.2%
Suffolk	3.5%	6.8%
Sunderland	7.0%	5.6%
Surrey	3.5%	6.2%
Sutton	3.2%	6.6%
Swindon	5.5%	7.1%
Tameside	7.0%	6.5%
The Wrekin	4.3%	6.0%
Thurrock	3.2%	5.9%
Torbay	4.4%	5.3%
Tower Hamlets	7.0%	6.7%
Trafford	6.1%	6.0%
Wakefield	7.0%	7.0%
Walsall	7.0%	6.7%
Waltham Forest	3.2%	4.0%
Wandsworth	7.0%	8.0%
Warrington	6.2%	6.5%
Warwickshire	7.0%	9.2%
West Berkshire	7.0%	10.0%
West Sussex	3.2%	6.4%
Westminster	7.0%	9.4%
Wigan	7.0%	6.8%
Wiltshire	5.1%	9.1%
Windsor & Maidenhead	3.2%	5.3%
Wirral	4.6%	4.2%
Wokingham	7.0%	10.3%
Wolverhampton	7.0%	7.0%
Worcestershire	4.2%	6.1%
York	4.8%	4.3%
England	5.2%	6.5%

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PBPR - EDUCATION SERVICES - REVISED SAVINGS AND CHANGES TO GROWTH 2003/04			
	Schools Block - Central £'000	Non-Schools Block - LEA £'000	Comments
A. SAVINGS PROPOSALS			
GENERAL			
1	75	0	It is anticipated that the new transport contracts and the operation of the Passenger Transport Unit will provide savings compared to the current budget. It has been concluded that a figure of £75,000 would not be unreasonable to meet in 2003/4, taking into account current and projected service needs.
2	152	268	A £420,000 overspend in 2001/02, was carried forward to 2002/03 to be funded from within the cash limit at SSA level. This will not be needed in 2003/04 and is being used to provide support to the overall budget in the light of the shortfall in resources.
	Sub-Total	227	268
REGENERATION, COMMUNITY AND LIFELONG LEARNING			
3		56	Additional funding from Adult Learning Services for 2 specific posts
4		20	The service has had a post vacant for some time and it is considered, in the light of the resource needs, that this should now be deleted. This is not expected to have a significant impact on service delivery.
5		10	Current use is inefficient.
6	30		Increase of 10% in Under 5s centres. To be in place by end July and supported with stronger promotion of Tax Credits.
7	17		The Centres are not always at 100% occupancy. Each centre will allocate one additional full fee paying place to absorb the cost of idle places.
	Sub-Total	47	86
SCHOOL IMPROVEMENT AND INCLUSION SERVICES			
8	45		Reviews will be completed in terms of the administrative support for the SIISS both at the PDC and at 48 Station Road. It is expected that this review will yield some efficiency savings and a target of £45,000 would have to be set.
9	43		Additional income via the Standards Fund has been identified to meet some of the the premises adaptations work at the PDC. It has been concluded that some of this income now needs to meet part of the costs of the Centre - it is anticipated that the current works being undertaken to the roof of the PDC will mean that the internal fabric of the building will be easier to maintain and will reduce the impact of the reduction in the use of the funds for maintenance.
	Sub-Total	88	0
PLANNING & RESOURCES AND STRATEGIC MANAGEMENT			
10		0	On the absorption of the general office into the property and contracts service, we could seek a reduction of one post. This could save £20,000 but would require far greater involvement of a member of staff in the property team in the running of the general office and may reduce the potential for a more coherent approach to the reception and post services (where the current arrangements between admissions and the general office are desperately in need of upgrade).
12		0	Savings are limited in property and contracts (the service already has to find around £200,000 from capital and £110,000 from income from schools). However it should be possible, given the level of capital funding in the coming two years, to reduce the budget for repairs and maintenance that the service holds in revenue by £20,000. This would mean minor repairs having to be met from other budgets held be 20 services.

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PBPR - EDUCATION SERVICES - REVISED SAVINGS AND CHANGES TO GROWTH 2003/04

	Schools Block - Central	Non-Schools Block - LEA	Comments
	£'000	£'000	
13 Increased income at Pendarren	0	10	The centre currently has a net budget of £362,000, with substantial reductions in fees to pupils from low income families. In terms of health & safety, we could not reduce the staff levels of the centre, therefore the income target is the only realistic way of reducing the net cost. It would certainly seem possible to increase the target by £10,000 in 2003/4 (both through increased income from pupils & by increasing fees for out of term use).
15 Capitalise P&C salaries	0	22	Given the size of the capital programme in 2003/4 and 2004/5, it is likely that senior management in the property and contracts service will be heavily involved in delivery. Therefore it is intended to increase the charge to capital for the team by £22,000
Sub-Total	0	72	
Grand Total	362	426	
		788	
B. COST PRESSURES			
(As described in the PBPR)			
School Improvement Service		50	
Autism Support	18		
PRU Full time	170		
PRU Full time additional full year costs	40		
Nursery Education Grant - funding shortfall	125		
Translation and Interpretation	20		
Increase in Corporate Personnel CRB checks management	30	40	
Recruitment Strategy Manager post funding		34	
Child Protection		50	
SIS - Strategy managers - loss of funding		113	
Health & safety re School Visits		35	
Admissions	30		

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PBPR - EDUCATION SERVICES - REVISED SAVINGS AND CHANGES TO GROWTH 2003/04

	Schools Block - Central £'000	Non-Schools Block - LEA £'000	Comments
Placements increase in numbers	500		
Placements inflation over 2.5%	105		
Increase in costs of pupils with statements (therapy)	20		
Effect of catering partnership		40	
Costs of Schools Forum	10		
Indexing cost of Capita contract		170	
Total	1,068	532	
		1,600	

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EDUCATION SERVICES - Draft Capital Programme 2003/4		Appendix C	
		2003/4	2004/5
		£'000	£'000
		Planned	Provisional
Devolved Capital		2370 ✓	
Planned Maintenance		1000 ✓	
Repairs and Maintenance		500 ✓	500
NDS Condition		1657 ✓	
NDS Modernisation		923 ✓	
TCF (2002/3)		750	
Alexandra Park Secondary Planned Expansion		4419 ✓	3581
PFI costs		600 ✓	
Primary Planned Expansion		2000 ✓	
Primary School Amalgamations		500 ✓	500
Primary and Secondary Security		400 ✓	400
Primary School Condition works from 2002/3		1316 ✓	
Access Initiative		345 ✓	
National Grid for Learning		1350 ✓	
Technical Support		231 ✓	231
Committed Primary Expansion (2002/3)		900 ✓	
Targetted Capital Fund Bid Contribution (2003/4)		500	
Learning and Skills Council Bid Programme contribution (Adult Learning Centre)		100	
Neighbourhood Nurseries initiative		1051	
East Haringey Post 16 feasibility Study		40	
Sure Start (Allocation is for a number of financial years)		3921 ✓	
Broadwater Farm SRB5		250 ✓	
NOF PE and Sports		1000	2775
To be allocated			5256
	Total	26123	13243
Summary of Resources			
BCA		6872	
SCA		7152	10468
Grant		5027	2775
TCF		750	
PFI income		200	
Carry forward from 2002/3		900	
Neighbourhood Nurseries initiative		1051	
SRB5		250	
Sure Start (Allocation is for a number of financial years)		3921	
	Total	26123	13243
NOTES			
We anticipate further allocations for devolved capital and NDS for 2004/5			
The unallocated resource for 2004/5 is dependant on results of feasibility studies			
The bids have been made for schemes under the targeted capital fund totalling around £5m			
results from this will be included in a future report			
The allocation from NOF for PE and Sports has been shown at an indicative allocation for the time being - the actual year on year spend is subject to individual scheme approval			

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Executive*On* 14 January 2003

Report title:	HRA budget proposals 2002/03	
Report of:	Directors of Housing and Finance	
Wards affected:	All	
1. Purpose		
1.1	To propose a HRA budget.	
2. Recommendations		
2.1	To agree the changes and variations set out in the report.	
2.2	To agree the investment, cost reduction and income generation proposals.	
2.3	To note that the consultation process is still on-going.	
2.4	To note the budget is not balanced over the planning period and that work is required in the coming period to address this.	
2.5	To commend, subject to feedback from the consultation, the HRA budget to Council.	
Report authorised by:	Stephen Clarke Director of Housing	Andrew Travers Director of Finance
Contact officer:	Jackie Thomas	Justin Holliday
Telephone:	0208 489 5912	0208 489 3129

3. Changes in policy:

The report includes proposals to

- suspend the cyclical internal decorations programme pending consideration of the use of other funding options (Supporting People) and the development of a more targeted approach;
- implement rent restructuring and the unpolling of service charges as agreed, as a basis for consultation, by the Executive on 17 December;
- tactically identify management savings; and
- control expenditure on external decorations pending the stock survey and a reshaped investment programme.

4. Access to information: Local Government (Access to Information) Act 1985

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

None.

For further information please contact Jackie Thomas on 020 8489 5912.

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5.0 REPORT

5.1 Housing Revenue Account and Financing Strategy

A five year financing strategy for the HRA has been in place for a number of years and this combined with Central Government introducing long term (30 year) business planning provide members with a strategic perspective when setting the following years budget and rent levels.

This year the five-year financial strategy shows a base budget problem of £5.1m by the end of the five years if no action is taken to address this. [See Appendix A.] This report looks at the budget pressures that contribute to this and examines various options available to address the shortfall.

The HRA continues to be under pressure from a number of sources:

- Erosion of the income basis as a result of stock losses through right to buy and disposals
- Significant inflationary cost pressures generally and in particular on repairs, void property and decoration budgets
- The fundamental need to invest in the housing stock through both revenue and capital streams to complete outstanding backlog of repairs and meet decent homes standards
- Tenant pressure for improved services
- The need to improve service standards and performance in a number of areas

At the same time fundamental changes are occurring to the financing of the HRA with the introduction of :

- Supporting People grant
- Rent Restructuring
- Unpooling of service charges
- Changes to the housing subsidy regime to reflect the above changes

These pressures combined with the changes described above bring about considerable financial uncertainty over the next few years.

5.2 Key issues 2003/04 - HRA income

Rental Income

The Government recently published the final housing determination, which sets out the increase in rent levels assumed for housing subsidy and housing rebate subsidy purposes. The Government has planned that rents will increase nationally in real terms by 1% per annum over the next few years. The rent increase is therefore to be 3.25% before the effect of rent restructuring and the move toward formula rent. For planning purposes the figure of 2.6% figure has been included in the draft estimates.

Council Executive 17 December 2002 considered a separate report outlining the implications of the unpooling of service charges and the various policy options arising from this. At this stage the estimates assume a benefit of £500k arising from the unpooling of service charges in 2003, increasing by £250k in successive years.

Stock loss

Continuing Right to Buy sales and the stock transfer of 203 properties in August 2002 and 255 properties planned in January 2003 reduce both rental income and associated housing subsidy income (although there is some additional leasehold service charge income).

Supporting People

The Supporting People initiative aims to provide support services, to give greater independence to vulnerable people. Housing-related services will be co-ordinated by the Council, in conjunction with other support agencies.

Some of these services are currently funded by the HRA. From April 2003 Supporting People schemes will be accounted for outside of the HRA, and funding will be by specific government grant. The change should have the effect of reducing the gross costs inside the HRA, although we are assuming that this benefit will be clawed back from Housing Subsidy in future years. However, the Government has indicated that subsidy levels for 2003/04 will not be affected by the transfer of HRA costs to supporting people grant and has further indicated that this windfall (estimated to be worth £2.7m) should be spent on capital investment.

The use of the windfall is a welcome addition to the resources available and its use will need to be considered within the context of the capital strategy and the pressure on the repairs and maintenance budget highlighted below.

5.3 Key Issues 2003/04 - HRA Expenditure

Inflationary pressure

A two-year pay award has been agreed for non-teaching staff, which can be contained within budget in the current year. This together with additional costs pressures on superannuation funding and National Insurance increases mean that additional resources in 2003/04 will be required.

Repairs

- External Decorations (budget provision required £3.730m)

Haringey's current investment strategy is to maintain a full 5 year revenue funded painting cycle. However tender price inflation has meant that for 2002/3 the base budget provision has been insufficient to meet the full programme. At the current average unit cost the existing budget will enable 2,300 dwellings to be completed against an annual programme of 4,300 (including leaseholders). The introduction of Government targets in relation to the new 'Decent Homes' standard has also prompted a rethink as to how we should combine and target both revenue and capital funding streams to make progress to meeting the new standards. It is

therefore proposed that following the results of the current stock condition survey (due June 2003) a comprehensive planned maintenance programme be established.

With this approach, external painting to priority areas (e.g. timber windows and communal areas) will be integrated with other planned maintenance projects such as window replacement and roof renewal. This will enable the total revenue and capital resources available to be utilised in the most efficient way possible. The new stock survey to be carried out during 2003 will provide the detailed information necessary to support future planning, with an emphasis on meeting the key performance indicator of making all homes decent by 2010.

- Internal Decorations (budget provision required - £475k)

Members have previously been advised that this programme has not been fully funded for some years. Although there is a notional 6-year cycle, the current level of funding means the cycle is being stretched to 12 years or more. The Supporting People bid currently includes provision for £285k to be spent on assisting people to maintain their homes through redecoration programmes. This is targeted at those in greatest need and who will most greatly benefit from this assistance, although this will not necessarily be restricted to those on lowest incomes. It is therefore proposed that the Council's current programme be suspended pending a review of the options for funding a more targeted programme using the supporting people budget. The estimate assumes no spend in this area in 2003/04.

- Voids (budget provision required £4.911m)

There is some growth in this budget, in addition to inflation, due to the increased standards being adopted as part of the new approach under the choice based lettings scheme. The improved standard also addresses one of the key criticisms of the service made by tenants during the Best Value Review - that the standard of voids was too low. The initial results from the choice scheme show that turn round times are being reduced as a direct result of the bidding process and improved dwelling standards. The volume of voids for repair in 2002/03 is projected to be at broadly the same level as 2001/02. This level has been assumed to continue in 2003/04.

- General Repairs (budget provision required £10.300m)

The proposed budget represents a 3% increase on the 2002/03 projected outturn of £9.987m. The growth requirement for this budget, in addition to inflation, is due principally to an increase in private contractor spend in the final quarter of 2001/02 and maintained during 2002/03. This is in part explained by the increased scope of repairs under the tenants charter agreed last year e.g. glazing together with an overall volume increase above the capacity of the directly employed workforce. An increase in growth may also be due to the impact of the new corporate call centre (Haringey Connects), which provides another access channel for tenants to report repairs. A recent district audit study on housing repairs in 2001/02 shows that 47% of tenants did not use the repairs service at all.

- Electrical & Mechanical Repairs (budget provision required £3.394m)

The proposed budget growth takes into account the re-tendering of the contracts for gas maintenance and entry phone systems. The current gas maintenance

contracts expire in March 2003 and tenders are currently being evaluated for new contracts based on a partnering approach designed to improve quality and reduce costs over the term of the contracts (up to 5 years). In addition, new contract arrangements have been established in 2002/03 for concierge/entry phone maintenance aimed at improving quality by utilising three specialist contractors. Overall, there is a 6% increase in funding required for this area.

- Play Equipment (budget provision required £0.118m)

Provision for (industry) inflation increase of 5% only.

5.4 Service Improvement / Investment proposals

Haringey Home & Building Services (HHBS)

Both the operations and design services trading accounts are on target to meet their cash limits in 2002/03, with further improvements planned for 2003/04 and beyond. The operatives new bonus scheme has been agreed and commenced on 2/12/2002. The new non-schedule of rates basis for recharging the repairs holding account has been in operation since April 2003 and has brought greater budget stability to the repairs holding account.

In respect of the Council meeting the decent homes target by 2010, a new stock condition survey is currently out to tender. Fieldwork will be carried out early in 2003 with a report by June 2003, in time to inform the Housing Revenue Account Business Plan and Housing Investment Programme submissions, which are due at the end of July 2003.

Efficiency gains of £650k previously agreed, plus a further £46k are planned for 2003/04. These are, in the main, derived from the benefits of the merger of the direct labour organisation with the Housing Service in 2001, together with the development of a more multi skilled workforce. Efficiencies totalling £622k are planned from 2004/05 to 2006/07 as the current initiatives are developed still further, including new vehicles with imprest stocks and the introduction of hand held technology.

Investments totalling £1.361m are proposed in HHBS these fall into the following categories:-

- Increased design & engineering capacity
- Business support
- Additional project and programme management resources
- IT improvements, including mobile working

The additional charge to the HRA is estimated to be £150k per annum.

Housing Management Division

Areas for investment identified during last years Pre Business Plan Review process were: the restructuring of the service to accommodate the introduction of choice based lettings; the growth of support services to vulnerable tenants; the review of the tenant participation strategy; further improvement to IT systems; and increased resources to tackle anti social behaviour. All of these initiatives are now in hand and

it is therefore planned to consolidate this investment in 2003. New areas requiring additional resources in 03/04 are:

- Grounds Maintenance

The service is currently negotiating an enhanced specification with the Parks Service to address criticisms arising from the Best Value Review. A provision of £300,000 is needed to fund the quick wins to be gained in the short term from a having a better standard of service and to begin to address the longer term investment needs in this area - shrub, bedding and turf replacement.

- Waste Management

Negotiations are taking place with Haringey Accord to finalise the waste and cleaning contract. An additional £150,000 is likely to be required.

5.5 Proposals for Increasing Income and Reducing Costs

The recommended options to increase income and reduce costs to meet the projected base budget gap are set out in this section. They have not been included in the draft estimates at this stage:

- Rent restructuring and unpooling of service charges

Previous report to 17 December Executive refers. Potential gain in 03/04 of £500,000.

- Leasehold income – Concierge Charge

Currently policy for tenants is to increase charge by £1 per week each year until the charge covers costs.

When concierges were first introduced, the service was charged to tenants at a rate of £2 per week. In computing the corresponding charge to leaseholders, a discount was included in the formula to bring the leaseholder's charge to a similar level to that of the tenant. In subsequent years, the tenants' charge has been increased by £1 increments up to a current level of £7 per week, whereas the leasehold charge has only been increase by inflation. The average charge for leaseholders is £4 compared to the full cost of £10.40. This leaves the charge to leaseholders well below the charge tenants pay for the same service. It is now appropriate to review the charge to leaseholders to reflect the full cost of the service received.

One option would be to charge the full cost of from 1 April 2003, leading to increased income of £36,000 per annum. Alternatively, in line with what is proposed in the unpooling of service charges, the increase could be phased in over three years limiting any real increase to £2 per annum. This would generate £12,000 additional income in the first year.

- Reducing service management costs

As has already been mentioned Right to Buy sales and housing transfers have reduced rental income and associated housing subsidy income. This loss cannot, at least in the short term be matched by offsetting reduction in costs in repairs and management costs.

An exercise has begun to identify £200,000 of efficiency savings in housing management beginning in 2003 to reflect the changes in levels of stock. This will generate £50,000 in 2003/04 and increase in subsequent years.

- Internal decorations programme

Current position is for tenants over retirement age and those registered disabled to have three rooms decorated once every six years. As suggested above the cost of providing this service in its present form cannot be sustained. If this programme continues into next year funds will have to be found from elsewhere in the repair programme.

However, the cost of internal decorations for tenants who are infirm or vulnerable can be funded from supporting people grant and £285k has been bid for this purpose. There is the potential for all internal decorations to be carried out on the basis a needs assessment and funded through Supporting People.

This will require a change in Council policy from a programme which is currently decided on the basis of age / disability to one based on targeting those in greatest need and which is more sustainable in the long run.

Consultation

The rent consultation process is still on-going and the second meeting of the Scrutiny Panel (jointly with the Housing Management board) will be held on 16 January. Preliminary results of the consultation will be reported orally, if appropriate, and the report to full council will be supported by a summary of the consultation responses.

5.6 Summary - Five Year Projection

Despite considerable budget pressures over the last few years the service has been able to invest in key service areas in line with tenant's priorities. This year we managed to reinstate the Council's obligation to carry out re-glazing and to reduce the time taken to carry out most non-urgent repairs. Next year it is proposed to make further investment in the grounds maintenance service and to further improve the standard of let properties - issues all highlighted by the Best Value Review.

In broad terms the Budget forecast shows that the base budget in 2003/04 can be balanced if the proposed income / expenditure options are agreed or other savings identified. The end of the Deferred Purchase Agreement gives a benefit of £2.8M per year from 2004/05. The revised five-year gap analysis however shows deficits occurring from 05/06 and onwards due to projected reductions in housing subsidy as a result of continuing stock reductions. There is a need to develop and implement a long-term cost reduction strategy to address this beginning in 03/04.

The issues are not dealt with fully in this budget setting process as for a full assessment we are dependent on the stock condition survey which will not be completed until the early summer. This will allow a comprehensive review of the HRA financial strategy. In the meantime, various decisions are required as set out in this report to set the budget for 2003/4 and lay a firm base for later years.

7.0 Equalities Comment

All rent / charge increases will disproportionately affect working households on low incomes just above benefit thresholds. The ultimate effect of rent restructuring will be reduced rents in the East of the borough and steeper rent increases in the West. Those tenants living in our most deprived neighbourhoods will particularly benefit from this change. There are however pockets of deprivation on housing estates in the West of the borough where the opposite is true, although any steep increases will be mitigated by caps and limits.

The proposal to redirect the internal decorations programme towards those in greatest need via Supporting People grant will mean that some elderly and disabled residents who would have automatically qualified will not now do so. This change will however the programme to be extended to those tenants who would particularly benefit, but who are currently excluded e.g. the mentally ill. The development of an internal decorations programme which is based on an assessment of need will enable the scarce resources to be appropriated in the fairest way.

HRA BUDGET GAP ANALYSIS 2002/3 TO 2006/7

VARIATIONS FROM PREVIOUS YEAR

	2002/03 Base Budget £'000	2003/4 Draft Budget £'000	2003/4 £'000	2004/5 £'000	2005/6 £'000	2006/7 £'000	2007/8 £'000
Controllable day to day							
Repairs	21,400	23,396	1,996	774	853	959	1,068
Capitalisation of repairs	(6,044)	(7,944)	(1,900)	300	1,600	-	-
General Management	22,515	23,749	1,234	990	808	639	655
Special Services	4,224	4,422	199	186	184	120	123
Contingency	1,400	1,610	210	36	37	38	39
Dwellings Rents	(58,156)	(58,156)	-	(1,032)	(1,173)	(1,351)	(1,402)
Hostel rents	(2,894)	(2,966)	(72)	(74)	(76)	(78)	(80)
PBD -Dwellings and Hostels	603	603					
Garages	(328)	(336)	(8)	(8)	(9)	(9)	(9)
Commercial	(1,270)	(1,302)	(32)	(33)	(33)	(34)	(35)
Service Charge Sheltered Housing	(1,252)	(1,252)	-	-	-	-	-
Service Charge - Concierge Schemes	(760)	(760)	-	-	-	-	-
Leaseholders Service Charge	(2,685)	(2,899)	(214)	(232)	(225)	(211)	(189)
District Heating	(390)	(400)	(10)	(10)	(10)	(10)	(11)
Community Alarm service	(440)	(451)	(11)	(11)	(12)	(12)	(12)
Supporting People - fall out of expenditure		(2,717)	(2,717)				
Supporting People - one off additional expenditure		2,717	2,717	(2,717)			
Water Rates	2,858	2,858	-	-	-	-	-
Water Rates Receivable	(3,367)	(3,367)	-	-	-	-	-
	(24,586)	(23,194)	1,392	(1,832)	1,943	49	145
Housing element subsidy:							
Government claw back of supporting people windfall				2,717			
Housing Subsidy M & M	(32,214)	(34,015)	(1,802)	(105)	428	1,045	(255)
Housing Subsidy - guideline rents	55,462	56,308	846	1,143	248	(838)	1,417
	23,248	22,293	(955)	3,755	676	207	1,162
NET COST CONTROLLABLE DAY TO DAY	(1,338)	(901)	437	1,924	2,619	256	1,307
NET COST OF CAPITAL (after subsidy)	1,490	1,602	112	(2,277)	2	4	(47)
NET COST RENT REBATES	(152)	(171)	(19)	(19)	(20)	(20)	(21)
BUDGET GAP/(SURPLUS)	(0)	530	531	(373)	2,601	240	1,240

	2003/4 £'000	2004/5 £'000	2005/6 £'000	2006/7 £'000	2007/8 £'000
Impact of budget proposals					
Budget gap/(surplus)	531	(373)	2,601	240	1,240
Savings proposals					
Unpooling service charges	(500)	(250)	(250)	(250)	(250)
Leasehold concierge charge	(12)	(12)	(12)		
Management Savings (RTB and stock loss)	(50)	(150)			
Internal decorations	(475)				
	(1,037)	(412)	(262)	(250)	(250)
Investment proposals					
Waste management - increase in volume	120				
Grounds Maintenance - new spec	300				
Improvements to HHBS	150				
	570	-	-	-	-
	(64)	1,064	(172)	(828)	
Replenish balances in line with strategy	(0)	279	2,167	(838)	990
Residual gap/(surplus)					2,598
Balance b/f	(3,108)	(3,172)	(4,172)	(5,000)	(5,000)
Balance replenishment	(64)	(1,000)	(828)		
Balance c/f	(3,172)	(4,172)	(5,000)	(5,000)	(5,000)

Action	Business area	Financial Implications (£'000)		Notes
		2003/04	2003/04	
Environment strategy				
Outcomes	Streetscene Pls 2nd quartile by March 2004			
	Public perception improved by 10% by March 2005			
	Improved and effective enforcement activity			
Strengthen client side	Waste Mgt.	88	88	5 Officers
Maximise Contract	Waste Mgt.	125	125	Headings
		250	250	Zone 2/3
		50	50	Fly tipping
		50	50	White Goods
Improve Abandoned vehicle	Parking	125	125	
Better Space Campaign -	Environment DMT	90	90	
Streamline complaints	Environment DMT	35	35	
Management of recycling	Waste Mgt.	35	35	2 Officers
Graffiti/Fly posting	Waste Mgt.	50	50	
Introduce generic working	Enforcement	200	200	150k, 200k upgrading and support staff
Develop and integrate street wardens with enforcement	Neighbourhoods	25	25	Wardens Development Manager
Heavy enforcement team	Enforcement	100	100	Interface with other agencies
Patrol Officers	Recreation	50	50	
Additional dedicated support services	Environment DMT	100	100	
Environment strategy		1,373	1,373	
Supporting people team	Adults	75	25	Review when SP settlement received
Capacity to improve placements and avoid bed blocking	Older people	400	50	
Repairs and maintenance in parks	Recreation	145	145	
Capacity building	Procurement	60	15	
Securing current base service and investment in two CSCs	Customer services	550	250	
Key sites and Lee Valley development	Strategy	190		£40k drops out 2005/06 and £150k 2006/07
Head of Scrutiny and political assistants	Members	138		
Continuation of people's network	Members	20		
Domestic Violence One Stop Shop	Equalities	100		
Communications strategy	Communications	100		
Grand total		3,151	1,858	

BENEFITS OF ENVIRONMENT INVESTMENT PACKAGE

1. Purpose & Summary

The purpose of this appendix is to outline the planned application and impact of additional resources on the Environment function in 2003/04. Obviously, the application of such resources is subject to Members' decisions on the 2003/04 budget and this note attempts to identify those services and outcomes that would be delivered additionally should this level of growth be agreed, i.e. what the extra money would bring.

The appendix also attempts to give members an idea of the general performance targets the service has set itself for the next financial year and beyond on the basis of growth being agreed.

2. General Performance

A cleaner borough is **the** number one priority for Environmental Services. Targets will be set to achieve 2nd quartile performance of all major street scene indicators by the end of the next financial year. Performance on most of these indicators is currently in the lowest quartile and successfully meeting this target will mean a step change in performance levels. Increased enforcement measures as well as increasing service levels will achieve this.

Raising performance alone is not sufficient to change public perception of the environment. The Civic Pride campaign, which will combine the elements of information, publicity and education, will be closely aligned to service improvements. A target of improving public perception by at least 5% will be set for next year and 10% for 2005.

3. Specific Service Increases & Improved Outcomes

Set out below are the specific service increases and improved outcomes associated with the bid for Environment growth over the next two years:

Item	Service Increase	Outcome
Enforcement CCTV on dumping hotspots	There are 60-70 known dumping hotspots in Haringey. These have been mapped. The introduction of CCTV cameras (both obvious & hidden) in these areas will act as both an enforcement and prevention measure.	The eradication of known dumping hotspots over the next two years.
Problem sites team	There are a number of "problem sites" in the borough. These are different from the regular dumping hotspots in that they require action over and above regular enforcement. These sites require some "designing out" which can range from gating them up to changing or bringing some back into use. Some sites may not be owned by the Council and may require purchase to prevent the constant use of revenue in clearing the site.	The eradication and redesign of 10 major problem sites by 2005.
Enforcement Reorganisation	A frontline generic enforcement presence covering the whole of the borough integrating the work of the current Neighbourhood Street and other Wardens. This will include both street based and open space based enforcement work.	Street Scene indicators in the 2 nd Quartile by 2004. Top Quartile by 2005.
Streamline Complaints	A team of people to deal with difficult and ongoing enforcement cases. Improve customer feedback system by making the system user-friendly to attract user confidence, whilst contributing to service improvement. This will increase public perception of delivery of services.	Use customer feedback to improve service delivery. Achieve 90% response rate within timescale by 2005.

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<u>Item</u>	<u>Service Increase</u>	<u>Outcome</u>
Maximise the Waste Management Contract	Full cleaning service for all headings of Zone 1 roads.	Improve public satisfaction across relevant Streetscene user satisfaction performance indicators by 10% by 2004.
	70% of all Zone 2 and 3 roads to get extra sweep (i.e. two sweeps per week) plus extra weekend sweep on Zone IX, IY & IZ roads.	Ensure that 95% of borough streets are of a high or acceptable standard by 2004.
	Improve removal of fly tips.	All dumps and fly tips removed within 24 hours.
	Improve removal of dumped white goods in accordance with statutory requirements.	Recycle 10% of the total tonnage of household waste by 2003/04 and 18% by 2005/06.
	Support the implementation of the wheeled bin programme.	Improve public satisfaction with household waste collection by 10% by 2005. Reduce the number of missed refuse collections to below 350 per 100,000 by 2003/04.
	Provide a free mobile Civic Amenity Site for residents in the NRF areas.	Improve public satisfaction with household civic amenity sites by 10% by 2005. Recycle 10% of the total tonnage of household waste by 2003/04 and 18% by 2005/06.
	Community clear up/ area target team.	Ensure that 95% of borough streets are of a high or acceptable standard by 2004.
Strengthen client side on Waste Management Contract	Develop a plan for the placement of litterbins in the borough.	Increased bins throughout the NRF areas and placement of bins in other key pressure points.
	Employ 5no. additional staff to establish a strategic waste management unit. This will improve client monitoring of the contract and appoint staff to deliver on successful capital bids to improve recycling.	Ensure that 95% of borough streets are of a high or acceptable standard by 2004. Recycle 10% of the total tonnage of household waste by 2003/04 and 18% by 2005/06.
Graffiti/flyposting	Improve removal and prevention function by establishing a specialist team.	Will enable the extension of removal beyond racist and offensive graffiti and prevention measures.
Abandoned Vehicle Collection	Improve the collection rate for abandoned vehicles and comply with the EU directive on disposal.	Target is to remove 75% of abandoned vehicles within 24 hours of inspection by 2005.
Database of built assets	It will improve the key KPI's and ultimately improve delivery of services to ensure efficient service targetting, which will lead to procurement benefits.	Street Scene indicators in the 2 nd Quartile by 2004. Top Quartile by 2005.
UDP – development & process	This plan will deliver the regeneration of the borough for the next 10 years.	Statutory
Parks Infrastructure	To ensure that all open spaces are to acceptable standards, including play equipment.	

