Haringey Council

Summons to Attend

Full Council

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To: The Mayor and Councillors of Haringey Council.

Dear Sir/Madam,

A meeting of the Council of the London Borough of Haringey will be held at the Civic Centre, High Road, Wood Green, N22 8LE on TUESDAY, 28TH FEBRUARY, 2012 at 19:30 HRS, to transact the following business:

AGENDA

1. **TO RECEIVE APOLOGIES FOR ABSENCE**

2. **TO ASK THE MAYOR TO CONSIDER THE ADMISSION OF ANY LATE ITEMS OF BUSINESS IN ACCORDANCE WITH SECTION 100B OF THE LOCAL GOVERNMENT ACT 1972**

3. **DECLARATIONS OF INTEREST**

A member with a personal interest in a matter who attends a meeting of the authority at which the matter is considered must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

A member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgment of the public interest and if this interest affects their financial position or the financial position of a person or body as described in paragraph 8 of the Code of Conduct and/or if it relates to the determining of any approval, consent, licence, permission or registration in relation to them or any person or body described in paragraph 8 of the Code of Conduct.

4. TO ASK MEMBERS WHETHER THEY NEED TO MAKE A DECLARATION IN ACCORDANCE WITH SECTION 106 OF THE LOCAL GOVERNMENT FINANCE ACT 1992 IN RELATION TO UNPAID COMMUNITY CHARGE OR COUNCIL TAX LIABILITY WHICH IS TWO MONTHS OR MORE OUTSTANDING.

Members to whom this applies must make a declaration if they are present at any part of the meeting and must not vote on any matter relating to the budget. It is not sufficient for such members to refrain from voting or to absent themselves from the chamber for particular parts of the meeting. Failure to make a relevant declaration constitutes a criminal offence.

5. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COUNCIL HELD ON 21 NOVEMBER 2011 (PAGES 1 - 6)

6. TO RECEIVE SUCH COMMUNICATIONS AS THE MAYOR MAY LAY BEFORE THE COUNCIL

7. TO RECEIVE THE REPORT OF THE CHIEF EXECUTIVE (PAGES 7 - 10)

8. TO RECEIVE THE REPORT OF THE MONITORING OFFICER AND HEAD OF LEGAL SERVICES

9. TO CONSIDER REQUESTS TO RECEIVE DEPUTATIONS AND/OR PETITIONS AND, IF APPROVED, TO RECEIVE THEM

10. TO RECEIVE REPORTS FROM THE FOLLOWING BODIES (PAGES 11 - 14)

a) Corporate Committee Report No 3 2011/12

11. TO CONSIDER THE REPORT OF THE DIRECTOR OF CORPORATE RESOURCES IN RESPECT OF MEDIUM TERM FINANCIAL PLANNING FOR 2012/13 - 2014/15 AND TO AGREE THE COUNCIL TAX FOR 2012/13 (PAGES 15 - 174)

Kevin Crompton
Chief Executive
River Park House
225 High Road
Wood Green
London N22 8HQ

Monday, 20 February 2012

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MINUTES OF THE FULL COUNCIL
MONDAY, 21 NOVEMBER 2011

Councillors	Adamou (Mayor), Adje, Alexander, Allison, Amin, Basu, Beacham, Bevan, Bloch, Brabazon, Browne, Bull, Butcher, Christophides, Cooke, Davies, Demirci, Diakides, Dogus, Egan, Ejiofor, Engert, Erskine, Gibson, Goldberg, Gorrie, Griffith, Hare, Jenks, Khan, Mallett, McNamara, Meehan, Newton, Peacock, Reece, Reid, Reith, Rice, Schmitz, Scott, Solomon, Stanton, Stennett, Stewart, Strang, Strickland, Vanier, Waters, Watson, Weber, Whyte, Williams, Wilson and Winskill
Apologies	Councillor Canver and Kober

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CNCL36.	**TO RECEIVE APOLOGIES FOR ABSENCE** Apologies for absence were received from Councillors Canver and Kober.	
CNCL37.	**TO ASK THE MAYOR TO CONSIDER THE ADMISSION OF ANY LATE ITEMS OF BUSINESS IN ACCORDANCE WITH SECTION 100B OF THE LOCAL GOVERNMENT ACT 1972** See items 6 and 13.	
CNCL38.	**DECLARATIONS OF INTEREST** Councillors Adje, Amin, Brabazon, Basu, Browne, Bull, Butcher, Davies, Demirci, Engert, Goldberg, Jenks, Khan, Mallett, Newton, Reid, Reith, Rice, Scott, Stewart, Strickland, Vanier, Watson, Whyte, and Winskill declared a personal interest in Item 14 – Motion C as Members of the Local Government Pension Scheme. Councillor Wilson declared a personal interest in Item 14 – Motion C as he was an employee of the National Association of Pension Funds which campaigned on issues relating to public sector pensions and Local Government Pension Scheme at a national level. Councillor Reid declared a personal interest in Item 14 – Motion C as he was a former UNISON Shop Steward. Councillors Adje, Alexander, Brabazon, Browne, Egan, Gibson, Griffith, Jenks, Peacock, Reece, Rice, Schmitz, Scott, Stennett, Strang, and Waters individually declared a personal interest in Item 10 – Haringey Debate as School Governors of either Primary or Secondary Schools within the Borough. Councillors Brabazon, Egan, Peacock, Rice, Schmitz, and Scott individually declared a personal interest in Item 9 – Petition receipt, as a	

	Member of a Friends of either a Park, Common, or Recreation Ground, Group/Association, within the Borough. **NOTED**	
CNCL39.	**TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETINGS OF THE COUNCIL HELD ON 18 JULY & 3 OCTOBER 2011** **RESOLVED:** That the minutes of the meetings of the Council held on 18 July 2011, and 3 October 2011 be signed as a true record.	
CNCL40.	**TO RECEIVE SUCH COMMUNICATIONS AS THE MAYOR MAY LAY BEFORE THE COUNCIL** **1. Remembrance Sunday** The Mayor reported her attendance at two Remembrance services: On Armistice Day 11 November 2011 at the service at Tottenham Cemetery and on Remembrance Sunday 13 November 2011 at the service at Wood Green War Memorial. The Mayor also reported that for the Poppy Appeal in Haringey over £1,300 had been collected. **2. Silver Skills Opening Doors Event** The Mayor reported her delight in supporting the Opening Doors Event (hosted by Silver Skills in Partnership with Tottenham Hotspur Foundation) on 16 November 2011, and that throughout the day a 1,000 students were given the opportunity to meet with 50 businesses. The event was specifically designed to give Haringey's young people information on opportunities or career paths and options. **3. The Death of George Peacock** The Mayor, with regret, reported the death of George Peacock who was a former Labour Councillor for Noel Park Ward from 1971 – 1974, who died on 6 October at North Middlesex Hospital. On behalf of the Council the Mayor expressed her condolences to the family of George Peacock. As a mark of respect, the Council stood for a minute's silence. **4. Mayor Quiz Night and Fund raising event** The Mayor reported that there would be a Quiz Night on 30 November at the Wood Green Social Club to raise funds for Haringey Carers Association. **5. Congratulations to Councillor Kober**	

	The Mayor passed on the congratulations of Council at the birth of a son to Councillor Kober and her partner on 2 November 2011. There was a rapturous round of applause.	
CNCL41.	**TO RECEIVE THE REPORT OF THE CHIEF EXECUTIVE** The Mayor agreed to the admission of an additional report as urgent business. ***The Chief Executive advised that the originally circulated report detailed changes to the membership of the Regulatory Committee with effect from 1 January 2012.*** ***In addition the Chief Executive advised that he was reporting the appointment of Libby Blake as Director of Children and Young People's Services and the statutory Director of Children's Services with effect from 14 November 2011.*** The Chief Whip Moved and it was: **RESOLVED** 1. That the changes to Council body memberships as detailed in the report in respect of the membership of the Regulatory Committee by the replacement of Councillor Reid with Councillor Hare, with effect from 1 January 2012 be agreed; 2. That the appointment of Libby Blake as Director of Children and Young People's Services and the statutory Director of Children's Services with effect from 14 November 2011, be noted.	
CNCL42.	**TO RECEIVE THE REPORT OF THE MONITORING OFFICER AND HEAD OF LEGAL SERVICES** There were no matters to report.	
CNCL43.	**TO MAKE APPOINTMENTS TO OUTSIDE BODIES** ***The Mayor agreed to the admission of this report as urgent business. Appointments had only recently been finalised at Party Group Meetings and needed approval to permit appointments to outside organisations to be made.*** **RESOLVED:** That the appointments to outside bodies be approved, as detailed in the Appendix to the report.	
CNCL44.	**TO CONSIDER REQUESTS TO RECEIVE DEPUTATIONS AND/OR PETITIONS AND, IF APPROVED, TO RECEIVE THEM**	

There was one deputation to address the meeting, and one petition.

The deputation was received from John Hadju – on behalf of the Muswell Hill and Fortis Green Association, and Hornsey Historical Society, asking for the continuation and financing of the Haringey Green Plaque scheme.

Members asked questions of the deputation and received responses thereto.

The Cabinet Member for Economic Development and Social Inclusion in the absence of the Cabinet Member Environment responded to the deputation.

The Mayor reported that a petition had been received from Haringey Friends of Parks Forum in respect of cuts to local park budgets and the effects of the cuts. The Mayor advised that as the petition was in excess of 2200 signatures a debate would follow receipt of the petition.

The Mayor asked that the named representative give a brief presentation to the meeting for no more than 5 minutes. Ms Curtis spoke in respect of cuts to local park budgets and the effects of the cuts, for 5 minutes.

Members sought clarification on points of clarification of the petitioners.
A 15 minute debate amongst members of the essence of the petition took place.

The Cabinet Member for Economic Development and Social Inclusion, in the absence of the Cabinet Member Environment responded to the petitioners.

The Mayor thanked both the deputee and petitioners for their attendance.

NOTED

CNCL45. HARINGEY DEBATE - BUILDING ON THE SUCCESS OF HARINGEY'S YOUNG PEOPLE - IMPROVING ATTAINMENT FOR THE NEXT GENERATION

The Chief Executive outlined the procedure for the second occasion where the Council had a Haringey Debate.

The opposition spokesperson – Councillor Reece gave an introduction of the debate on building on the success of Haringey's young people - improving attainment for the next generation and to consider how the Council can help to improve the attainment of our young people whether in education, vocational training or work whilst highlighting the success of the past and challenges the future holds.

Councillor Reece introduced Dr Tony Sewell an education adviser, was

	formerly a teacher, a senior lecturer at the University of Leeds, and a non-executive board director of the Learning Trust. Dr Sewell addressed the meeting. Following this the Mayor announced that there would be 45 minutes for debating, with a maximum of 3 minutes speaking time for each speaker. A 45 minute debate then took place. At the conclusion of the debate, the Mayor invited Councillor Reece to respond. The Mayor thanked members for their participation.	
CNCL46.	**TO RECEIVE REPORTS FROM THE FOLLOWING BODIES** **<u>) CORPORATE COMMITTEE REPORT NO 2 2011/12</u>** (i) Councillor Meehan – Chair of the Corporate Committee MOVED the recommendations as contained in the report of the Corporate Committee of 27 September 2011 in respect of Treasury Management 2011/12 Mid Year Activity &Performance Update. **RESOLVED:** a) That the Treasury Management activity undertaken during the first half of 2011/12 and the performance achieved be noted; and b) That the revised 2011/12 Prudential Indicators: Capital Expenditure £79,874k and Capital Financing Requirement £773,366k as set out in paragraph 18.3 be approved. **b)<u>ALEXANDRA PALACE AND PARK BOARD REPORT NO1 2011/12</u>** **Councillor Cooke – Chair of the Alexandra Palace and Park Board MOVED the recommendations as contained in the report of the Alexandra Palace and Park Board of 18 October 2011 in respect of the Governance Update – Amendment to the constitution of the Alexandra Palace and Park Consultative Committee.** RESOLVED That approval be given to the amendment to the constitution of the Alexandra Palace and Park Consultative Committee in respect of the appointment of Chair of this Committee, as detailed in tracked changes appendix 1 attached to this report.	
CNCL47.	**TO CONSIDER THE LONDON LOCAL AUTHORITIES AND TRANSPORT FOR LONDON ACT 2008 - APPOINTED DAY FOR ADOPTION OF POWERS UNDER PART 5 - NON PAYMENT OF PENALTY CHARGE NOTICES** On a MOTION by the Chief Whip it was: **RESOLVED**	

	That the appointed day for which Part 5 of the London Local Authorities and Transport for London Act 2008 shall come into operation on public highways for which London Borough of Haringey is the Highways Authority shall be 1st March 2012.	
CNCL48.	**TO ANSWER QUESTIONS, IF ANY, IN ACCORDANCE WITH COUNCIL RULES OF PROCEDURE NOS. 9 & 10** Due to the late hour oral questions 1-8 were not reached and written answers would be supplied to these questions NOTED	
CNCL49.	**TO CONSIDER THE FOLLOWING MOTION IN ACCORDANCE WITH COUNCIL RULES OF PROCEDURE NO. 13** <u>Motion C (2011/12)</u> Motion C was not reached due to the late hour.	

The meeting ended at 21.52hours.

COUNCILLOR GINA ADAMOU

Mayor

Haringey Council

Report for:	Council Meeting 28th February 2012	Item Number:	

Title:	Appointment of Statutory Officers

Report Authorised by:	Chief Executive

Lead Officer:	Clifford Hart, Democratic Services Manager, Local Democracy and Member Services Tel: 0208 489 2920

Ward(s) affected: N/A	Report for Non Key Decisions:

1. **Describe the issue under consideration**

1.1 To consider the appointment of the statutory officers of Monitoring Officer and Interim Section 151 Officer/Chief Financial Officer.

2. **Recommendations**

2.1 That the appointment of Bernie Ryan as Head of Legal Services and Monitoring Officer with effect from 2 December 2011 be noted.

2.2 That Kevin Bartle be appointed to the role of Interim Section 151 Officer/Chief Financial officer for the period of 10th March 2012 to 16th September 2012 while Julie Parker is away from the work place.

Haringey Council

3. Background information

Monitoring Officer

4.1 On 2 December 2011 Bernie Ryan was appointed as Head of Legal Services and Monitoring Officer. Prior to that Mr Ryan had been performing the role of Acting Head of Legal Services and Monitoring Officer. He was appointed to the Monitoring Officer role by Council on 23 May 2011 until the permanent recruitment to the post of Head of Legal Services and Monitoring Officer. He had been Acting Head of Legal Services since 18 April 2011.

4.2 The 1989 Local Government and Housing Act states that a duty of the authority is to designate one of their officers (to be known as "monitoring officer") as the officer responsible for performing the duties imposed by section 5 of the Act.

4.3 Section 5A (10) goes on to state that "The duties of an authority's monitoring officer under this section shall be performed by him personally or, where he is unable to act owing to absence or illness, personally by such member of his staff as he has for the time being nominated as his deputy for the purposes of this section."

4.4 The constitution at Part 2 Article 12 identifies the Monitoring Officer as one of three key statutory posts that the Authority must appoint.

Interim Section 151 Officer/Chief Financial Officer

4.5 Section 151 of the Local Government Act 1972 provides that a local authority must have an officer who is responsible for the proper administration of their financial affairs.

4.6 The council's Constitution Article 12.01(C) in part 2 requires the council to 'designate' the Chief Financial Officer post.

4.7 The council's Section 151 Officer/Chief Financial Officer, Julie Parker, is to be on 6 months leave (mostly unpaid) from 10th March 2012 to 16th September 2012 and it is therefore appropriate that she nominates a person responsible for the proper administration of the financial affairs of the council between these dates and the responsibility reverts back to Julie Parker on her return.

4.8 It is recommended that Kevin Bartle the current Deputy Section 151 is nominated as the Interim Section 151 Officer/Chief Financial Officer for the period 10 March 2012 to 16 September 2012 .

Haringey Council

4. Comments of the Chief Finance Officer and financial implications

5.1 Both these appointments can be contained within the agreed budget.

5. Head of Legal Services and legal implications

6.1 The Council must by law appoint a single officer with overall responsibility for performing the duties imposed by section 5 of the 1989 Local Government and Housing Act.

6.2 Under Section 151 of the Local Government Act 1972 the council must appoint an officer to have personal responsibility for the administration of the council's financial affairs. That officer must have the appropriate professional qualification. In the council's constitution the Section 151 Officer is described as the Chief Financial Officer.

6. Equalities and Community Cohesion Comments

7.1 There are no equality issues arising from this report.

7. Head of Procurement Comments

8.1 There are no procurement issues arising from this report.

8. Policy Implication

9.1 There are no policy issues arising from the report.

9. Local Government (Access to Information) Act 1985

10.1 The following papers have been used in the preparation of this report and can be inspected at River Park House, 225 High Road Wood Green, London, N22 8HQ by contacting Clifford Hart on 020 8489 2920.

10.2 Report to Council 23rd Mar 2011.

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REPORT OF THE CORPORATE COMMITTEE No. 02/2012
COUNCIL 28 February 2012

Chair:	Deputy Chair:
Councillor George Meehan	Councillor Rahman Khan

INTRODUCTION

1.1 This report to full Council arises from the Treasury Management Strategy Statement considered by the Corporate Committee at their meeting on the 23 January 2012.

SUMMARY

2.1 Treasury Management strategy Statement 2012/13 - 2014/15

2.4 We were asked to consider the proposed Treasury Management strategy statement and prudential indicators for 2012/13 to 2014/15 prior to them being scrutinised by Overview and Scrutiny Committee and presented to full Council for final approval.

2.5 The Council is responsible for its treasury decisions and activity. We were advised that no treasury management activity is without risk. The successful identification, monitoring and control of risk were integral elements of treasury management activities and include Credit and Counter party Risk, Liquidity Risk, Interest rate Risk, Refinancing Risk and Legal and Regulatory Risk. The strategy took into account the impact of the Council's proposed Revenue Budget and capital programme on all figures contained in it and on the proposed Prudential indicators and also took into account the outlook for interest rates.

2.6 The Assistant Director for Finance referred to the list of counterparty financial institutions which the Council can lend to and that meet with the proposed criteria for investment, set out in Annex 5 .Since the compilation of the report, Deutsche Bank AG, ING Bank NV and Rabobank had been upgraded meaning they could now move to the main list of banks meeting the criteria for lending. We agreed that the remaining counterparty financial institutions currently not meeting the lending criteria be removed completely from the document.

2.7 The Assistant Director for Finance further highlighted two changes to the Council's lending list of counterparties for investments which was the addition of Canadian and Australian banks with London offices, a minimum long term rating of A+ and on the basis these countries retain a AAA sovereign rating from all ratings agencies. He had consulted the Cabinet Member for Finance and the Opposition Spokesperson for Finance about the criteria for the lending list and provided reasons for including banks from these countries.

2.8 We considered this information with the proposed Treasury Management Strategy and made the following observations:

- Paragraph 4.4, in the policy, advised that there were no current plans for additional HRA capital expenditure funded through borrowing in the coming three financial years and comment was made on the need to make this statement at this stage. The Committee noted that this was open to change according to the Council's position.

- Paragraph 5.1.7 explained how the monitoring of large concentrations of maturing fixed rate debt would be achieved with limits in place to control exposure to volatility in interest rates when refinancing is required. The limits proposed were set out at table 11 and a member queried the high percentage range between the lower and upper limits to be used as this was at odds with the statement above and brought into question how control to exposure could be achieved. It was explained that wide limits were required to provide enough flexibility given the refinancing required in 2012/13. We agreed that the wording be reviewed and amended further to better reflect this intention and that the limits in the table be reviewed again to ensure they balance control with the flexibility needed.

- In relation to the addition of Canadian and Australian banks with London offices to the Council's lending list, we sought understanding on why there was not focus on investment in government funded banks in the UK or with the UK Debt Management Office as these seemed the less risky options in the current financial climate. We noted that the opportunity cost of investing solely with the UK Debt Management Office would be between £200K and £300K per annum. The Council's Treasury Management advisors were recommending investment in the Canadian and Australian banks as they were countries with a sovereign triple A rating, and the banks are rated higher than the majority of UK banks. There was also a proposed limit to how much exposure there was to investments, outside of the UK, which was set at 15% of the portfolio in any one country. We considered this information and were aware that these banks would only be used for short term investments as the Council were maintaining the strategy of low investment balances. However we needed to be further convinced of the need to add Canadian and Australian banks to the lending list as the increase in the number of overseas banks used would increase exposure to risk. We wanted a better understanding of the current number of banks actively used for investments to further understand the likelihood of the overseas banks being called upon for use. We asked that a report be compiled on this for the March meeting of the Committee. We further proposed that only: UK banks & building societies, Money Market Funds, and the Debt Management Office were used until the report back in March. Officers agreed that this proposal was workable and the Corporate Committee's comments would be reported to the Overview and

Scrutiny Committee who were considering this report at their meeting on the 06th February 2012.

2.9 The policy alluded to how the debt portfolio for the HRA would be split. We felt that there should be a future discussion on the HRA when the council considers decisions on Housing Stock options. It was noted that the borrowing limits on the HRA would need to be reviewed once decisions are made about future HRA borrowing in light of the decisions on Housing stock options.

WE RECOMMEND

Treasury Management Strategy Statement 2012/13 - 2014/15

i) The approval of the proposed Treasury Management Strategy Statement (TMSS) and prudential Indicators for 2012/13 to 2014/15 at Appendix 5 of the Financial Planning report to Council.

ii) In respect of the above recommendation, and in reference to the Treasury Management Strategy Statement Annex 6; Lending list of counterparties for investment, that only UK banks & building societies, Money Market Funds, and Debt Management Office facilities are used. This recommendation is already incorporated within the TMSS to be approved by Council. Corporate Committee will consider a further report in due course considering the potential inclusion of some non UK banks. Any resultant recommended change will be part of a further report to Council for its approval.

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Haringey Council

Report for:	Full Council 28th February 2012	Item number	To be added by the Committee Section

Title:	Financial Planning 2012-13 to 2014-15

Report authorised by :	J. Parker 20/2/12 Director of Corporate Resources

Lead Officer:	Kevin Bartle: Assistant Director - Finance kevin.bartle@haringey.gov.uk Telephone 020 8489 5972

Ward(s) affected: All	Report for Key/Non Key Decision: Key

Haringey Council

1. Purpose of the report

1.1 To approve the Final Budget and Council Tax for 2012-13, Medium Term Financial Plan 2012-15 including the Capital Programme, Housing Rent increases and Tenants' Service Charges.

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

2.1 I am proud to present the Cabinet's proposals for the Budget 2012-13 and the Medium Term Plan 2012-15.

2.2 Central government cuts to our budget have made it impossible to maintain the same depth and breadth of services that we used to enjoy, with a programme of £84m worth of savings needing to be made over the three years. In this context it has been difficult to make the speed of progress against our One Borough agenda, not least because of other government initiatives and policies which in my view are hitting the poorest and most vulnerable in our society the hardest.

2.3 It is important to restate my belief that these cuts are too far and too fast, and I feel deeply the punishing effect this has had on both those who rely on our Council services, and on our local economy. Not withstanding this, I believe that thanks to officers of the Council, and good union relations we are as the latest letter from the external auditors says, well placed in terms of "financial resilience" to renew our fervour to take Haringey forwards.

2.4 I have thoroughly enjoyed the conversation I have had with residents during our extensive budget consultations. Whether in Highgate or Tottenham, Muswell Hill or Wood Green, Hornsey or Northumberland Park, I have been heartened by the levels of support for our stated priorities and by the many people who were even willing to make a greater contribution in order to support such initiatives.

2.5 However, these are extremely difficult times, and it is clear to me that the government's deficit reduction programme is failing. It is alarming to see the national economy returning to decline. We are, in my view, seeing the direct knock-on effects of this in every service, with an average of 55 new benefit claims a day being dealt with by our customer services centre.

2.6 In that context we have been looking to identify how we might be able to alleviate pressure on the pockets of all the households of our borough, and I am delighted we are able to propose a freeze on Council Tax for a third year in a row.

Haringey Council

2.7. On an average Band D, we recognise a 2.5% rise would have equated to £29.61 over the year, or 57p a week, and we hope this saving will be a little help to residents. But of course this will be dwarfed by the 2.5% extra tax that every resident is being asked to pay on almost every item they purchase through the rise in VAT to 20%, or for commuters the 7% rise in fares that will leave residents £104 worse off on average.

2.8 I am absolutely passionate that residents should get the best from their Council and for the place they have chosen to make their home, to raise their families and to make a living and we do not take the contribution our citizens make for granted in any way.

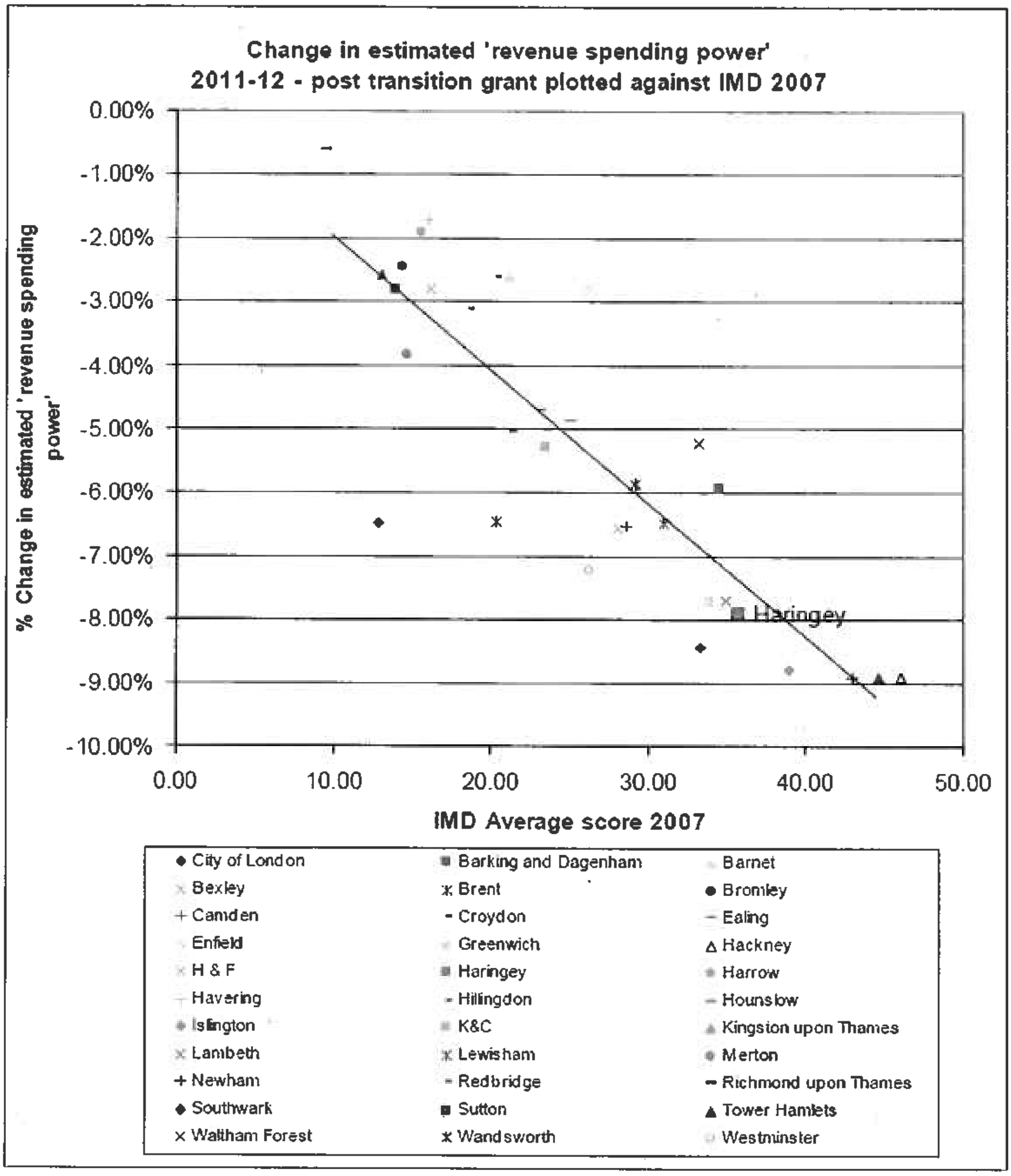
2.9 In that context the last year has of course been difficult for both the Council and residents of Haringey. We have experienced the riots of last August; we are facing challenges to our local family of schools; changes to housing and welfare that in my view will return many vulnerable families to poverty; and unemployment rising faster than the London average with now over 1 in 3 young people unemployed.

2.10 That is why we will continue to press the case for fair funding for our schools and for our council. By the government's own calculations Haringey's proportional reduction in spending power has been some 13 times greater than Richmond upon Thames, and some 30 times greater than Dorset.

2.11 Recent analysis we have done now shows that despite dealing with similar levels of deprivation and poverty than neighbouring boroughs of Hackney and Islington, we receive significantly less support from central government. For example, on Formula Grant alone we receive £338 per head less than Hackney, equating to a £77m gap, while on our schools grant we receive £1505 less per pupil. I raise this because plans to reform the local government finance regime will use 2010 as a comparative benchmark, potentially leaving the borough with a high level of structural disadvantage.

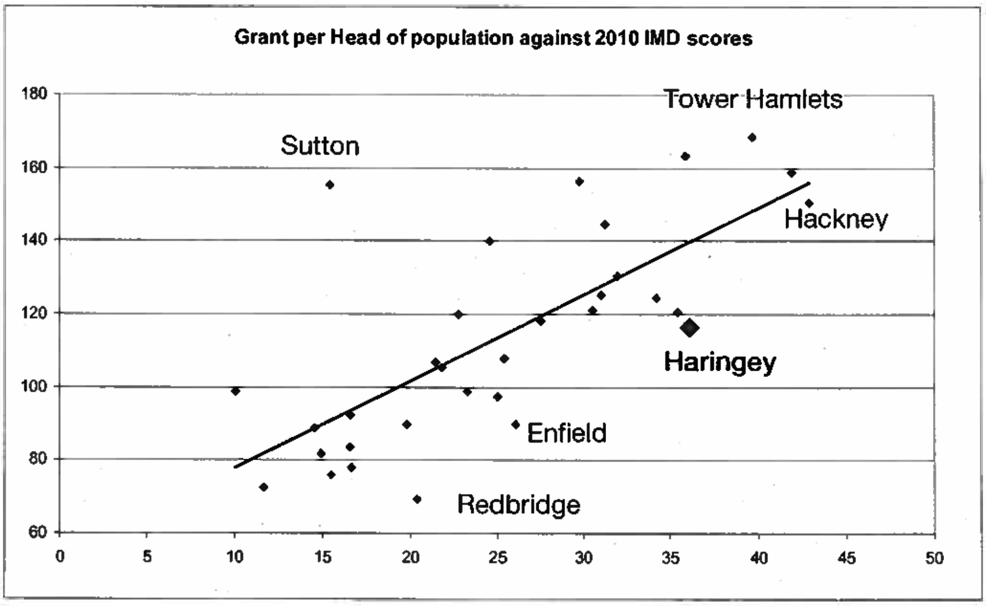
2.12 I set out the diagram below which I presented to the Cabinet and Council last year. This shows that the effect of government decisions was to re-distribute resources from Councils with high levels of deprivation to other areas. The deepest reductions were faced by the Boroughs with the highest levels of deprivation such as Haringey.

Haringey Council



Haringey Council

2.13 This picture is more stark when levels of deprivation (as measured IMD Score) are compared with the amount of grant per head across all London authorities, (see graph below). The local authorities above the line receive more grant per head than average in London based on their deprivation score, while those below the line receive less grant per head.



2.14 I hope Councillors of all parties will recognise and accept the unfairness inherent in these figures, and in particular I commend the recent Joseph Rowntree Foundation report which "explores how budget cuts will affect the capacity of local government to meet the needs of more deprived households and communities." There is real concern that more deprived groups will suffer the most. This report provides early, systematic evidence of the scale of the cuts and of how local councils are grappling with these issues. If you would like to read it further you can find a copy here: www.jrf.org.uk/sites/files/jrf/communities-recession-services-full.pdf

2.15 Notwithstanding our concerns, we believe it is imperative we assert the role of your locally, democratically elected government to pursue an agenda to raise the standard of living life for all our residents.

2.16 We believe that not only means tackling inequality head on, but taking the action we need to create greater shared prosperity for all. This is what we call our shared ambition for the Better Society, and what we mean when we talk about One Borough One Future.

Haringey Council

2.17 Overwhelmingly residents from across the borough, whether in area forums or at budget consultations have called for action on jobs. It is clear to me that with the scrapping of the EMA which benefited some 3,700 young people; the rise in tuition fees, which has seen a 9% decline in applications to university this year; and the scrapping of the Future Jobs Fund and replacing it with a privately-led Work Programme that just isn't working, we are in real danger of seeing another lost generation of young individuals, with their talents going to waste.

2.18 That is why in addition to capital announcements to support the Northumberland Park Regeneration that will see £400m worth of investment go into a ward which is the 5th poorest in London, we have created a one-off pool of money to take action on unemployment. In the spring of this year we will launch a Jobs Programme worth at least £3.5m seeking match funding to create jobs and opportunities for the young people of our borough.

2.19 This is just the first of what I hope will be a series of bold, ambitious initiatives around how we can return our local economy to growth, create a better place for all people to live and work, a stronger sense of community cohesion, greater levels of equality and opportunity and ultimately a Better Society

Haringey Council

3. Recommendations

a) To note the proposed Budget package agreed by the Cabinet on 7th February 2012 [report to the Cabinet included as Appendix 7 to this report];

b) To approve the Medium Term Financial Plan to March 2015 as set out in Appendix 1 and cash limits 2012-13 as set out in Appendix 2;

c) To approve the General Fund budget requirement for 2012-13 of £278.450m, net of Dedicated Schools Grant, as set out in Appendix 1;

d) To approve the Capital Programme to March 2015, comprising spending and funding of £204.880m as set out in Appendix 7 to the Cabinet report of 7th February 2012 [attached as Appendix 7 to this report];

e) To approve the Housing Revenue Account Budget 2012-13 and Medium Term Financial Plan to March 2015 as set out in Appendix 6 to the Cabinet report of 7th February 2012 [attached as Appendix 7 to this report];

f) To approve the housing rent increases [average increase of £6.55 (7.5%) per week] set out in paragraph 4 of Appendix 6 to the Cabinet report of 7th February 2012 [attached as Appendix 7 to this report];

g) To approve the tenants' service charges set out in paragraph 5 of Appendix 6 to the Cabinet report of 7th February 2012 [attached as Appendix 7 to this report];

h) To note the Greater London Authority precept [paragraph 6.14];

i) To approve the reserves policy set out in Appendix 4a;

j) To approve the estimated level of un-earmarked general fund reserves as at 31st March 2012 of £10.5m and specific and other reserves as set out in Appendix 4b;

k) To note the Budget Scrutiny recommendations made by the Overview and Scrutiny Committee and the response of the Cabinet set out in Appendix 8 to the Cabinet report of 7th

February 2012 [attached as Appendix 7 to this report];

l) To note the report of the Chief Financial Officer under Section 25 of the Local Government Act 2003 at paragraphs 7 and 8 on the robustness of the estimates and the adequacy of proposed reserves;

m) To approve the Treasury Management Strategy Statement 2012-13 set out in Appendix 5;

n) To pass the Budget Resolution in the specified format as set out in Appendix 6 and to approve the consequential freeze in the Council's element of Council Tax for 2012-13.

4. Other options considered

4.1 In accordance with legislation and the Council's Constitution, this report proposes the Council should note the proposed Budget package agreed by the Cabinet on 7th February 2012, approve the Budget 2012-13 and Medium Term Financial Plan to March 2015, and approve the Council Tax for 2012-13. Accordingly no other options have been considered.

5. Background

5.1 On 7th February 2012 the Cabinet proposed to the Council a Budget package including a revenue Budget for 2012-13 of £278.4m, with an additional £208.503m indicative Dedicated Schools Grant and a Capital Programme to March 2015 of £204.880m. This was subject to the decisions of levying and precepting authorities. The report highlighted that significant savings still have to be identified to deliver balanced budgets in 2013-14 and 2014-15. The Cabinet report of 7th February 2012 [attached as Appendix 7 to this report], and the subsequent Budget package recommended to the Council by the Cabinet, are the subjects of debate at this Council meeting.

5.2 This final report addresses:

- The Final Local Government Finance Settlement 2012-13;
- Budget consultation;
- The decisions of levying bodies and precepting authorities;
- Consequential changes from the above;
- Considerations in setting the Council Tax;
- The robustness of the Council's Budget process;
- The adequacy of the Council's reserves;
- The Treasury Management Strategy Statement 2012-13.

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5.3 The report concludes by presenting the Budget Resolution to set the Council Tax for 2012-13.

6 Key Developments

Final Local Government Finance Settlement 2012-13 and other changes

6.1 The details of the final Local Government Finance Settlement 2012-13, announced on 31st January 2012, were reported to the Cabinet on 7th February 2012. There have been no other funding announcements or the provision of other information by the government that would change the key assumptions underpinning the Cabinet's proposals to the Council regarding the MTFP 2012-15, the HRA, the Capital Programme and the Revenue Budget 2012-13.

6.2 Any such changes that do occur following the Council's approval of the Budget 2012-13 will be reported to the Cabinet as part of the normal Budget monitoring and Financial Planning processes.

Budget Consultation

6.3 The Council informed, consulted and engaged residents and businesses from November 2011 to January 2012. It has therefore fulfilled its duties on budget consultation contained in the Local Government Finance Act 1992.

6.4 The consultation was undertaken using both an online and paper questionnaire which included factual information about the Council's budget and its services. In addition 10 public meetings were held, led by Councillor Goldberg, Cabinet Member for Finance and Carbon Reduction. A senior Finance Officer attended each meeting and presented key financial detail to inform discussion and to support Councillor Goldberg in answering questions. Staff from the Communications team also attended to take notes.

6.5 When asked about how they felt about a 2.5% rise in Council Tax, 53% of responses were not supportive of an increase; the remainder being either ambivalent or supportive.

6.6 The consultation also sought to establish the extent to which people agreed with the Council's 'five areas for action'. Overall there was strong support for all five areas. The biggest areas supported were: 81% supported growing jobs, 78% supported driving excellence across the Council's services, and 73% supported the actions for young people.

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6.7 Informed by these consultation responses, the Cabinet's budget package proposals agreed on 7th February 2012 include a one-off contribution of £2m to support worklessness, investment of £700k [on-going] to support the Council's work on re-generation in Tottenham, and the creation of a 'One Borough One Future Fund' through a one-off contribution of £1.2m. The Fund will support projects which enable innovation and change, stimulate new ideas and ways of working and help the Council to focus on delivering its priorities.

6.8 The detailed responses to issues and answers to questions raised during the consultation are being analysed and it is intended to make a detailed report available on the Council's website.

Levying Bodies

6.9 The Board of the North London Waste Authority [NLWA] met on 10th February and agreed an overall levy of £40.6m for 2012-13 [£43.5m in 2011-12] of which £6.2m is the levy to this Council [£6.8m in 2011-12]. This reflects a reduction of 8.6%.

6.10 Over the medium term the latest planning assumptions of the NLWA suggest an increase in the levy of some 45% in 2013-14 followed by increases of 1.6% in 2014-15 and 4.1% in 2015-16. The increase for 2013-14 reflects the intention to use forecast balances of some £17m as a contribution to the funding of the 2012-13 budget. Future years' forecasts do not therefore include any assumption on the availability of any balances to offset the levy increases over this period. This recent and material decision of the NLWA means the previously assumed provision for an increase in the levy on the Council of £1.1m in 2012-13 is not required but is required in 2013-14. Accordingly that sum has been re-profiled to 2013-14 as shown in Appendix 3.

6.11 Haringey's proposed MTFP 2012-15 reflects the overall budget implications of these assumptions. Accordingly no other changes are proposed at this stage.

6.12 The levy from the Environment Agency for 2012-13 has been confirmed as £170k, the same as in 2011-12.

6.13 The levies from the London Pensions Fund Authority in respect of residual employer liabilities, the Lea Valley Regional Park Authority and the London Borough Grants Scheme have all also been notified, and collectively total £875k [2011-12: £937k]. These changes have been reflected in the draft Budget 2012-13.

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The Greater London Authority Precept

6.14 The Mayor's consolidated budget requirement for the Greater London Authority [GLA] was agreed by the London Assembly on 9th February 2012. In the light of that decision, the Mayor has set the amounts of Council Tax for the GLA and agreed the issue of GLA precepts for 2012-13. The Band D Council Tax proposed by the GLA is £306.72 in 2012-13, a reduction of £3.10 on the 2011-12 level of £309.82.

Consequential Changes

6.15 Some items of budgeted expenditure in 2012-13 on inflation and on non-service revenue have been re-allocated between base budget and new growth since the Cabinet meeting on 7th February 2012. Those changes have no effect on the overall budget package including cash limits proposed by the Cabinet.

6.16 The proposed net Revenue Budget for 2012-13 is £278.450m, representing a reduction of £7.7m [2.7%] compared to 2011-12; with a £208.503m indicative Dedicated Schools Grant and a Capital Programme to March 2015 of £204.880m.

6.17 The Haringey part of the Band D Council Tax is £1,184.32 [no increase compared to the 2011-12 level].

6.18 The overall Band D Council Tax, including the GLA precept, is £1,491.04 [a reduction of £3.10 compared to the 2011-12 level as a result of the reduction in the GLA precept from £309.82 to £306.72].

6.19 The MTFP to March 2015, including the Budget 2012-13 and the Council Tax Requirement, is shown in appendices 1, 2 and 3.

6.20 The draft Budget for 2012-13 is balanced. However, savings of £6.1m in 2013-14 will be required. Going forward into 2014-15, at its meeting on 7th February 2012, the Cabinet was advised that the overall position was particularly very uncertain and the current projections were highlighting a budget shortfall of £19m, which could vary either way. This will be subject to review on an ongoing basis. It has to be recognised that the ongoing austerity in public finances is expected to continue until at least 2017.

6.21 The Council has made and will continue to make strenuous efforts to influence the government to recognise the inequity of the impact of the

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current arrangements on the Council's finances and to make changes to deliver increased funding in future.

Considerations in setting the Council Tax

6.22 The Localism Act 2011 gives electors the right to veto excessive Council Tax rises from April 2012. Councils that set 'excessive' tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.

6.23 For 2012-13 the ceiling for authorities such as Haringey is an increase of 3.5% in its '**relevant** basic amount of council tax'.

6.24 The **relevant** basic amount of council tax is different to the 'basic amount of council tax'. The latter is the Band D tax charge to taxpayers, as shown in paragraph 6.17, above. The basic amount of council tax is also used to establish a council's eligibility for the council tax freeze grant - see paragraph 6.32 below.

6.25 The **relevant** basic amount of council tax excludes amounts attributable to levies from the council tax requirement.

6.26 The DCLG point out that it is not necessarily the case that a council which qualifies for Council Tax Freeze Grant will automatically avoid a Council Tax referendum.

6.27 The concept of "relevant basic amount" is **only significant** in the context of the determination by a council of whether it is setting a Council Tax which will trigger a referendum. For all other purposes, the definition of basic amount of Council Tax [i.e. the actual Band D amount] - which includes the cost of levies - continues to apply as it has for many years. The legislation was framed in this way so that a referendum would not be triggered by the actions of a levying body over which the council to which a levy is issued may have no control at all.

6.28 In 2012-13, Haringey's levies have reduced by £0.7m in 2012-13 over 2011-12 [see paragraphs 6.9 – 6.13]. This results in an increase in relevant basic amount of council tax of 0.73%. Such an increase is 'not excessive', in terms of the 'ceiling' set by the government as explained at paragraph 6.23, above. The Council is therefore recommended to resolve the increase is not excessive at paragraph 6 of the Formal Budget Resolution at Appendix 6.

6.29 Accordingly on the basis of the Cabinet's proposals for no change in Haringey's part of the Council Tax, no referendum will be required.

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6.30 The government has confirmed councils that freeze or reduce tax in 2012-13 will receive additional **one-off** funding equivalent to the additional income that would result from an increase of 2.5% on their 2011-12 Council Tax level. This new one-off grant would be in addition to the similar grant funding provided in the Spending Review for the four years 2011-15, in respect of the freezing of Council Tax in 2011-12.

6.31 In considering the level of its Council Tax for 2012-13 the Council should have regard to:

- The level of non-Council Tax funding resources that will be available in each of the next three years;
- The on-going demand for services;
- The views of residents, trade unions, businesses and other interested parties;
- The level of efficiency savings and service reductions that can realistically be delivered;
- The criteria for council tax referenda determined by the government;
- The conditions relating to, and the level of grant being offered to councils who freeze their Council Tax increase in 2012-13;
- The general economic climate and the additional financial burden any increase would have on Council Taxpayers.

6.32 The Cabinet's Budget package proposals include no increase in Haringey's Council Tax in 2012-13, and the consequential receipt of additional Council Tax Freeze Grant of £2.5m for 2012-13 only.

6.33 The projected income from Council Tax in 2012-13 is £103.011m based on 86,979 Band D equivalent properties (an increase of 412 over the taxbase for 2011-12) and a collection rate of 96% (2011-12 96%).

6.34 The Council Tax income for 2012-13 is anticipated to be £511k higher than planned in 2011-12, predominately as a consequence of the increase in the taxbase noted above [£487k], together with a minor technical revision of £24k to the 2011-12 base budget.

6.35 These changes result in total available funding [the 'Budget Requirement'] for 2012-13 shown in Appendix 1 of £278.450m, as shown in paragraph 3, recommendation c), above. The corresponding recommendation b) at paragraph 3 of the report to the Cabinet on 7th February 2012 [at Appendix 7 of this report] showed a Budget

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Requirement of £278.4m, which excluded the £24k change referred to at paragraph 6.34, above.

7 Robustness of the Budget process

7.1 The Chief Financial Officer is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of final budget calculations.

7.2 The government has established a programme of public spending reductions, set out in its Spending Review of 2010 which includes average funding reductions of 29% for local authorities over the four years 2011-15. In addition the government has embarked on a range of far-reaching changes across the public sector, details of which have been reported to the Cabinet in successive reports since July 2010.

7.3 For Haringey, the financial consequence of the Spending Review was the need to identify reductions in planned spending of some £84m by 2014. Savings totaling over £62m by 2014 were identified and approved in February 2011, £41m of which was included in the Council's revenue budget for 2011-12.

7.4 To meet the unprecedented scale of this financial challenge, the Council developed a strategic approach, the key elements of which are a clear vision for the kind of borough the Council wants, derived from a review of outcomes and priorities, and how those would be delivered. 'Re-thinking Haringey' sets out the current challenges facing the Council and plans for transforming its approach to delivering services, and addresses the challenge of significant budget reductions whilst also seeking to ensure the Council's priorities are delivered and the aspirations and ambitions of residents are fulfilled as far as possible.

7.5 The Cabinet's proposals are consistent with that overall strategic approach the Council agreed last year and which drove the proposals for the Budget 2011-12 and the MTFP 2011-14.

7.6 The Cabinet has previously agreed a number of proposals at its meetings in July, October and December 2011 and February 2012 which result in a proposed balanced budget for 2012-13, a budget shortfall of £6.1m for 2013-14, and a potential shortfall of £19m in 2014-15, that figure being the best assessment that can be made at this time as noted at paragraph 6.20, above.

7.7 The 2011-12 Budget required the delivery of an unprecedented £41m of reductions in planned spending. The Council can be encouraged

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that the current year's outturn is forecast to be within budget. This level of control and service and financial discipline will continue to be required over the medium term to deliver the forecast savings to 2015 and beyond. The latest formal letter of the Council's external auditor expresses the view that the Council is well placed in terms of financial resilience.

7.8 As in 2011-12, the Budget proposals for 2012-13 include a designated £2m contingency sum. In addition a further sum of £800k is proposed to mitigate the risk of slippage in delivery of savings proposals in 2012-13. While the Council's Bad Debt provision will also be increased by £500k.

7.9 The Budget proposals have been subject to detailed consideration by the Scrutiny process, and the Cabinet has undertaken wide consultation with residents and businesses.

7.10 The Budget process is complemented by the regular cycle of Budget Management and Performance Review. This involves detailed evaluation of budget, performance and workforce information at both Cabinet member and senior officer levels. The Council's Risk Management process also underpins all of these activities.

7.11 The report to the Cabinet in February 2012, and previous reports during 2011, specifically identified the major financial risk areas which needed to be taken into account in developing budget proposals.

7.12 Accordingly, the Chief Financial Officer is satisfied the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the Budget 2012-13.

7.13 The Cabinet and Council will need to continue to pursue the identification and delivery of the anticipated additional savings required from 2013-14 onwards.

8 Adequacy of Reserves

8.1 Section 25 of the Local Government Act 2003 ['the 2003 Act'] also requires the Chief Financial Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Appendix 4a, which the Council should formally review each year.

8.2 As reported to the Cabinet on 7th February 2012, it is projected that the Council will have un-earmarked General Fund Reserves of £10.5m as at 31st March 2012, being the same level as at 31st March 2011.

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This assumes a balanced position for the current year's financial outturn.

8.3 Given the scale of the spending reductions the Council has to deliver over the period 2012-15 (and beyond) and the risks set out below it is proposed these reserves should not be used to pay for on-going spending and wherever possible, earmarked reserves should be maintained at their current levels.

8.4 The Council holds a number of reserves which are detailed in Appendix 4b and can be categorised as follows:

1. Un-earmarked (general) Reserves. These are held to cover the net impact of risks, opportunities and unforeseen emergencies;
2. Earmarked (specific) Reserves. These are held to cover specific known or predicted financial liabilities;
3. Other Reserves. These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools.

8.5 In addition the Council's contingency budget of £2m is continued in 2012-13.

8.6 Appendix 4b also shows the projected movement on the reserves for both the current year 2011-12 and 2012-13. These reserves have been reviewed in detail and the level of these reserves is judged to be adequate.

8.7 It is imperative the un-earmarked general reserves are adequate to meet the net financial impact of the risks and opportunities detailed in the report to the Cabinet on 7th February 2012. These have been assessed as £10.2m, as set out in Appendix 4c. Accordingly the proposed levels of general reserves set out in paragraph 8.2, above, are judged to be adequate within the meaning of the 2003 Act.

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

Redundancies

8.9 In February 2011, the Council was facing estimated redundancy costs of £25m. As previously reported to the Cabinet, the Council has applied for, and been granted, approval to capitalise some of these costs thus precluding the need to draw down that element from reserves (but spreading the costs over a number of years).

8.10 Approval to capitalise costs of £5m over two years has been granted

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and a revised forecast of costs has now been made. The latest estimate, therefore, of funds to be drawn from reserves for the on-going redundancy programme is now reduced to circa £20m and this is reflected in the reserves forecast attached to this report as Appendix 4b. Redundancy costs may increase further as future savings proposals are delivered over the MTFP period and beyond.

9 Treasury Management

9.1 The Treasury Management Strategy Statement [TMSS] for 2012-13 [set out in Appendix 5] was recommended for approval by Full Council by Corporate Committee on 23rd January 2012. Overview and Scrutiny Committee considered it on 6th February 2012 as part of the scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice. This report sets out the proposed strategy, following revisions made by Corporate Committee, with regard to borrowing and investment of cash balances and the associated monitoring arrangements. Overview and Scrutiny Committee received the TMSS following revision but requested no further changes and noted the formulation of the TMSS, as revised, by the Corporate Committee.

9.2 The pattern of short term interest rates being significantly lower than medium and long term rates is expected to continue throughout 2012-13. Therefore the strategy proposes to continue keeping cash balances at a minimum investing short term and only borrowing when necessary.

9.3 The investment section of the TMSS proposes a lower minimum long term credit rating of A- for UK banks the Council can lend to, compared to A+ in 2011-12. This is still defined as "high credit quality" by the credit rating agencies and, given the substantial government ownership of two UK banks, it is considered this is still a prudent approach to investing. Corporate Committee did not support a proposal to add a select range of non-UK banks and so they have been removed from the TMSS as presented in this report. However, Corporate Committee have indicated they wish to revisit this particular decision at a later meeting of their Committee.

9.4 The proposed prudential indicators are based on the Capital Programme as reported to the Cabinet on 7th February 2012. Any future decision by the Council to undertake new borrowing for housing will require a review of the prudential indicators. Any consequent required revisions will need to be approved by full Council.

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9.5 Since the report was presented to Corporate Committee, a number of changes have been made, as set out below, in addition to the removal of the non-UK banks discussed above.

9.6 The upper limits on the percentage of fixed term debt which can mature in any one period have been reviewed on request of Corporate Committee and revised downwards to ensure they provide an effective control whilst also providing sufficient flexibility.

9.7 In addition, adjustments have been made to update the position on the level of capital expenditure in 2011-12 and the proposed methods of funding the Capital Programme in the next three years.

9.8 Now that the final amount of HRA debt to be repaid as part of the introduction of self-financing has been confirmed along with the methodology for doing it, the figures have been updated to reflect this. The proposed method of splitting debt between the General Fund and the HRA following self-financing which was agreed by Cabinet on 20th December 2011 has been added to the TMSS, which the Council is recommended to approve.

9.9 The Council, on approving the TMSS, will also be approving the Treasury Policy Statement set out in annex 1 of Appendix 5.

10 Summary and Conclusions

10.1 This report finalises the 2012-13 Budget and proposes no increase to Council Tax.

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

10.3 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires billing authorities such as Haringey, to calculate a Council Tax Requirement for the budget year, not its Budget Requirement as previously. The Council is also required to determine whether its increase in Council Tax for 2012-13 is 'excessive' and if so would trigger a referendum.

10.4 The recommendations of the Cabinet are reflected in the formal Council Tax Resolution in Appendix 6.

10.5 This is the second year of the public spending reductions set out by the government in the Spending Review 2010. The implications of those reductions continue to pose major challenges to the Council.

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Additionally, as reported to the Cabinet on 7th February 2012, it is clear that financial austerity will continue until at least 2017.

10.6 Over this period of funding reductions, the demand for the Council's services will continue to increase. It is also likely that interest rates and welfare related spending will increase.

10.7 The Medium Term Financial Plan 2012-15 recognises these drivers and risks, but it remains essential the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of savings, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its diminishing resources.

11 Legal

11.1 Under Regulations made under the Local Government Act 2000 calculation of the council tax and adoption of the annual budget must be made by Full Council on the recommendation of Cabinet.

11.2 In considering decisions on the budget, and the level of council tax, the Council must take into account this report from the Director of Corporate Resources, as the Section 151 Officer, who has a statutory duty to report on the robustness of the estimates and the adequacy of the proposals for reserves.

11.3 The Council may take decisions which are at variance with this advice provided there are reasonable grounds so to do. However Members must take into consideration their exposure to personal risk if they disregard clearly expressed advice.

11.4 The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfill the statutory obligations in this regard.

11.5 The requirements of the Local Government Finance Act 1992 have been amended significantly by the Localism Act 2011 and a new methodology for arriving at the basic amount of council tax chargeable in the ensuing financial year is being implemented for the first time.

11.6 The Council must calculate its expected outgoings and income for the year. Where the expected outgoings exceed the expected income the difference is the Council's council tax requirement for the year. The relevant basic amount of Council tax for the year is calculated by dividing the council tax requirement after the deduction of levies by the council tax base.

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11.7 The Council is required to determine whether its proposed relevant basic amount of council tax is excessive on the basis of criteria set by the Secretary of State. For the forthcoming financial year an increase in excess of 3.5% is regarded as excessive. Where an excessive increase is proposed there is a duty to hold a referendum prior to any implementation of such increase. With the proposal for a nil increase in the level of council tax, subject to the requisite technical calculation, the Council is entitled to conclude in accordance with the Direction issued by the Secretary of State, that the relevant basic amount of council tax is not excessive.

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

12 Equalities

12.1 The Council must pay due regard to its public sector equality duties with regard to race, gender and disability and should also take into account the provisions of its equality scheme with regard to age, religion or belief and sexual orientation.

12.2 Prior to making any final decisions on any proposals that may be brought forward in the medium term financial planning process the Council will assess the impacts of those by conducting Equality Impact Assessments [EqIAs], starting with an initial screening which considers whether there is a need for a full assessment.

12.3 A key element of the Council's EqIA process is consultation and engagement with the public, service users, community groups, the voluntary sector and our partners. All final decisions on proposals that require an impact assessment must take into account the outcomes and recommendations of the EqIA.

12.4 Accordingly the outcomes and recommendations of EqIAs should form the Equality / Legal comments in any report. EqIAs are published on the Council's website where practicable are appended to the relevant reports. Actions arising from EqIAs are included in Directorate Business Plans to ensure these are implemented and progress monitored.

13 Consultation

13.1 Public engagement and consultation remains a key central government policy driver and is also a legislative requirement for a

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wide range of functions. Proportionate public engagement and consultation activity on the Council's medium term financial planning and budget setting processes have been undertaken as noted in paragraphs 6.3 to 6.8, above. It is intended to prepare a detailed report on issues raised during the consultation process which will be placed on the Council's website.

14 Appendices

1. Summary of the proposed MTFP to March 2015.
2. Business Unit Cash Limits 2012-13
3. Changes and Variations
4. Reserves:

   4a: Reserves Policy
   4b: Reserves and their Adequacy
   4c: Risk Evaluation.
5. The Treasury Management Strategy Statement.
6. The Formal Budget Resolution
7. Cabinet Report of 7th February 2012: Financial Planning 2012-13 to 2014-15.

15 Local Access to Information Act

15.1 The following reports are relevant:

- Financial Planning 2012-13 to 2014-15 (Cabinet 7th February 2012)
- Financial Planning 2012-13 to 2014-15 (Cabinet 20th December 2011).
- Financial Planning 2012-13 to 2014-15: mid year budget update (Cabinet 4th October 2011)

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MEDIUM TERM FINANCIAL PLAN TO MARCH 2015

Appendix 1

	2011-12					2012-13					2013-14					2014-15
	Revised Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	Base Budget £'000
Funding Requirement - General Fund																
Service Areas (excluding Corporate Recharges and Capital Financing Costs)																
Adults and Housing	90,143	2,790	0	(3,594)	(3,043)	86,296	2,485	0	0	(1,590)	87,191	0	0	0	0	87,191
Place and Sustainability	43,546	(60)	1,900	(2,308)	(1,289)	41,789	1,900	0	0	(1,494)	42,195	0	750	0	(800)	42,145
Public Health	848	0	0	0	0	848	0	0	0	0	848	0	0	0	0	848
Children and Young People's Services	66,058	(1,983)	0	(2,470)	(942)	60,663	(741)	0	0	(1,042)	58,880	0	0	0	(810)	58,070
Sub-Total	200,594	747	1,900	(8,372)	(5,274)	189,595	3,644	0	0	(4,126)	189,113	0	750	0	(1,610)	188,253
Corporate Services																
Corporate Resources	29,937	0	0	87	(409)	29,615	4,000	0	0	(1,685)	31,930	0	0	0	(390)	31,540
Chief Executive	11,578	0	0	(527)	(1,065)	9,986	0	0	0	(900)	9,086	0	0	0	(50)	9,036
Non-Service Revenue	46,007	(114)	3,290	(5,016)	(106)	44,061	2,794	0	(3,883)	(3,787)	39,185	0	4,700	0	0	43,885
Inflation	(1,947)	6,337	(620)	0	0	3,770	5,500	0	0	0	9,270	0	8,000	0	0	17,270
Government Grant etc to be allocated	0	0	1,023	0	0	1,023	0	64	0	0	1,087	0	0	0	0	1,087
Tfr to reserves - One Borough One Future	0	0	1,200	0	0	1,200	0	0	0	(1,200)	0	0	0	0	0	0
Trf from Reserves - Risk provision	0	0	(800)	0	0	(800)	0	800	0	0	0	0	0	0	0	0
Budget Shortfall	0	0	0	0	0	0	0	0	0	(6,051)	(6,051)	0	0	0	0	(6,051)
Potential Budget Shortfall						0					0				(19,273)	(19,273)
Sub-Total	85,575	6,223	4,093	(5,456)	(1,580)	88,855	12,294	864	(3,883)	(13,623)	84,507	0	12,700	0	(19,713)	77,494
Total Funding Requirement	286,169	6,970	5,993	(13,828)	(6,854)	278,450	15,938	864	(3,883)	(17,749)	273,620	0	13,450	0	(21,323)	265,747
Funding Sources	Base Budget			Grant Changes	Post Settlement Grant Changes	Base Budget			Grant Changes	Post Settlement Grant Changes	Base Budget			Grant Changes	Post Settlement Grant Changes	
Core Grants (excl DSG)	29,248	0	0	2,600	685	32,533	0	0	0	(3,930)	28,603	0	0	0	0	28,603
New Homes Bonus	1,200	0	0	0	485	1,685	0	0	0	0	1,685	0	0	0	0	1,685
Formula Grants	153,221	0	0	(12,000)	0	141,221	0	0	(3,500)	0	137,721	0	0	(10,573)	0	127,148
Council Tax	102,500	0	0	511	0	103,011	0	0	2,600	0	105,611	0	0	2,700	0	108,311
Total Available Funding	286,169	0	0	(8,889)	1,170	278,450	0	0	(900)	(3,930)	273,620	0	0	(7,873)	0	265,747

Appendix 2

Business unit cash limits	2012-13 Cash limit £'000
Central Directorate Office (Adults & Housing)	965
Adults and Community Services	68,666
Community Housing Services	16,665
Adults and Housing	**86,296**
Central Directorate Office (Place & Sustainability)	497
Front Line Services	27,904
Planning, Regen and Economy	2,718
Property	5,860
Leisure Services	1,776
Culture, Libraries & Learning	3,375
BSF Revenue / Direct Services / Prop & Contracts	(342)
Place & Sustainability	**41,789**
Public Health	848
Public Health	**848**
Central Directorate Office (Corporate Resources)	202
Revenues, Benefits & Customer Services	7,275
Corporate Finance	5,188
Corporate Procurement	1,640
Legal services	2,296
Information Technology	13,015
Corporate Resources	**29,615**
Prevention and Early Intervention	11,173
Children & Families	49,024
Business Support and Development	1,133
Director's Budget	(667)
Children&Young People's Services	**60,663**
Chief Executive	2,277
Electoral Service	310
Human Resources	1,331
Organisational Development & Committee	862
Local Democracy	934
Policy, Intelligence & Partnerships	2,878
Communications	1,395
Chief Executive	**9,986**
Non Service Revenue	44,061
Inflation	3,770
Gov't Grant etc to be allocated	1,023
Transfers to/(from) Reserves	400
Non Service Revenue	**49,254**
Total Funding Requirement	**278,450**

Appendix 3

Changes and Variations

Item	Potential / Known Budget Pressure	2012-13 over 2011-12 £'000	2013-14 over 2012-13 £'000	2014-15 over 2013-14 £'000
1	Inflation	3,770	5,500	8,000
2	NLWA - levy etc	1,000	2,500	250
3	Increase in cost of concessionary fares	1,300	500	500
4	Council Tax Benefit - subsidy 10% reduction	0	4,000	0
5	Risks to future government funding etc	2,500	2,600	2,700
6	Debt Financing Costs (net)	(3,063)	319	0
7	Service Growth (pre-agreed)	836	1,744	0
8	Potential future service pressures	0	0	2,000
	Changes and Variations Total	**6,343**	**17,163**	**13,450**

Haringey Council

Reserves policy

Background

1 Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.

2 CIPFA has issued Local Authority Accounting Panel (LAAP) Bulletin No.55, Guidance Note on Local Authority Reserves and Balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

3 This note sets out the Council's policy for compliance with the statutory regime and relevant non-statutory guidance.

Overview

4 The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the annual Statement of Internal Control and in the future incorporated within the Annual Governance Statement. Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management, and performance management.

5 The Council will maintain:

- a general fund general reserve;
- a housing revenue account (HRA) general reserve; and
- a number of earmarked reserves.

General fund general reserve

6 The purpose of the general reserve is to manage the impact of emergencies or unexpected events. Without such a reserve, the financial impact of such events could cause a potential financial deficit in the general fund, which would be severely disruptive to the effective operation of the authority. The reserve should mitigate against immediate service reductions if there were any unforeseen financial impacts.

7 The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. The level will be expressed as a target cash sum over the period of the general fund medium-term financial strategy. The level will also be expressed as a percentage of general fund requirement (to provide an indication of financial context).

<u>HRA general reserve</u>

8 The purpose of the HRA general reserve is similar to the general fund general reserve above except applied to the HRA.

<u>Earmarked reserves</u>

9 The purpose of earmarked reserves is to enable sums to be set aside for specific purposes or in respect of potential or contingent liabilities where the creation of a provision is not required.

10 The Council will maintain the following earmarked reserves:

1. services reserve: the net unspent balance of service budgets where the Cabinet has agreed that such sums should be carried-forward for use in subsequent years;

2. insurance reserve: funds set aside to meet internally-insured liabilities where the creation of a provision is not required;

3. PFI reserve: funds set aside from specific PFI grant from the government to meet payments to be made to the Council's secondary schools PFI provider; this will be required to manage lifecycle funds during the suspended services period;

4. infrastructure reserve: specific funds set aside for the planned maintenance and renewal of infrastructure assets for IT and Property including the transfer of revenue and capital underspends from year to year;

5. transition reserve: funds set aside in respect of key financial risks identified through the risk management process relating to the restructuring of the Council and the savings required as part of the Medium Term Financial Plan;

6. financing reserve: a reserve to enable multiple-year medium-term financial strategies in the context of the annual budgeting and accounting cycle;

7. debt repayment / capital reserve: this reserve has previously been used to set aside money that the Council has for repaying outstanding debt in the future and/or for the purposes of setting aside money earmarked for capital investment. This reserve will now be utilised for redundancy costs;

8. major repairs reserve (HRA): the balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used to meet housing capital expenditure in future years

9. schools reserve: the net unspent balance of delegated funds managed by schools;

<u>Management and control</u>

11 The schools reserve, the insurance reserve, and the PFI reserve are clearly defined and require no further authority for the financing of relevant expenditure.

12 The use of all other reserves requires budgetary approval in the normal way.

13 All reserves are reviewed as part of the budget preparation, financial management and closing processes.

<u>Reporting and review</u>

14 The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The General Purposes Committee will consider actual reserves when approving the statement of accounts each year.

15 The Council will review the reserves policy on an annual basis.

Appendix 4b

RESERVES AND THEIR ADEQUACY

1. General Fund General Reserve

The judgement on the adequacy of the general fund general reserve needs to reflect the risk management and financial control processes that are in place, and the residual risk of emergencies or unexpected events. For this purpose identification of the key risks is done in three ways:

- identification of risks during the financial planning and budget setting process as set out in the main report;
- risk assessment of the agreed investment and savings proposals in the agreed budget package, and;
- key risks identified, monitored and managed through the Council's risk management strategy and framework.

The calculation of the potential financial impact of these assessed risks has been done and in the light of this, it is regarded that £10.5m is an appropriate target level for the general fund general reserve over the three-year financial planning period. The risks set out in Appendix 4b assess a potential financial impact at £10.2m; the Director of Corporate Resources therefore regards the £10.5m figure as a prudent level to set aside.

The £10.5m target for general balances represents 4% of the Council's net budget requirement for 2012-13.

2. Services Reserve

It is Council policy that service under and over spends are retained by the relevant service subject to approval by the Cabinet in the year end financial outturn report. This reserve earmarks those funds to be carried forward to the following financial year.

3. Insurance Reserve

The insurance reserve is kept under review by the Head of Audit and Risk Management with the assistance of the Council's insurance adviser. A key variable is the split between this reserve and the level of insurance provision held elsewhere in the balance sheet. The last actuarial review concluded that this reserve was at an appropriate level. The Director of Corporate Resources is satisfied that the reserve constitutes adequate protection in respect of the self-insured risk. This self-insurance reserve is in addition to the separately procured insurance with a consortium of other London boroughs.

4. PFI Reserve

The PFI reserve reflects the new arrangements following the suspension of services within the PFI contract. The opening figure reflects the remaining element after taking into account the pre-payment previously included elsewhere in the balance sheet. The reserve will be used to manage the lifecycle fund requirements for schools in the suspended services period during the Building Schools for the Future investment programme.

5. Infrastructure Reserve

The infrastructure reserve is a key financing resource for the programmes of renewal of assets for IT and property. This assists in spreading the costs of core replacement of assets as well as managing asset improvement programmes. It is current policy that revenue and capital underspends in these services are transferred to this reserve for future use.

The infrastructure reserve will remain in place to spread the cost of future infrastructure renewal programmes.

6. Transition Reserve

The Transition Reserve is specifically earmarked for the costs associated with the Council's restructuring and savings programme.

This Reserve is to fund the associated transition costs of redundancies, decommissioning, and investment necessary to deliver longer term efficiencies and change. Given the scale of the transition programme within the period of the medium term financial plan there is still an estimated cost of some £14m relating to the redundancies as a result of the savings proposals still to be implemented. The Council is continuing to seek government approval to capitalise this cost and to date has received confirmation for £5.0m. The Director of Corporate Resources considers that all of this reserve should be earmarked for redundancy costs.

7. Financing Reserve

The financing reserve is a key tool for managing the impact of financial plans from one year to another. This reserve requires balances to be at different levels year to year depending on the demand as identified through previous and current budget plans. This includes an amount set aside for the Sustainable Investment Fund (SIF) which supports invest-to-save projects designed to reduce the Council's CO2 emissions and reduce energy costs. The overall balance on the financing reserve at 31st March 2012 is estimated to be £8.0m.

8. Debt Repayment / Capital Reserve

This reserve has previously been used to set aside money that the Council has for repaying outstanding debt in the future and / or for the purposes of setting aside money earmarked for future capital investment. It had been considered to be used to fund the impairment from the non-recovery of deposits in Icelandic banks, however, central government have allowed this to be capitalised over twenty years so this amount remains uncommitted. It has also been available to support the capital programme. However, given the scale of the redundancy costs the Council is to incur, this reserve will now be utilised and applied to these costs.

9. HRA reserve

The judgement on the adequacy of the HRA general reserve needs to reflect the risk management and financial control processes that are in place, and the residual risk of emergencies or unexpected events. This risk evaluation also needs to take into account the change in the financing of the HRA from 1st April 2012 and the account moving to be self-financing.

In the light of this, £7.5m is regarded as an appropriate target level for the HRA general reserve over the three-year financial planning period which the Director of Corporate Resources considers to be a prudent level. This represents approximately 9% of the HRA turnover for 2012-13.

10. HRA Major Repairs Reserve

The balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used for future housing capital spend. This has been inflated in recent years as the government has allowed Decent Homes funding to be brought forward. However due to changes in the HRA financing from 1st April 2012 this will be changing and currently it is not anticipated there will be any extra resources to go into this reserve after the 2012-13 capital programme has been financed.

11. Schools Reserve

The amount in the schools reserve is a consequence of the funding and spending of individual schools. A proportion of it reflects earmarked funding for future schools projects. The current expected level of the reserve at £1m represents 0.5% of the schools core funding. The projection for 2012-13 will not be finalised until individual schools budgets are calculated, which is subject to the pupil count data. A loan scheme has been introduced with the agreement of the school's forum, which acts like the Council's own Sustainable Investment Fund (SIF) and allows schools to borrow to invest in energy and carbon reducing improvements that can be repaid back to the general schools balances.

12. Overall

The estimates of the reserves position, including earmarked and un-earmarked reserves for the General Fund, schools and the HRA are detailed in the table below.

Reserve	Actuals 31.03.11 £m	Forecast to 31.03.12 £m	Forecast to 31.03.13 £m
Non-earmarked			
General Fund Balance	10.6	10.5	10.5
Total Non-earmarked Reserves	**10.6**	**10.5**	**10.5**
Earmarked			
Services Reserve	4.8	4.7	1.6
Insurance Reserve	8.9	8.0	8.0
PFI Reserve	7.2	5.0	4.8
Infrastructure Reserve	2.4	1.9	0.4
Transition Reserve	1.8	1.8	1.8
Financing Reserve	8.5	8.0	5.0
Debt Repayment/Capital Reserve	13.3	12.5	8.2
Total Earmarked Reserves	**46.9**	**41.9**	**29.8**
Other Reserves			
HRA	8.0	7.5	7.5
Major Repairs (HRA)	0.0	0.0	0.0
Schools	2.6	1.0	1.0
Total Other Reserves	**10.6**	**8.5**	**8.5**
Total	**68.1**	**60.9**	**48.8**

Appendix 4c

Adequacy of Reserves - Risk Assessment

Three key assessment areas:
1. Identification of risks during the financial planning and budget setting process as set out in the main report;
2. risk assessment of the agreed investment and savings proposals in the proposed budget package, and;
3. key risks identified, monitored and managed through the Council's risk management strategy in the corporate risk regsiter.

	Gross Budget Exposure £m	Risk %	Residual Impact £m
1. Budget Process			
Adult Social Care	50		
Childrens Services	24	A medium level risk	
Housing	10	assessment has been	
Capital Financing	40	applied to the budget	
Revenue streams	50	amount potentially at risk	20.0
2. Savings Proposals			
- Delivery Programme	20	Medium risk on savings proposals for 2012-13	3.0
- Transition costs (e.g. redundnacies)	14	Very high risk of significant financial impact	14.0
3.Corporate Risk Register	28	Low risk assessment on variety of risks within the corporate risk register	2.0
4. Unidentified Risks			1.0
Less earmarked reserves and contingencies for the above			- 29.8
Grand Total			10.2

Appendix 5

Treasury Management Strategy Statement and Investment Strategy 2012-13 to 2014-15

Annexes

1. Background

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Communities and Local Government (CLG) Department's Investment Guidance.

1.2 CIPFA has defined Treasury Management as:
"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.3 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements of treasury management activities and include Credit and Counterparty Risk, Liquidity Risk, Market or Interest Rate Risk, Refinancing Risk and Legal and Regulatory Risk.

1.4 The strategy takes into account the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.

1.5 The purpose of this report is to propose:

- An updated Treasury Policy Statement – discussed in Section 2 and set out in Annex 1
- Treasury Management Strategy - Borrowing in Section 5, Investments in Section 6
- Prudential Indicators – these are detailed throughout the report and summarised in Annex 3
- MRP Statement – Section 10

2. CIPFA Treasury Management Code of Practice

2.1 Adoption of the CIPFA Treasury Management Code of Practice is one of the Prudential Indicators. The Council originally adopted the Code of Practice in May 2002. Revisions to the Code in 2009 were reflected in updated versions of all policies and procedures in early 2010.

2.2 In November 2011 a further revised version of the Code of Practice was published. There are a number of minor amendments which have been incorporated into this draft Treasury Management Strategy. The main change is a requirement to update the Council's Treasury Policy

Statement to make reference to the Council's high level approach to borrowing and investment. A proposed revised version of this Statement based on CIPFA's recommended form of words is attached at Annex 1.

3. Self financing of Housing

3.1 The removal of the housing subsidy system is being implemented through a one-off reallocation of debt. The settlement of the reallocation is expected to take place on 28th March 2012 and will result in the Council having a reduction in PWLB debt of £233.85m achieved by a proportional repayment of each PWLB loan outstanding.

3.2 In line with guidance from CIPFA and in order to ensure transparency, it is proposed that the Council's debt portfolio is split into two pools – one for HRA and one for General Fund. The CIPFA guidance states that in separating the debt Councils must ensure that there is no detriment to the General Fund and that the separation is a solution which is broadly equitable between the HRA and the General Fund.

3.3 The proposed split of the debt is shown in Table 1 below. This has been done by first allocating the internal borrowing according to relative levels of cash balances and then allocating the external borrowing according to relative Capital Financing Requirements (CFRs). As discussed later in this report, the CFR represents past capital expenditure to be funded through borrowing which has not been repaid yet. The information which follows in this report reflects the proposed method of splitting the debt.

Table 1: Splitting of Debt – General Fund and HRA

	General Fund £000	HRA £000	Total £000
PWLB	70,212	149,244	219,456
Market Loans	39,992	85,008	125,000
Local Authorities	14,398	30,602	45,000
Internal Borrowing	94,405	8,000	102,405
Total	219,007	272,854	491,861

3.4 Although it is proposed that there will be two debt pools going forward, all the loans remain a debt of the overall Council and therefore the responsibility of the Section 151 officer. This strategy statement covers the management of both pools of debt. In the management of the two pools of debt, internal transfers between the pools will take place when it is beneficial to both pools to do this to avoid the Council incurring additional cost.

3.5 HRA cash balances will continue to be managed in one pool with the General Fund balances. Interest will be allocated to the HRA on the basis of the monthly cash balance and the average rate of interest earned across the combined pool.

4. Balance Sheet and Treasury Position

4.1 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management activity. The estimates for each pool, based on the current proposed Revenue Budget and Capital Programmes, are:

Table 2a: Treasury Position – General Fund

	31/03/2012 Estimate £000	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000
General Fund CFR	307,087	298,901	287,402	276,236
Less: Share of Existing External Borrowing & Other Long Term Liabilities	212,682	187,012	174,906	166,350
Internal Borrowing	94,405	82,305	77,305	72,305
Cumulative Net Borrowing Requirement	0	29,584	35,191	37,581

Table 2b: Treasury Position – HRA

	31/03/2012 Estimate £000	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000
HRA CFR	272,854	272,854	272,854	272,854
Less: Share of Existing External Borrowing & Other Long Term Liabilities	264,854	219,066	202,334	193,388
Internal Borrowing	8,000	7,500	7,500	7,500
Cumulative Net Borrowing Requirement	0	46,288	63,020	71,966

4.2 The tables above show how the Council's capital requirement is funded currently and how it is expected to be funded in the coming years. Due to the differential between short and long term interest rates (discussed in more detail in section 5), the Council has maximised the amount of internal borrowing that can be done. As interest rates are not expected to rise over the next three years, it is anticipated that a significant level of internal borrowing will continue, with the only reduction expected reflecting the planned movement in reserves. The borrowing requirement at the bottom of each of the tables shows how much external borrowing will be required to fund maturing external borrowing.

4.3 Ensuring that net physical borrowing (i.e. net of investments) does not exceed the CFR is a key indicator of prudence. There was no difficulty meeting this requirement in 2011-12, nor are there any difficulties envisaged for future years, as the levels of internal borrowing in tables 2a and 2b above demonstrate.

4.4 It is a requirement for the HRA CFR to remain with the limit of indebtedness or "debt cap" set by the Department of Communities and Local Government at the time of the implementation of self-financing. The table below shows the current expected level of the HRA CFR and the debt cap. Any decision by the Council to undertake new borrowing for housing will cause the future years' debt predictions for the HRA debt pool to increase.

Table 3: HRA Debt Cap

	31/03/2012 Estimate £000	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000
HRA CFR	272,854	272,854	272,854	272,854
HRA Debt cap	327,538	327,538	327,538	327,538
Headroom	54,684	54,684	54,684	54,684

4.5 Table 4 below shows proposed capital expenditure over the coming three financial years. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Table 4: Capital Expenditure

	2011-12 Approved £000	2011-12 Projected Out-turn £000	2012-13 Estimate £000	2013-14 Estimate £000	2014-15 Estimate £000
General	45,324	51,005	44,350	27,429	13,974
HRA	34,550	34,955	43,514	31,881	43,732
Total	79,874	85,960	87,864	59,310	57,706

4.6 Capital expenditure is expected to be financed as follows:

Table 5: Capital Financing

	2011-12 Approved £000	2011-12 Projected Out-turn £000	2012-13 Estimate £000	2013-14 Estimate £000	2014-15 Estimate £000
Capital receipts	11,358	10,597	11,130	9,300	5,128
Other grants & contributions	7,786	6,512	9,903	4,121	3,160
Government Grants	24,724	29,057	28,138	15,851	30,336
Major Repairs Allowance	12,420	14,336	0	0	0
Reserves / Revenue contributions	2,486	4,612	33,219	28,018	16,782
Total Financing	58,774	65,114	82,390	57,290	55,406
Borrowing	21,100	20,846	5,474	2,020	2,300
Total	79,874	85,960	87,864	59,310	57,706

4.7 As an indicator of affordability the table below shows the incremental impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Table 6: Incremental Impact of Capital Investment Decisions

	2011-12 Approved	2011-12 Projected Actual	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
	£	£	£	£	£
Increase in Band D Council Tax	1.00	2.88	1.31	0.85	0.39
Increase in Average Weekly Housing Rents	0.02	0.01	0.20	0.20	0.13

4.8 The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

Table 7: Ratio of Financing Costs to Net Revenue Stream

	2011-12 Approved	2011-12 Projected Actual	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
	%	%	%	%	%
General Fund	4.95	4.50	2.70	2.64	2.47
HRA	31.90	26.79	15.35	14.86	13.97

5. Borrowing Strategy

5.1 A breakdown of the Council's current and expected external borrowing plus other long-term liabilities is shown in Annex 2. This is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

5.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

Table 8: Authorised Limit for External Debt

	2011-12 Approved £000	2011-12 Projected Actual £000	2012-13 Estimate £000	2013-14 Estimate £000	2014-15 Estimate £000
Borrowing	861,544	389,456	637,803	630,539	623,720
Other Long-term Liabilities	85,335	88,080	151,114	143,491	135,666
Total	946,879	477,536	788,917	774,030	759,386

5.3 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Table 9: Operational Boundary for External Debt

	2011-12 Approved £000	2011-12 Projected Actual £000	2012-13 Estimate £000	2013-14 Estimate £000	2014-15 Estimate £000
Borrowing	761,544	389,456	537,803	530,539	523,720
Other Long-term Liabilities	56,890	88,080	100,742	95,660	90,444
Total	818,434	477,536	638,545	626,199	614,164

5.4 The Director of Corporate Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of Corporate Committee.

5.5 The proposed limits have reduced between 2011-12 and 2012-13 due to the reduction of debt arising from the removal of the housing subsidy system. The 2011-12 projected actual shown is at 31st March 2012 after the debt has been repaid in respect of housing.

5.6 The revised CIPFA Treasury Management Code of Practice has introduced a new treasury prudential indicator. It is the upper limit on the proportion of net debt to gross debt and its purpose is to highlight a situation where the Council is planning to borrow in advance of need. The Council has no plans to do this. CIPFA has acknowledged that this indicator is flawed, because as it currently stands it does not achieve the stated aim. However it is a requirement for the Council to agree the indicator in its current form pending CIPFA's review of it. Once that review is completed a more suitable indicator will be reported to Council.

The table below shows the indicator as required by the Code i.e. the gross and net debt the Council expects to hold at the end of the coming financial years. The debt figures are the CFR figures from tables 2a & 2b and the investment figures are estimates of the level of investments in each year.

Table 10: Limit on proportion of net debt to gross debt

	2011-12 Projected Actual £000	2012-13 Estimate £000	2013-14 Estimate £000	2014-15 Estimate £000
Borrowing	389,456	487,803	480,539	473,720
Other Long-term Liabilities	88,080	83,952	79,717	75,370
Gross Debt	477,536	571,755	560,256	549,090
Less: Investments	20,000	40,000	40,000	40,000
Net Debt	457,536	531,755	520,256	509,090

5.7 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided in Annex 4 indicates that an acute difference between short and longer term interest rates is expected to continue until 2014. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment.

5.8 This "cost of carry" has been a feature of money markets since 2009-10 and by essentially lending its own surplus funds to itself (i.e. internal borrowing) the Council has minimised borrowing costs and reduced overall treasury risk by reducing the level of its external investment balances. As this position is expected to continue throughout 2012-13, there are no plans to replace this internal borrowing with external borrowing. However due to debt maturities in 2012-13, external borrowing of approximately £88m will be required.

5.9 The Council will adopt a flexible approach to this borrowing in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source.

5.10 In conjunction with advice from its treasury management adviser, Arlingclose Ltd, the Council will keep under review the following borrowing options:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Capital markets (stock issues, commercial paper and bills)
- Structured finance
- Leasing

5.11 The "cost of carry" discussed above has resulted in an increased reliance upon shorter dated and variable rate borrowing. These types of borrowing inject volatility into the debt portfolio in terms of interest rate risk, however this is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Council's exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the difference between variable rate and longer term borrowing costs. A narrowing in the spread by 0.5% will result in an immediate and formal review of the borrowing strategy to determine whether the exposure to shorter dated and variable rates is maintained or altered.

5.12 The Council has £125m of loans which are LOBO loans (Lender's Options Borrower's Option) of which £50m of loans are currently in or will be in their call period in 2012-13. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the lender's discretion.

5.13 Following the repayment of PWLB debt in March 2012 as a result of the housing reform, LOBOs will make up a larger proportion of the total external debt portfolio, increasing from 20% to 32%. This increases the Council's refinancing risk further. Any LOBO called will be discussed with the treasury advisers prior to the acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

5.14 The Council's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs. The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring, although occasional opportunities arise.

The rationale for undertaking any debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio.

As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers. Borrowing and rescheduling activity will be reported to Corporate Committee as part of the quarterly monitor reports.

5.15 The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

5.16 The Council's existing level of fixed interest rate exposure is 98.2% and variable rate exposure is 1.8%, however it is recommended that the limits in place for 2011-12 are maintained in future to retain flexibility.

Table 11: Fixed and Variable Interest Rate Exposure

	2011-12 Approved %	2011-12 Actual %	2012-13 Estimate %	2013-14 Estimate %	2014-15 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	98.2	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	1.8	40	40	40

5.17 The Council is required to set limits on the percentage of the portfolio maturing in each of the periods set out in the table below. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt. The limits have been set to reflect the current debt portfolio, and to allow enough flexibility to enable new borrowing to be taken for the optimum period. The limits apply to the combined General Fund and HRA debt pools.

Table 12: Maturity Structure of fixed rate borrowing

	Lower Limit %	Upper Limit %
under 12 months	0	40
12 months & within 2 years	0	35
2 years & within 5 years	0	35
5 years & within 10 years	0	35
10 years & within 20 years	0	35
20 years & within 30 years	0	35
30 years & within 40 years	0	35
40 years & within 50 years	0	50
50 years & above	0	50

6. Investment Policy and Strategy

6.1 Guidance from the Communities and Local Government Department (CLG) on Local Government Investments in England requires that an Annual Investment Strategy be set.

6.2 The Council's investment priorities are, in this order:

- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

6.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Instruments proposed for the Council's use within its investment strategy are contained in Annex 5 and the list of proposed counterparties is shown in Annex 6. In keeping with the strategy of maintaining low investment balances while internally borrowing, it is proposed only to use specified investments during 2012-13. The Director of Corporate Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Investment activity will be reported to Corporate Committee as part of the quarterly reports.

6.4 Money markets remain in a volatile state, with little economic growth in most developed countries and ongoing concerns about the creditworthiness of Eurozone countries. Given this backdrop, it is proposed to limit the proposed counterparty list to UK institutions and Money Market Funds only.

6.5 With all investments the Council makes there is a risk of default, so the proposed list of investments is prepared to minimise this risk by being selective about the counterparties to be used. In 2011-12 the minimum long term credit rating applied is A+, however many of the Council's counterparties have been downgraded below this. This has meant these counterparties have had to be removed from the Council's lending list.

6.6 The credit rating agencies' reasoning for the downgrades was a lower level of expected support from governments in the future. In the case of the UK, it is on the basis of the Independent Banking Commission's proposed reforms, which are not likely to be introduced for some years. Given the timescale of the reforms and the substantial government ownership of RBS and Lloyds Bank, it is proposed a lower minimum long term credit rating of A- is applied to UK institutions. A- is still within the banding described as "high credit quality" by the rating agencies.

6.7 The Council banks with Nat West, which is currently rated A. Even if the credit rating falls below the minimum of A-, it is proposed that Nat West will continue to be used for short term liquidity arrangements (overnight and weekend investments) and business continuity arrangements.

6.8 All counterparties on the list are subjected to continual monitoring, in conjunction with the Council's treasury management advisers, to ensure that they continue to meet the high standard set. The range of information used to determine creditworthiness is:

- Credit ratings and credit rating watches
- Credit Default Swaps (where quoted)
- Sovereign support mechanisms/potential support from a well-resourced parent institution
- Share prices
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment.

6.9 If the monitoring reveals any concern about a counterparty's creditworthiness, it will be removed from the lending list with immediate effect. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office – either in the Debt Management Account Deposit Facility (DMADF) or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.)

6.10 In order to diversify the investment portfolio, investments will be placed with a range of approved investment counterparties. Maximum investment levels with each counterparty are set out in Annex 5 will ensure prudent diversification is achieved.

6.11 Money Market Funds (MMFs) will be utilised and whilst they provide good diversification the Council will also seek to diversify any exposure by utilising more than one MMF. The Council will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF.

6.12 The Council is required to set an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. Given the current interest rate environment, the Council will not make investments for more than 364 days.

Table 13: Upper Limit for total principal sums invested over 364 days

	2011-12 Approved £000	2011-12 Projected Actual £000	2012-13 Estimate £000	2013-14 Estimate £000	2014-15 Estimate £000
Principal	20,000	0	0	0	0

7. Use of Financial Instruments for the Management of Risks

7.1 The revised CIPFA Treasury Management Code of Practice requires the Council to state if and how it will use financial instruments, such as derivatives. Currently, local authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the Council does not intend to use derivatives. Should this position change, the Council may develop a detailed and robust risk management framework governing the use of derivatives, but such a change in strategy would require full Council approval.

8. Outlook for Interest Rates

8.1 The economic interest rate outlook provided by the Council's treasury management adviser, Arlingclose Ltd, is attached at Annex 4. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

8.2 The interest rate outlook shows that short term rates are expected to remain significantly lower than long term rates throughout 2012-13 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will kept at a minimum throughout the financial year as the "cost of carry" will be significant for any borrowing taken before capital expenditure is incurred.

9. Balanced Budget Requirement

9.1 The Council complies with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

10. MRP Statement

10.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

10.2 The four MRP options available are:

Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method

10.3 MRP in 2011-12: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

10.4 It is a requirement for Council to approve the MRP statement before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

10.5 It is proposed the Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure. This is a continuation of current practice. MRP in respect of leases brought onto the Balance Sheet under the IFRS-based Code of Practice will match the annual principal repayment for the associated deferred liability.

11. Other Issues

Monitoring & Reporting

11.1 Corporate Committee will receive quarterly reports on treasury management activity and performance. This will include monitoring of the prudential indicators.

11.2 It is a requirement of the Treasury Management Code of Practice that an outturn report on treasury activity is produced after the financial year end, no later than 30th September. This will be reported to Corporate Committee, shared with the Cabinet member for Finance and then reported to full Council. Overview and Scrutiny Committee will be responsible for the scrutiny of treasury management activity and practices.

11.3 Officers monitor counterparties on a daily basis with advice from the Council's treasury management advisers to ensure that any creditworthiness concerns are addressed as soon as they arise. Senior management hold monthly meetings with the officers undertaking treasury management to monitor activity and to ensure all policies and procedures are being followed.

Training

11.4 CIPFA's Treasury Management Code of Practice requires the Director of Corporate Resources to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

11.5 Training was a common issue raised by the various reviews of treasury management carried out at a national and local level post Iceland three years ago. Given the significant amounts of money involved, it is crucial members have the necessary knowledge to take treasury management decisions. Regular training sessions are arranged for members to keep their knowledge up to date.

Investment Consultants

11.6 The CLG's Guidance on local government investments recommends that the Investment Strategy should state:
"Whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and how the quality of any such service is controlled."

11.7 The Council has appointed Arlingclose Limited to provide information and advice about the types of investment the Council should undertake and the counterparties that should be used. Quarterly service review meetings take place to monitor the service and the appointment is formally reviewed in accordance with the Council's Contract Standing Orders.

* * * * *

Annex 1

Treasury Policy Statement

1. The Council defines its treasury management activities as:

   "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks."

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council and any financial instruments entered into to manage these risks.

3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

5. The Council's primary objective in relation to investments is the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments are important but are secondary considerations.

Annex 2

Detail of Treasury Position

A: General Fund Pool

	31 Mar 12 Estimate £000	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000
Existing External Borrowing commitments:				
PWLB	70,212	63,068	55,197	50,988
Market loans	39,992	39,992	39,992	39,992
Local Authorities	14,398	0	0	0
Total External Borrowing	124,602	103,060	95,189	90,980
Long Term Liabilities	88,080	83,952	79,717	75,370
Total Gross External Debt	212,682	187,012	174,906	166,350
CFR	307,087	298,901	287,402	276,236
Internal Borrowing	94,405	82,305	77,305	72,305
Cumulative Borrowing requirement	0	29,584	35,191	37,581

B: HRA Pool

	31 Mar 12 Estimate £000	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000
Existing External Borrowing commitments:				
PWLB	149,244	134,058	117,326	108,380
Market loans	85,008	85,008	85,008	85,008
Local Authorities	30,602	0	0	0
Total External Borrowing	264,854	219,066	202,334	193,388
CFR	272,854	272,854	272,854	272,854
Internal Borrowing	8,000	7,500	7,500	7,500
Cumulative Borrowing requirement	0	46,288	63,020	71,966

Annex 3

Summary of Prudential Indicators

No.	Prudential Indicator	2012-13	2013-14	2014-15
CAPITAL INDICATORS				
1	Capital Expenditure	£000	£000	£000
	General Fund	44,350	27,429	13,974
	HRA	43,514	31,881	43,732
	TOTAL	87,864	59,310	57,706
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.70	2.64	2.47
	HRA	15.35	14.86	13.97
3	Capital Financing Requirement	£000	£000	£000
	General Fund	298,901	287,402	276,236
	HRA	272,854	272,854	272,854
	TOTAL	571,755	560,256	549,090
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	1.31	0.85	0.39
	Weekly Housing rents	0.20	0.20	0.13

No.	Prudential Indicator	2012-13		2013-14		2014-15	
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£000		£000		£000	
	Authorised Limit	788,917		774,030		759,386	
	Operational Boundary	638,545		626,199		614,164	
6	HRA Debt Cap	£000		£000		£000	
	Headroom	54,684		54,684		54,684	
7	Net debt to gross debt	£000		£000		£000	
	Limit on proportion of net debt to gross debt	531,755		520,256		509,090	
8	Upper limit – fixed rate exposure	100%		100%		100%	
	Upper limit – variable rate exposure	40%		40%		40%	
9	Maturity structure of borrowing (U: upper, L: lower)	L	U	L	U	L	U
	under 12 months	0%	40%	0%	40%	0%	40%
	12 months & within 2 yrs	0%	35%	0%	35%	0%	35%
	2yrs & within 5 yrs	0%	35%	0%	35%	0%	35%
	5 yrs & within 10 yrs	0%	35%	0%	35%	0%	35%
	10 yrs & within 20 yrs	0%	35%	0%	35%	0%	35%
	20 yrs & within 30 yrs	0%	35%	0%	35%	0%	35%
	30 yrs & within 40 yrs	0%	35%	0%	35%	0%	35%
	40 yrs & within 50 yrs	0%	50%	0%	50%	0%	50%
	50 yrs & above	0%	50%	0%	50%	0%	50%
10	Sums invested for more than 364 days	0		0		0	
11	Adoption of CIPFA Treasury Management Code of Practice	√		√		√	

Annex 4

Arlingclose's Economic and Interest Rate Forecast

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Official Bank Rate													
Upside risk						0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.75	1.75	1.75	1.75	1.75	1.80	1.85	1.95	2.00	2.10	2.20	2.30	2.40
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.25	1.30	1.35	1.40	1.50	1.60	1.70	1.80	2.00	2.10	2.30	2.40	2.50
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.20	2.30	2.40	2.45	2.50	2.55	2.60	2.70	2.75	2.80	2.85	2.90	3.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.00	3.05	3.05	3.10	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.60	3.75
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.25	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.00	4.00	4.10	4.20	4.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Annex 5

Specified Investments

It is proposed that the Council only uses specified investments during 2012-13. Specified Investments are those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated.
- has a maximum maturity of 1 year.
- meets the "high credit quality" definition as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

"Specified" Investments identified for the Council's use are:

- Deposits in the DMO's Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with UK banks and building societies
- AAA-rated Money Market Funds with a Constant Net Asset Value
- Treasury-Bills (T-Bills)
- *Certificates of deposit with UK banks and building societies
- *Gilts: (bonds issued by the UK government)

  - *Investments in these instruments would only be undertaken on advice from the Council's treasury management adviser.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody's and Standard & Poor's (where assigned).

Long-term minimum: A- (Fitch); A3 (Moody's); A- (S&P)
Short-term minimum: F1 (Fitch); P-1 (Moody's); A-1 (S&P)

The Council will also take into account the range of information on investment counterparties detailed in section 6.8.

Specified investments will be made within the limits detailed in the table below. The limits stated will apply across the total portfolio operated by the Council and so incorporate both Council and Pension Fund specific investments.

The limits for the period of investment are the maximum for the categories of counterparties. Lower operational limits will apply if recommended following a review of creditworthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment
Term Deposits	UK	Debt Management Account Deposit Facility (DMADF), Debt Management Office (DMO)	No limit	6 months
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
T-Bills	UK	Debt Management Office (DMO)	No limit	6 months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A- Long Term and F1 Short Term (or equivalent)	£20m per bank or banking group	364 days
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	Constant Net Asset Value Money Market Funds (MMFs)	£20m per MMF*; Group limit £100m	Instant Access

* Limit per MMF to be no more than 0.5% of the Money Market Fund's total assets.

Annex 6

Lending List of counterparties for investments

This is the proposed list of counterparties which the Council can lend to, providing the counterparties meet the requirements set out in Annex 5 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 6.8 and 6.9 raises any concerns about their credit worthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Gilts, Treasury Bills, Term Deposits	UK	Debt Management Office (Term deposits with Debt Management Account Deposit Facility DMADF)	No limit
Term Deposits	UK	Other Local Authorities	£30m per local authority
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Barclays Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	HSBC Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Lloyds Banking Group including Lloyds TSB and Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Nationwide Building Society	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	RBS Group including Nat West Bank and Royal Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Standard Chartered Bank	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Liquidity Fund	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Government Liquidity Fund	20
Money Market Funds	Ireland	Goldman Sachs Liquid Reserves Fund	20

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Money Market Funds	Ireland	Deutsche Managed Sterling Fund	20
Money Market Funds	Ireland	Invesco Short Term Investments Company Sterling Liquidity Portfolio	20
Money Market Funds	Luxembourg	J.P. Morgan Asset Management Sterling Liquidity Fund	20
Money Market Funds	Ireland	RBS Global Treasury Sterling Fund	20

* * * * *

Appendix 6

The Formal Budget Resolution

The Council is recommended to resolve, in accordance with the Local Government Finance Act 1992 [the 'Act'], as amended by the Localism Act 2011, as follows:

1 It be noted that on 24th January 2012 the Director of Corporate Resources after consultation with the Cabinet Member for Finance and Carbon Reduction calculated the Council Tax Base 2012-13 for the whole Council area as 86,979.

2. The Council Tax Requirement for the Council's own purposes for 2012-13 be calculated as £103,010,495.55

3. That the following amounts be calculated for the year 2012-13 in accordance with Sections 31 to 36 of the Act:

   a) **£937,807,770.00**
   being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;

   b) **£834,797,274.45**
   being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act;

   c) **£103,010,495.55**
   being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year;

   d) **£1,184.32**
   being the Council Tax Requirement at 3(c) above, divided by the Council Tax Base at 1(a), above, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year;

4. To note that the Greater London Authority has issued a precept to the Council in accordance with Section 40 of the Act for each category of dwellings in the Council's area as indicated in the table below.

5. That the Council, in accordance with Sections 30 and 36 of the Act, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2012-13 for each part of its area and for each of the categories of dwellings.

Valuation Bands

LONDON BOROUGH OF HARINGEY

A	B	C	D	E	F	G	H
£789.56	£921.14	£1,052.73	£1,184.32	£1,447.39	£1,710.70	£1,973.87	£2,368.65

GREATER LONDON AUTHORITY

A	B	C	D	E	F	G	H
£204.48	£238.56	£272.64	£306.72	£374.88	£443.04	£511.20	£613.44

AGGREGATE OF COUNCIL TAX REQUIREMENTS

A	B	C	D	E	F	G	H
£994.04	£1,159.70	£1,325.37	£1,491.04	£1,822.27	£2,153.74	£2,485.07	£2,982.09

6. Pursuant to Section 52ZB of the Act and the principles determined by the Secretary of State to apply to local authorities in England in 2012-13 as set out in The Referendums relating to Council Tax Increases (Principles) (England) Report 2012-13 it is determined that the Council's relevant basic amount of Council Tax for the year is not excessive.

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APPENDIX 7

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Haringey Council

Report for:	Cabinet 7th February 2012	Item number	To be added by the Committee Section

Title:	Financial Planning 2012-13 to 2014-15

Report authorised by :	J. Parker 2/2/12 Director of Corporate Resources

Lead Officer:	Kevin Bartle: Assistant Director - Finance kevin.bartle@haringey.gov.uk Telephone 020 8489 5972

Ward(s) affected: All	Report for Key/Non Key Decision: Key

Haringey Council

1. Purpose of the report

1.1 To provide a Medium Term Financial Plan [MTFP] covering the next three years to March 2015, with a revised assessment of the General Fund, Dedicated Schools Grant [DSG], Housing Revenue Account [HRA] and the Capital Programme including:

- The financial resources available to the Council
- The cost of providing existing services
- The overall level of savings that have been and still need to be identified to give a balanced, sustainable budget over the medium term planning period.

1.2 To consider the Cabinet's proposed budget package for 2012-13 and later years.

2. Introduction by the Cabinet Member for Finance and Carbon Reduction – Councilor Joe Goldberg

2.1 I am proud to present the Cabinet's proposals for the Budget 2012-13 and the Medium Term Plan 2012-15.

2.2 Central government cuts to our budget have made it impossible to maintain the same depth and breadth of services that we used to enjoy, with a programme of £84m worth of savings needing to be made over the three years. In this context it has been difficult to make the speed of progress against our One Borough agenda, not least because of other government initiatives and policies which in my view are hitting the poorest and most vulnerable in our society the hardest.

2.3 It is important to restate my belief that these cuts are too far and too fast, and I feel deeply the punishing effect this has had on both those who rely on our Council services, and on our local economy. Not withstanding this, I believe that thanks to officers of the Council, and good union relations we are as the latest letter from the external auditors says, well placed in terms of "financial resilience" to renew our fervour to take Haringey forwards.

2.4 During the last eight weeks I have thoroughly enjoyed the conversation I have had with residents during our extensive budget consultations. Whether in Highgate or Tottenham, Muswell Hill or Wood Green, Hornsey or Northumberland Park, I have been heartened by the levels of support for our stated priorities and by the many people who were even willing to make a greater contribution in order to support such initiatives.

Haringey Council

2.5 However, these are extremely difficult times, and it is clear to me that the government's deficit reduction programme is failing. It is alarming to see the national economy returning to decline. We are, in my view, seeing the direct knock-on effects of this in every service, with an average of 55 new benefit claims a day being dealt with by our customer services centre.

2.6 In that context we have been looking to identify how we might be able to alleviate pressure on the pockets of all the households of our borough, and I am delighted we are able to propose a freeze on Council Tax for a third year in a row.

2.7. On an average Band D, we recognise a 2.5% rise would have equated to £29.61 over the year, or 57p a week, and we hope this saving will be a little help to residents. But of course this will be dwarfed by the 2.5% extra tax that every resident is being asked to pay on almost every item they purchase through the rise in VAT to 20%, or for commuters the 7% rise in fares that will leave residents £104 worse off on average.

2.8 I am absolutely passionate that residents should get the best from their Council and for the place they have chosen to make their home, to raise their families and to make a living and we do not take the contribution our citizens make for granted in any way.

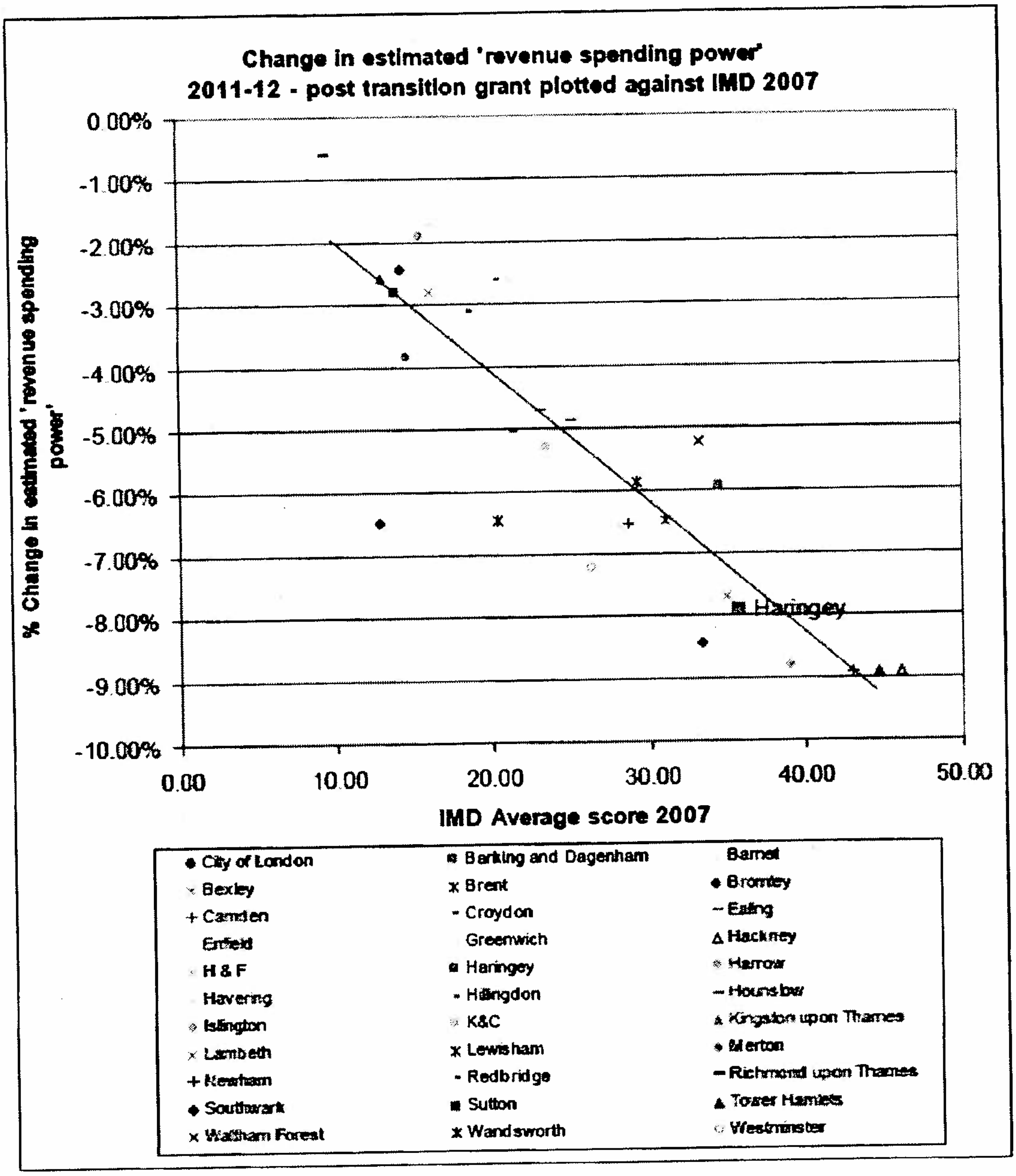
2.9 In that context the last year has of course been difficult for both the Council and residents of Haringey. We have experienced the riots of last August; we are facing challenges to our local family of schools; changes to housing and welfare that in my view will return many vulnerable families to poverty; and unemployment rising faster than the London average with now over 1 in 3 young people unemployed.

2.10 That is why we will continue to press the case for fair funding for our schools and for our council. By the government's own calculations Haringey's proportional reduction in spending power has been some 13 times greater than Richmond upon Thames, and some 30 times greater than Dorset.

2.11 Recent analysis we have done now shows that despite dealing with similar levels of deprivation and poverty than neighbouring boroughs of Hackney and Islington, we receive significantly less support from central government. For example, on Formula Grant alone we receive £338 per head less than Hackney, equating to a £77m gap, while on our schools grant we receive £1505 less per pupil. I raise this because plans to reform the local government finance regime will use 2010 as a comparative benchmark, potentially leaving the borough with a high level of structural disadvantage.

Haringey Council

2.12 I set out the diagram below which I presented to the Cabinet and Council last year. This shows that the effect of government decisions was to re-distribute resources from Councils with high levels of deprivation to other areas. The deepest reductions were faced by the Boroughs with the highest levels of deprivation such as Haringey.



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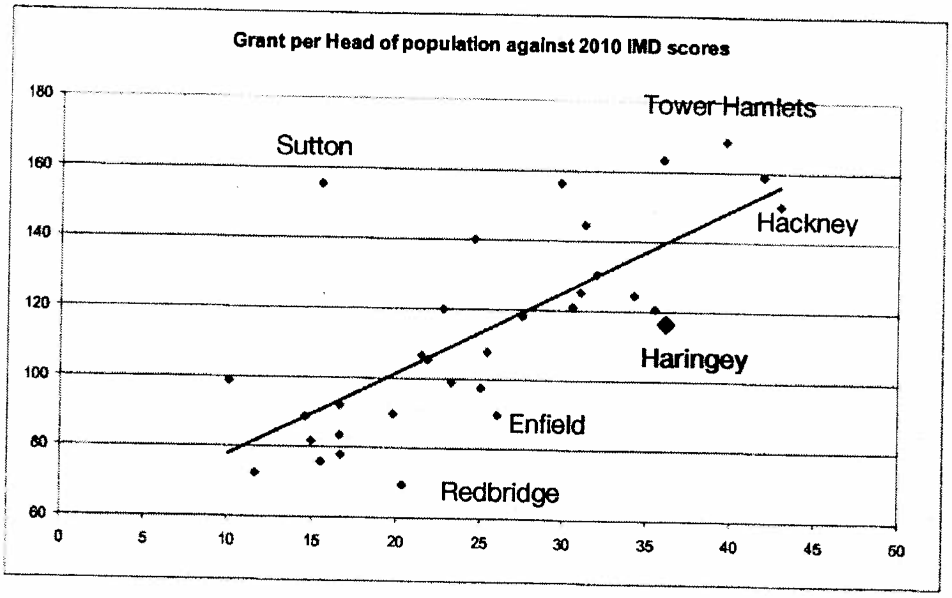
2.13 This picture is more stark when levels of deprivation (as measured IMD Score) are compared with the amount of grant per head across all London authorities, (see graph below). The local authorities above the line receive more grant per head than average in London based on their deprivation score, while those below the line receive less grant per head.



2.14 I hope Councillors of all parties will recognise and accept the unfairness inherent in these figures, and in particular I commend the recent Joseph Rowntree Foundation report which "explores how budget cuts will affect the capacity of local government to meet the needs of more deprived households and communities." There is real concern that more deprived groups will suffer the most. This report provides early, systematic evidence of the scale of the cuts and of how local councils are grappling with these issues. If you would like to read it further you can find a copy here: www.jrf.org.uk/sites/files/jrf/communities-recession-services-full.pdf

2.15 Notwithstanding our concerns, we believe it is imperative we assert the role of your locally, democratically elected government to pursue an agenda to raise the standard of living life for all our residents.

2.16 We believe that not only means tackling inequality head on, but taking the action we need to create greater shared prosperity for all. This is what we call our shared ambition for the Better Society, and what we mean when we talk about One Borough One Future.

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2.17 Overwhelmingly residents from across the borough, whether in area forums or at budget consultations have called for action on jobs. It is clear to me that with the scrapping of the EMA which benefited some 3,700 young people; the rise in tuition fees, which has seen a 9% decline in applications to university this year; and the scrapping of the Future Jobs Fund and replacing it with a privately-led Work Programme that just isn't working, we are in real danger of seeing another lost generation of young individuals, with their talents going to waste.

2.18 That is why in addition to capital announcements to support the Northumberland Park Regeneration that will see £400m worth of investment go into a ward which is the 5th poorest in London, we have created a one-off pool of money to take action on unemployment. In the spring of this year we will launch a Jobs Programme worth at least £3.5m seeking match funding to create jobs and opportunities for the young people of our borough.

2.19 This is just the first of what I hope will be a series of bold, ambitious initiatives around how we can return our local economy to growth, create a better place for all people to live and work, a stronger sense of community cohesion, greater levels of equality and opportunity and ultimately a Better Society

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3. Recommendations

a) To propose to the Council that it approves the proposals for the Council's Revenue Budget 2012-13 and MTFP 2012-15 as set out in appendices 1 and 2;

b) To propose to the Council that the General Fund budget requirement for 2012-13 of £278.4m, net of Dedicated Schools Grant, subject to the decisions of precepting and levying authorities, as set out in appendix 1;

c) To note significant savings still have to be identified to deliver a balanced budget in 2013-14 and 2014-15;

d) To approve the Cabinet's responses to the recommendations of the Overview and Scrutiny Committee on the chosen three themes of the draft revenue proposals agreed at the Cabinet's meeting on 4th October 2011 [paragraphs 7.6 to 7.8 and appendix 8];

e) To note the summary of the consultation responses received to date on the draft revenue proposals agreed at the Cabinet's meeting on 4th October 2011 [paragraphs 7.1 to 7.5];

f) To note the latest position on and to approve the funding allocations within the Children and Young People's Dedicated Schools Grant [DSG] budget set out in paragraph 12 and appendix 5;

g) To propose to the Council that it approves the housing rent increases [average increase of £6.55p (7.5%)] set out in paragraph 4 of appendix 6 ;

h) To propose to the Council that it approves the tenants' service charges set out in paragraph 5 of appendix 6;

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i) To propose to the Council that it approves the HRA Budget 2012-13 and MTFP 2012-15 as set out at paragraph 7, appendix 6;

j) To propose to the Council that it approves the Council's Capital Programme for the period 2012-15, comprising spending and funding of £204.880m, as set out in paragraph 14 and appendix 7;

k) To approve changes in Directorate cash limits as shown in appendices 1 and 2;

l) To approve the additional investment proposals set out in paragraph 9 and summarised in Table 2 at paragraph 10;

m) To approve the forecast level of un-earmarked General Fund Reserves at 31st March 2012 of £10.5m, and specific and other reserves totaling £50.4m at 31st March 2012 as set out in appendix 4a;

n) To note this report will be considered by the Council on 28th February 2012 to inform the Council's final decisions on the Budget 2012-13 and Council Tax 2012-13.

4. Other options considered

4.1 In accordance with legislation and the Council's Constitution, this report proposes the Cabinet should consider draft proposals to deliver a balanced and sustainable MTFP 2012-15 including the Budget for 2012-13, and to make recommendations on these matters to the Council at its meeting on 28th February 2012. Accordingly no other options have been considered.

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5. Background

5.1 The decisions the Cabinet takes at this meeting will inform the Council's consideration of the Budget 2012-13, MTFP 2012-15, including the Capital Programme, and the level of Council Tax for 2012-13.

5.2 The Cabinet has progressively developed its budget proposals over several months and has made a series of decisions at its meetings in July, October and December 2011.

5.3 It is essential the Council is provided with a comprehensive report setting out the totality of the Cabinet's proposals and recommendations on both revenue and capital spending and financing, the DSG and the HRA.

5.4 In order to ensure the Council is fully and properly advised, a report will also be considered by the Council on 28th February 2012. This Cabinet report therefore includes some material which has previously been reported to the Cabinet, amended and updated as appropriate to reflect a number of recent developments and the outcomes of work undertaken since December 2011.

5.5 In February 2011 the Council approved its Budget 2011-12 and MTFP 2011-14. The current year's budget was balanced through the approval of an unprecedented savings programme of some £41m. However, the overall MTFP at that stage showed planned spending exceeding our anticipated resources by £21m over the period 2012-14.

5.6 The Cabinet undertook an intensive exercise during 2011 designed to reduce planned spending and to review all key assumptions underpinning the forecasts of spending and resources.

5.7 At its meeting in December 2011 the Cabinet received a report and agreed a number of recommendations on the Council's Medium Term Plan 2012-15, including the Capital Programme and the Housing Revenue Account [HRA].

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5.8 Table 1, below shows the changes in the overall budget position from February 2011 through to the position agreed by the Cabinet at its meeting in December 2011.

Table 1		2012-13 £m	2013-14 £m	TOTAL £m
1	**MTFP shortfall at February 2011**	**-6.8**	**-14.5**	**-21.3**
2	Re-programming of savings	-2.3	-1.3	-3.6
3	Revisions to assumptions	5.3	0.6	5.9
4	**MTFP shortfall at July 2011**	**-3.8**	**-15.2**	**-19.0**
5	Revisions to assumptions	-0.5	0.9	0.4
6	New savings proposals	5.4	6.7	12.1
7	**MTFP surplus (+) / shortfall (-) at October 2011**	**1.1**	**-7.6**	**-6.5**
8	Revisions to spending assumptions	-1.1	-0.1	-1.2
9	Revisions to financing assumptions	1.1	-	1.1
10	**MTFP surplus (+) / shortfall (-) at December 2011**	**1.1**	**-7.7**	**-6.6**

5.9 This report sets out the latest position on a number of the issues addressed by the Cabinet in December 2011, together with a number of other matters.

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5.10 This report is set out in a similar format to the report considered by the Cabinet in December 2011, and proposes a budget package for the three year planning period to 2015, which is set out in the following 10 paragraphs:

- Strategic Approach (paragraph 6)
- Consultation and Scrutiny (paragraph 7)
- Financial Resources (paragraph 8)
- Revised Budget proposals (paragraph 9)
- Budget and MTFP Revenue proposals – summary (paragraph 10)
- Risks and Opportunities (paragraph 11)
- Dedicated Schools Grant [DSG] (paragraph 12)
- Housing Revenue Account (paragraph 13)
- Capital Programme (paragraph14)
- Treasury Management Strategy (paragraph 15)

5.11 The detailed assumptions that support the Cabinet's proposals are set out below and in the appendices.

6 Strategic Approach

6.1 The government has established a programme of public spending reductions, set out in its Spending Review of 2010 which includes average funding reductions of 29% for local authorities over the four years 2011-15. In addition the government has embarked on a range of far-reaching changes across the public sector, details of which have been reported to the Cabinet in successive reports since July 2010.

6.2 For Haringey, the financial consequence of the Spending Review was the need to identify reductions in planned spending of some £84m by 2014. Savings totaling over £62m by 2014 were identified and approved in February 2011, £41m of which was included in the Council's revenue budget for 2011-12.

6.3 To meet the unprecedented scale of this financial challenge, the Council developed a strategic approach, the key elements of which are a clear vision for the kind of borough the Council wants, derived from a review of outcomes and priorities, and how those would be delivered. 'Re-thinking Haringey' sets out the current challenges facing the Council and plans for transforming its approach to delivering services, and addresses the challenge of significant budget reductions whilst also seeking to ensure the Council's priorities are delivered and the aspirations and ambitions of residents are fulfilled as far as possible.

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6.4 The Cabinet's proposals are consistent with that overall strategic approach the Council agreed last year and which drove the proposals for the Budget 2011-12 and the MTFP 2011-14.

6.5 The Cabinet has previously agreed a number of proposals at its meetings in July, October and December 2011 which result in a potential budget surplus for 2012-13 of some £1m, a budget shortfall of £7.7m for 2013-14, resulting in an overall shortfall by 2014 of £6.6m as shown in Table 1, above.

6.6 The Cabinet noted at its latest meeting in December 2011 that the position for 2014-15 remains very uncertain. The best assessment at that time suggested a potential budget shortfall of £19m, but it was also noted this figure is subject to many uncertainties and could vary either way. There is no reason to change that view at this stage.

6.7 In his Autumn Statement in November 2011the Chancellor announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. Financial austerity will therefore prevail to at least 2017.

7 Consultation and Scrutiny

<u>Consultation</u>

7.1 The Council informed, consulted and engaged residents and businesses from November 2011 to January 2012.

7.2 The consultation was undertaken using both an online and paper questionnaire which included factual information about the Council's budget and its services. In addition 10 public meetings were held, led by Councilor Goldberg, Cabinet member for Resources and Carbon Reduction. A senior Finance Officer attended each meeting and presented key financial detail to inform discussion and to support Councilor Goldberg in answering questions. Staff from the Communications team also attended to take notes.

7.3 The questionnaire sought to establish respondents' degree of support for a potential increase of 2.5% in the Council Tax in 2012-13. Of the respondents to this question, 55% would not support an increase; whereas 34% would support such an increase. The remaining 11% of respondents neither support nor otherwise such a potential increase.

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7.4 The questionnaire also sought to establish the strength of support for the Council's 'five areas for action'. All five areas attracted support from at least 66% of respondents. Growing jobs by working with local businesses, improving outcomes for young people and cultivating a culture of excellence attracted over 80% support.

7.5 The detailed responses are being analysed and it is intended to produce a report to be made available on the Council's website in advance of the Council meeting on 28th February.

Scrutiny

7.6 In accordance with the Protocol for Budget Scrutiny, responsibility for budget scrutiny was delegated to a Panel of five Members of the Overview and Scrutiny Committee, drawn from both parties and chaired by an Opposition Member.

7.7 The Panel chose three themes for Budget Scrutiny (CO2 reduction, Temporary Accommodation and Homelessness and Looked after Children & associated Legal costs).

7.8 The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 12th December 2011, together with the responses of the Cabinet, are set out in appendix 8.

8 Financial Resources

8.1 The Council pays for its spending from a number of sources. The government sets out details of its funding of councils in the Local Government Finance Settlement, showing Formula and Core grant allocations. These in turn are derived from the Spending Review and any relevant announcements in the Chancellor of the Exchequer's Autumn Statement.

The Autumn Statement

8.2 The Chancellor of the Exchequer made his annual Autumn Statement on 29th November 2011. Cabinet was advised of the key announcements affecting local government at its meeting in December 2011, including the further two years of public spending reductions to 2017, and the overall view that welfare spending and interest rates will rise, thus restricting further the scope for spending on other services.

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The Local Government Finance Settlement 2012-13

8.3 The government's shorter term plans for local authority funding were set out in the Local Government Provisional Finance Settlement 2012-13, announced on 8th December 2011, which determines how much grant the government will give to each local authority in England in 2012-13. Details of the provisional settlement, which was subject to a formal consultation period which ended on 16th January 2012, were reported to the Cabinet in December 2011.

8.4 In line with the Cabinet's strategy to take every opportunity to influence the government to maximise the financial resources available to the Borough, Haringey made representations on the provisional settlement, both through a written response and in a meeting with the Minister on 11th January 2012.

8.5 The key points put to the government included:

- The local government spending cuts are too deep and too fast;
- Those cuts combined with flawed grant distribution arrangements are particularly harsh for councils such as Haringey;
- Haringey's funding reductions are disproportionate compared to more prosperous areas and are not well aligned to Haringey's relative level of deprivation;
- Haringey is facing major challenges related to the recent civil disturbances, safeguarding vulnerable children and addressing socio-economic issues characteristic of an inner – rather than an outer- London Borough.

8.6 The Council has requested the government responds to these concerns by:

- Providing revenue support to assist the Council to address the long term solution to the cause of the riots;
- Addressing the funding gap with our neighbours – a starting point would be to ensure the Council's baseline funding for 2013-14 under the new Business Rates arrangements set out in the Localism Act recognise Haringey needs to be at inner London funding levels to enable it to tackle the causes of the riots and the deprivation in the borough.;
- In the short term providing specific grant funding to address social inclusion, youth provision, community cohesion and business development support in the 'post-riots' context;
- Expediting the settlement of the claim to DCLG for the direct costs of dealing with the civil disturbances;

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- Allowing any unspent DCLG funding for regeneration activities in Tottenham to be carried forward beyond January 2012;
- Considering additional capital funding for the physical regeneration of the areas affected by the civil disturbances to meet any shortfall in that provide by the GLA;
- Waiving the Troubled Families match-funding requirement;
- Determining urgently the future financing arrangements for local government, under the proposed localisation of Business Rates arrangements as proposed under the Localism Act, and by publishing funding allocations for authorities;
- Giving sufficient regard to the business rate relief granted as part of the regeneration response to the civil disturbances when determining Haringey's funding allocation under the new funding arrangements for local government proposed to be implemented from April 2013;
- Giving flexibility and freedom to identify additional resources to fund council tax support;
- Providing additional resources to the Council in respect of the deduction from the Formula Grant LACSEG;
- Confirming the continuation of Early Intervention Grant in 2013-14 and beyond;
- Giving consideration to an interim relief grant in respect of school funding.

8.7 The government published the Final Local Government Finance Settlement on 31st January 2012. The final Formula Grant figures for 2012-13 confirm those originally published on 8th December 2011. In line with the government's policy on multi-year settlements, the Formula Grant figures for 2012-13, as the second year of a multi-year settlement, have not changed as a consequence of Ministers having considered all representations received during consultation and having not found any exceptional circumstances to justify any changes.

8.8 Accordingly there are no changes to Haringey's Formula Grant figures for 2012-15 as reported to the Cabinet in December 2012. These figures are included in appendix 1.

8.9 From April 2013 the government intends to introduce new funding arrangements for local authorities, through the 'repatriation' or 'localisation' of Business Rates. As previously noted by Cabinet, these proposals represent a material financial risk to the Council. At this stage the implications cannot be accurately forecast. This adds more uncertainty into the Council's financial plans. The Council therefore needs to be additionally prudent and be aware it may need to make greater cuts to its spending.

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8.10 In its formal response to the government's consultation on these proposals, the Council made these and other points and urged the government to publish detailed funding scenarios for each council as a matter of urgency. The government has not yet responded to this point.

8.11 The remaining sources of finance for the Council's revenue spending are:
- o Council Tax
- o Reserves
- o Fees and Charges

8.12 These are considered in turn, below.

Council Tax

8.13 The Council will consider the Cabinet's MTFP and Budget recommendations at its meeting on 28th February 2012, and informed by those recommendations will determine the level of Council Tax for the financial year 2012-13 at that meeting.

8.14 The Localism Act 2011 gives electors the right to veto excessive Council Tax rises from April 2012. Councils that set tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area. For 2012-13 the ceiling for authorities such as Haringey is an increase of 3.5%.

8.15 The government has confirmed councils that freeze or reduce tax in 2012-13 will receive additional **one-off** funding equivalent to the additional income that would result from an increase of 2.5% on their 2011-12 Council Tax level. This new one-off grant would be in addition to the similar grant funding provided in the Spending Review for the four years 2011-15, in respect of the freezing of Council Tax in 2011-12.

8.16 In considering the level of its Council Tax for 2012-13 the Council should have regard to:

- o The level of non-Council Tax funding resources that will be available in each of the next three years;
- o The on-going demand for services;
- o The views of residents, trade unions, businesses and other interested parties;
- o The level of efficiency savings and service reductions that can realistically be delivered;
- o The likely restrictions on any proposed Council Tax increases

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and the level of grant being offered to Councils who freeze their Council Tax increase in 2012-13;
- The general economic climate and the additional financial burden any increase would have on Council Taxpayers.

8.17 The MTFP 2012-15 cash limits presented in this report at appendices 1 and 2 assume, for financial planning purposes only, no increase in Haringey's Council Tax in 2012-13, and the consequential receipt of additional Council Tax Freeze Grant of £2.5m for 2012-13 only.

8.18 The projected income from Council Tax in 2012-13 is £103m based on 86,979 Band D equivalent properties (an increase of 412 over the taxbase for 2011-12) and a collection rate of 96% (2011-12 96%).

8.19 This increase in the taxbase results in additional £487k Council Tax income compared to the previous assumption.

Reserves

8.20 The level of general reserves is shown in appendix 4a.

8.21 Given the scale of the spending reductions the Council has to deliver over the period 2012-15 (and beyond) and the risks set out below it is proposed these reserves should not be used to pay for on-going spending and wherever possible, earmarked reserves should be maintained at their current levels.

8.22 The Council holds a number of reserves which are detailed in appendix 4a and can be categorised as follows:

1. Un-earmarked (general) Reserves. These are held to cover the net impact of risks, opportunities and unforeseen emergencies;
2. Earmarked (specific) Reserves. These are held to cover specific known or predicted financial liabilities;
3. Other Reserves. These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools).

8.23 In addition the Council's contingency budget of £2m is continued in 2012-13.

8.24 Appendix 4a also shows the projected movement on the reserves for both the current year 2011-12 and 2012-13.

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8.25 It is imperative the un-earmarked general reserves are adequate to meet the net financial impact of the risks and opportunities detailed in paragraph 11, below. These have been assessed as £10.2m, as set out in appendix 4b.

Redundancies

8.26 In February 2011, the Council was facing estimated redundancy costs of £25m. As previously reported, the Council has applied for, and been granted, approval to capitalise some of these costs thus precluding the need to draw down that element from reserves (but spreading the costs over a number of years).

8.27 Approval to capitalise costs of £5m over two years has been granted and a revised forecast of our costs has now been made. The latest estimate, therefore, of funds to be drawn from reserves for the on-going redundancy programme is now reduced to circa £20m and this is reflected in the reserves forecast attached to this report as appendix 4a. Redundancy costs may increase further as future savings proposals are delivered over the MTFP period and beyond.

Fees and Charges

8.28 A separate report will be considered by the Cabinet at this meeting setting out recommendations for changes in fees and charges across all service areas for 2012-13. The additional income anticipated as a result of the revised levels of fees and charges is £279k for the General Fund and £37k for the Dedicated Schools Budget (DSB). Directorates' cash limits will be adjusted accordingly.

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9 Revised Budget proposals

9.1 A number of changes were reported to the Cabinet in December 2011. Further proposed changes are set out below, comprising both changes in previously approved proposals and new proposals.

<u>Grant related proposals</u>

9.2 As noted by the Cabinet in December 2011, the Council has received more Core Grant funding for 2012-13 than anticipated in the previously approved MTFP 2011-14.

The following proposals to use this funding are now recommended:

- **Early Intervention Grant** – the additional sum of £456k to be provisionally allocated to the Children and Young People's Services directorate. Confirmation of this allocation to be dependent on a case being made for its use including consideration of the merits of a one-off allocation to support the strategic improvement plan and early interventions and / or supporting statutory childcare places. The latter activity is likely to need an amount of preparation which will need to be borne in mind when allocating the resource;

- **Learning Disability** – the additional sum of £90k to be allocated to the Adult and Housing Services directorate for costs arising from the transfer of responsibilities to the Council from Health including Learning Disabilities and Health Watch;

- **Free Travel** – the additional sum of £24k to be allocated to Concessionary Fares;

- **Housing Growth** - the additional sum of £51k to be provisionally allocated to the Adult and Housing Services directorate. Confirmation of this allocation to be dependent on a case to be made for its use by Housing;

- **Flood Grant** - the additional sum of £207k to be provisionally allocated to the Place and Sustainability directorate. Confirmation of this allocation to be dependent on a case to be made for its use.

The use of other grant sums is unchanged as previously allocated by the Cabinet. A number of further changes are set out below.

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Other proposals

One Borough One Future Fund

9.3 It is proposed to create a 'One Borough One Future Fund' through a one off contribution of £1.2m. The Fund will support projects which enable innovation and change, stimulate new ideas and ways of working and help the Council to focus on delivering its priorities.

Worklessness

9.4 It is proposed to make a one-off contribution of £2m to support worklessness in the Borough funded from the Council Tax Freeze Grant that will become available should the Council resolve not to increase Council Tax in 2012-13. Detailed proposals will be presented to a future meeting of the Cabinet.

Bad debt provision

9.5 It is proposed to make a one-off contribution to the Council's Bad Debt Provision of £0.5m given the on-going challenging economic climate.

Olympics

9.6 £200k additional one-off funding is to be provided for projects related to the Olympics in 2012. These relate to anticipated essential activities as a result of increased pressure on the Single Frontline, Parks and Emergency Planning services.

Parks

9.7 It is proposed to invest the sum of £0.2m in 2012-13 on a one-off basis in the Parks budget. The sum is planned to be used to improve the infrastructure of Haringey parks and would include expenditure on new benches, fences and litter bins etc.

Tottenham Regeneration Team

9.8 Funding of £700k (ongoing) is proposed from 2012-13 to support the Council's work on re-generation in Tottenham, in conjunction with additional capital resources, explained at paragraph 14.5.

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Budget pressures / savings

Adult Social Care and Housing directorate

9.9 As noted in December 2011 there are a number or potential budget risks in 2012-13 relating to Care Purchasing and Continuing Health Care Transfers from Health. The scale and likelihood of these risks are such that it is expected any resultant costs can be managed within the directorate's cash limit in 2012-13 at this stage.

Children and Young People directorate

9.10 Cabinet is aware of the pressures in the current year related to Looked after Children and the work that is in progress to develop strategies to reduce the consequential financial pressures from 2012-13.

9.11 Any reduction in the capacity of Residential Homes will require alternative external provision to be secured for the children who would otherwise have been placed in the internal residential homes. Potential net revenue annual savings of £259k from 2013-14 may be achieved. If agreed this sum could be made available to the CYPS directorate subject to an appropriate case being made for the use of the resources.

Place and Sustainability directorate

9.12 There are a number of financial risks relating to income and leisure which are expected at this stage to be manageable in 2012-13.

9.13 It is likely that the Household Waste Recycling Centre sites will transfer to North London Waste Authority during 2012-13 subject to member agreement. At this point the Council will make a saving of approximately £400,000 in the Veolia contract, as Veolia will no longer be required to manage these sites. The cost of NLWA running the sites is already allowed for in the draft NLWA levy position. Therefore if the sites do not transfer the Council can expect a reduction in the levy payable of an equivalent amount.

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Alexandra Park and Palace Charitable Trust

9.14 The Council currently subsidises the Alexandra Park and Palace Charitable Trust by £2.1m (2011-12 budget). As part of the Council's overall budget strategy the Council asked the trust to find savings within their budgets of £500k in order to reduce their reliance on the Council. The Trust have identified savings/ additional income of £500k for 2012-13 which will result in the net subsidy reducing to £1.6m for 2012-13 for the core activity of the Trust. The current budget plan is based on the £500k of savings being applied to the regeneration and development programme at the Palace (see item in capital programme, in appendix 7).

Other service issues

9.15 As noted in the report to Cabinet in December 2011 there may be financial implications arising from recent or imminent legislative changes.

9.16 As in 2011-12, it is proposed to create a financial provision to mitigate the risk of slippage in the achievement of approved savings. A sum of £800k for 2012-13 is proposed. This is a reduction from that of £1.8m provided in 2011-12.

Tottenham Riots – Council funding position

9.17 The Council has, so far, made two grant claims to the government, the results of which are awaited.

9.18 The Department for Communities and Local Government [DCLG] have indicated there may be a third opportunity to claim for costs not otherwise met by existing processes but no further details have been announced at this time. This could potentially allow the Council to claim for the costs not met under the Recovery Scheme as set out above plus wider regeneration and business support that was either not eligible under previous claims or relates to ongoing work after the date of the original claims.

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Local Government Finance Bill

9.19 The government introduced the Local Government Finance Bill on 19th December 2011. The Bill includes proposed measures addressing the Local Government Resource Review [localisation of Business Rates], Tax Incremental Financing Schemes [TIFs], technical changes to Council Tax and the localisation of Council Tax Benefit, as summarised in paragraph 9.21, below.

9.20 The full implications of these potential changes are not yet fully clear, but it is likely there will be material impacts on the Council's financial position during the current MTFP period to 2015, relating to the localisation of Business Rates (see paragraph 8.9, above) and the localisation of Council Tax Benefit.

9.21 As previously reported to Cabinet, a key proposal in the government's plans for changes to the welfare system is the abolition of the current Council Tax Benefit [CTB] scheme, to be replaced by a new scheme whereby each local authority would receive un-ring fenced special grant based on 2012-13 expenditure and a reduction of 10% in funding for those residents who are currently entitled to benefit.

9.22 The government is committed to protecting some groups, in particular low income pensioners. Based on Haringey's current CTB caseloads a 10% reduction in funding equates to some £4m pressure on the revenue budget. The current MTFP includes a sum of £4m from 2013-14 as a contingent sum in respect of that pressure. This will need to be reviewed as further details of how the new scheme will operate are issued by the government.

Haringey Council

10 Budget and MTFP Revenue proposals – summary

10.1 The latest financial position for the **two years 2012-14** is summarised in Table 2 below, and in more detail in appendices 1 and 2.

Table 2		2012-13 £m	2013-14 £m	TOTAL £m
	MTFP surplus (+) / shortfall (-)			
	Cabinet December 2011	**1.10**	**-7.70**	**-6.60**
	Spending proposals			
PARA				
9.2	Additional core grant allocations	-0.80	-	
9.4	Worklessness	-2.00	2.00	
9.6	Olympics	-0.20	0.20	
9.7	Parks	-0.20	0.20	
9.11	Children's Services	-0.20	-0.10	
9.8	Tottenham regeneration team	-0.70	-	
9.16	Savings risk provision	-0.80	0.80	
9.5	Increase in Bad Debt provision	-0.50	0.50	
9.3	One Borough One Future Fund	-1.20	1.20	
	Total Spending proposals	**-6.60**	**4.80**	**-1.80**
	Financing proposals			
8.17	2012-13 Council Tax Freeze Grant	2.50	-2.50	
8.28	Fees and charges	0.30	-	
9.13	NLWA	0.40	-	
8.19	Increase in Council taxbase	0.50	-	
9.2	Additional core grant	0.80	-	
9.16	Transfer from/to reserves	0.80	-0.80	
9.11	Residential Homes [Children & Families]	0.20	0.10	
	Total Financing proposals	**5.50**	**-3.20**	**2.30**
	MTFP surplus (+) / shortfall (-)	**0.00**	**-6.10**	**-6.10**

Haringey Council

2014-15

10.2 As reported to the Cabinet in December 2011, the overall financial position for 2014-15 is very uncertain and the current projections will be subject to further review over the coming months. As noted elsewhere in this report, the Council is making strenuous efforts to influence the government to recognise the inequitable impacts on the council's finances of current funding regimes and to make changes to deliver increased funding in the future.

10.3 Government funding is one example of material changes that could affect the Council's finances in 2014-15, set out below:

- Changes in core and specific grants
- NHS funding
- Use of 2011 Census data
- The outcomes of the Local Government Resource Review, affecting Formula Grant and aspects of the government's welfare reforms
- New Homes Bonus and other funding incentives provided by the government
- Inflation and interest rate changes

10.4 There is no reason at this stage to change the assessment set out in paragraph 6.6, above, which is a potential budget shortfall of £19m in 2014-15, subject to many uncertainties which mean this figure could vary either way.

11 Risks and Opportunities

11.1 When setting the draft MTFP, Directors have provided their best estimates of service costs and income based on the information currently available. However there will always be factors outside of the Council's direct control that will vary the key planning assumptions that underpin these estimates.

11.2 There are a number of significant risks that could affect either the level of service demand (and therefore delivery costs), or its funding. In addition there are general economic factors, such as the level of inflation and interest rates that can impact on the net cost of services.

11.3 Similarly there are opportunities either to reduce costs or increase income which have not, as yet, been factored into the planning assumptions. The main risks and opportunities are summarised below.

Haringey Council

Risks

- Reduction in service standards / performance
- Funding uncertainty – including localisation of Business Rates and Council Tax Benefit from April 2013
- Increased service demand
- Impact of Housing Benefit and other welfare changes
- Delay or non-delivery of savings proposals
- Inflation
- Shortfall in revenue due to the economic climate
- Further reductions in joint NHS funding
- Increase in bad debts.
- Academies

Opportunities

- New freedoms and flexibilities
- New income streams

12 Dedicated Schools Grant [DSG]

12.1 At its last meeting the Cabinet endorsed a number of recommendations made by the School Forum following their consideration of the DSG strategy for 2012-13. Appendix 5 sets out the text considered by the Cabinet in December 2011, together with a table setting out the key figures reflecting the latest position. The school funding arrangements for 2012-13 have now been confirmed in an announcement by the Minister on 13th December 2011. The main points arising from the announcement are set out below.

12.2 The pupil numbers which will inform the Council's DSG allocation are taken from the January 2012 Annual School Census which schools were due to complete on 19th January. The Guaranteed Unit of Funding has been confirmed at the same level as for 2011-12 and as such no change is proposed at this time to the estimated DSG set out in December (£208.5m)

12.3 At that time the Cabinet was also advised that, based on the Spending Review totals, the resources distributed through the Pupil Premium was expected to double, suggesting a revised allocation of £10.1m for the Council. In addition the outcome of a consultation concerning the future treatment of the Pupil Premium, including possible changes to the methodology used in its distribution, was awaited. The government has now announced the outcome from that consultation

Haringey Council

which can be summarised as:

- An increase in the level of the Pupil Premium for 2012-13 from £488 to £600 per eligible pupil;
- An extension of the methodology to include all those pupils who have ever been eligible for Free School Meals (FSM) over the previous 6 years.

12.4 The financial effect of the (relatively small) increase in the level of the Pupil Premium, together with the methodology change, is difficult to exemplify. Despite the base Pupil Premium rate not doubling which was the basis for the estimated £10.1m, it is expected the broadening of the criteria to include pupils who have been entitled to FSM at any time during the last six years, will significantly compensate for this. However, the Cabinet should note that, as all of this resource must be passed to schools there is no effect arising from this on the Council's General Fund finances and schools will be notified of their budget allocations once they have been received from the DfE.

12.5 The government has also published the responses received in respect of their consultation proposals for changes to the School Funding system from 2013-14; it is now their intention to develop further proposals in the light of the responses.

12.6 The Cabinet was advised in December 2011 that a small number of formula changes were felt necessary for 2012-13. A consultation document has since been sent to all schools and other relevant groups.

12.7 In December 2011 the Cabinet was also advised of a number of budget pressures which the Schools Forum agreed should be met from the available headroom. Since then further work has been undertaken to quantify three areas where pressures are apparent in the centrally retained element of the DSG:

- Additional SEN costs;
- Costs of the Local Authority Central Service Equivalent Grant (LACSEG) deduction;
- Educational component of LAC residential placements.

12.8 At the meeting of the Schools Forum held on 26th January 2012 further detail was provided in respect of the additional SEN costs and the educational component of LAC residential placements. That report identified that, following further work to quantify the amounts required, sums of £0.45m (SEN) and £1.0m (LAC) were recommended for approval by the Forum. Both of these proposals were supported by the Forum and the relevant recommendations extracted from the draft

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minutes of that meeting are set out below:

"RESOLVED:

That the increase in funding of £0.45m for the Inclusive Learning Campus and Heartlands be agreed and recommended to the Local Authority.
That the proposal for the Looked After Children Placement Budget of £1m be agreed and recommended to the Local Authority."

12.9 It is assumed that these additional costs can be accommodated within the overall centrally retained resources of the DSG, including the relevant share of any increase in DSG attributable to increased pupil numbers which will not be known until after the January Census data has been finalised.

Academies

12.10 In December the Cabinet was advised that the outcome from the most recent consultation on changes to the methodology for removing resources from both DSG and the Council's Formula Grant was awaited. The government made an announcement on 13th December 2011 which included a short further consultation based on what the Minister was 'minded to do' in respect of the LACSEG deduction.

12.11 The Council has formally responded to that consultation arguing for further changes to be made. However, an underlying principle in this consultation is the amounts top-sliced from local authorities' Formula Grant budgets in 2011-12 and 2012-13 will not be increased (and may in certain cases be mitigated through an additional specific grant). The Council's overall Formula Grant position will not therefore worsen (and may marginally improve) because of this aspect in 2012-13.

13 Housing Revenue Account [HRA]

Haringey Council

13.1 New arrangements for the management of the Council's Housing functions start on 1st April 2012.

13.2 In December 2011 the Cabinet received a comprehensive report on these changes and made a number of important consequential decisions in respect of rent increases, service charges, the separating of outstanding debt between the General Fund and the HRA, and the overall financial planning assumptions for the HRA, on the basis of which draft proposals for the overall HRA Revenue Budget 2012-13, Capital Programme 2012-15 and MTFP 2012-15 were agreed.

13.3 The decisions on changes in rents and service charges were provisional subject to consultation with tenants. That consultation has now been completed and the Cabinet is now recommended to propose to the Council it approves those changes at its meeting on 28th February 2012.

13.4 A number of other revisions in the detail of the HRA spending and funding are also necessary. Accordingly, and to ensure the Council is fully appraised of the range of changes in the HRA when it considers its Budget and MTFP decisions on 28th February, a revised comprehensive report incorporating all these changes is set out at appendix 6.

14 Capital Programme

14.1 At its meeting on 20th December 2011 the Cabinet received details of and agreed draft proposals for the Capital Programme 2012-15 to be recommended to the Council.

14.2 Since then a number of changes in both spending and financing have been identified and are included in the updated proposals set out in appendix 7.

14.3 The Cabinet is recommended to approve these proposals for consideration by the Council at its meeting on 28th February 2012.

14.4 As there are risks in the timing of the realisation of capital receipts and the Capital Programme is heavily dependent on those, it is proposed to undertake additional temporary borrowing in lieu of the capital receipts being realised. The costs of this will be funded through the capital financing budget.

<u>North Tottenham investment package</u>

Haringey Council

14.5 As noted at paragraph 9.8, above, additional revenue investment of £700k for re-generation initiatives is proposed. The draft Capital Programme proposes approval in principle to a further allocation of £5m to make a total of £9m investment (including £4m capital programme investment already provisionally agreed by Cabinet on 20th December 2011 but subject to Council agreement) in North Tottenham (linking with the Mayoral investment of £18m) to support:

- a contribution to heritage building improvements in the vicinity of the NDP Scheme (£3m);
- a contribution to public and community event space to be provided as part of the NDP Scheme (£5m);
- environmental improvements on Worcester Avenue (£0.5m);

  and

- the formulation of a phased North Tottenham regeneration master plan with a primary focus on the area west of High Road centred on White Hart Lane (£0.5m).

15 Treasury Management Strategy

15.1 The Treasury Management Strategy for 2012-13 will be brought to the meeting of the Council in February 2012. It will set out the proposed strategy for the Council's borrowing, investment of cash balances and the associated monitoring arrangements.

16 Legal

16.1 The Budget and Policy Framework procedure rules and Overview and Scrutiny Procedure rules are contained in the Council's Constitution and set out both the statutory requirements on Local Authorities in relation to budgets and this Council's approach to setting budgets.

16.2 The Overview and Scrutiny Committee undertake scrutiny of the Council's budget through a Budget Scrutiny Panel. The procedure by which this Panel should operate is detailed in the Protocol covering the Overview and Scrutiny Committee and operated by means of the Panel selecting three themes by which budget scrutiny was undertaken. It is for the Cabinet to approve the proposals and then submit to Full Council and the Council sets the budget.

17 Equalities

Haringey Council

17.1 The Council must pay due regard to its public sector equality duties with regard to race, gender and disability and should also take into account the provisions of its equality scheme with regard to age, religion or belief and sexual orientation.

17.2 Prior to making any final decisions on any proposals that may be brought forward in the medium term financial planning process the Council will assess the impacts of those by conducting Equality Impact Assessments [EqIAs], starting with an initial screening which considers whether there is a need for a full assessment.

17.3 A key element of the Council's EqIA process is consultation and engagement with the public, service users, community groups, the voluntary sector and our partners. All final decisions on proposals that require an impact assessment must take into account the outcomes and recommendations of the EqIA.

18 Consultation

18.1 Public engagement and consultation remains a key central government policy driver and is also a legislative requirement for a wide range of functions. Proportionate public engagement and consultation activity on the Council's medium term financial planning and budget setting processes is being undertaken as set out in paragraphs 7.1 to 7.5.

19 Appendices

Haringey Council

1. Summary of the proposed MTFP to March 2015.

2. Business Unit Cash Limits to March 2015.

3. Changes and Variations.

4. Reserves:

   4a: Reserves and their Adequacy;
   4b: Risk Evaluation.

5. Dedicated Schools Grant.

6. Housing Revenue Account [HRA] 2012-15.

7. Capital Programme [including HRA] 2012-15.

8. The recommendations of the Overview and Scrutiny Committee and the Cabinet's responses.

20 Local Access to Information Act

20.1 The following reports are relevant:

- Financial Planning 2012-13 to 2014-15 (Cabinet 20th December 2011).

MEDIUM TERM FINANCIAL PLAN TO MARCH 2015

Appendix 1

Funding Requirement - General Fund	2011-12 Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	2012-13 Revised Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	2013-14 Revised Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	2014-15 Revised Base Budget £'000
Service Areas (excluding Corporate Recharges and Capital Financing Costs)																
Adults and Housing	90,143	2,790	0	(3,594)	(3,043)	86,296	2,485	0	0	(1,590)	87,191	0	0	0	0	87,191
Place and Sustainability	43,546	(60)	1,900	(2,308)	(1,289)	41,789	1,900	0	0	(1,494)	42,195	0	750	0	(800)	42,145
Public Health	848	0	0	0	0	848	0	0	0	0	848	0	0	0	0	848
Children and Young People's Services	66,058	(1,983)	0	(2,470)	(942)	60,663	(741)	0	0	(1,042)	58,880	0	0	0	(810)	58,070
Sub-Total	200,594	747	1,900	(8,372)	(5,274)	189,595	3,644	0	0	(4,126)	189,113	0	750	0	(1,610)	188,253
Corporate Services																
Corporate Resources	29,937	0	0	87	(409)	29,615	4,000	0	0	(1,685)	31,930	0	0	0	(390)	31,540
Chief Executive	11,578	0	0	(527)	(1,065)	9,986	0	0	0	(900)	9,086	0	0	0	(50)	9,036
Non-Service Revenue	42,654	(114)	6,619	(5,016)	(106)	44,037	2,794	0	(3,883)	(3,787)	39,161	0	4,700	0	0	43,861
Inflation	1,406	6,337	(3,973)	0	0	3,770	5,500	0	0	0	9,270	0	8,000	0	0	17,270
Government Grant etc to be allocated	0	0	1,023	0	0	1,023	0	64	0	0	1,087	0	0	0	0	1,087
Tfr to reserves - One Borough One Future	0	0	1,200	0	0	1,200	0	0	0	(1,200)	0	0	0	0	0	0
Trf from Reserves - Risk provision	0	0	(800)	0	0	(800)	0	800	0	0	0	0	0	0	0	0
Budget Shortfall	0	0	0	0	0	0	0	0	0	(6,051)	(6,051)	0	0	0	0	(6,051)
Potential Budget Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(19,273)	(19,273)
Sub-Total	85,575	6,223	4,069	(5,456)	(1,580)	88,831	12,294	864	(3,883)	(13,623)	84,483	0	12,700	0	(19,713)	77,470
Total Funding Requirement	286,169	6,970	5,969	(13,828)	(6,854)	278,426	15,938	864	(3,883)	(17,749)	273,596	0	13,450	0	(21,323)	285,723
Funding Sources																
	Base Budget			Grant Changes	Post Settlement Grant Changes	Base Budget			Grant Changes	Post Settlement Grant Changes	Base Budget			Grant Changes	Post Settlement Grant Changes	
Core Grants (excl DSG)	29,248	0	0	2,600	685	32,533	0	0	0	(3,930)	28,603	0	0	0	0	28,603
New Homes Bonus	1,200	0	0	0	485	1,685	0	0	0	0	1,685	0	0	0	0	1,685
Formula Grants	153,221	0	0	(12,000)	0	141,221	0	0	(3,500)	0	137,721	0	0	(10,573)	0	127,148
Council Tax	102,500	0	0	487	0	102,987	0	0	2,600	0	105,587	0	0	2,700	0	108,287
Total Available Funding	286,169	0	0	(8,913)	1,170	278,426	0	0	(900)	(3,930)	273,596	0	0	(7,873)	0	285,723

Appendix 2

Business unit cash limits

	2012-13
	Cash limit
	£'000
Central Directorate Budget (Adults & Housing)	965
Adults and Community Services	68,666
Community Housing Services	16,665
Adults and Housing	**86,296**
Central Directorate Budget (Place & Sustainability)	397
Front Line Services	27,904
Planning, Regen and Economy	2,718
Property	5,860
Leisure Services	1,791
Culture, Libraries & Learning	3,460
BSF Revenue / Direct Services / Prop & Contracts	(342)
Place & Sustainability	**41,789**
Public Health	848
Public Health	**848**
Central Directorate Budget (Corporate Resources)	202
Revenues, Benefits & Customer Services	7,275
Corporate Finance	5,188
Corporate Procurement	1,640
Legal services	2,296
Information Technology	13,015
Corporate Resources	**29,615**
Prevention and Early Intervention	11,173
Children & Families	49,024
Business Support and Development	1,133
Central Directorate Budget (CYPS)	(667)
Children&Young People's Services	**60,663**
Central Directorate Budget (Chief Executive)	2,277
Electoral Service	310
Human Resources	1,331
Organisational Development & Committee	862
Local Democracy	934
Policy, Intelligence & Partnerships	2,878
Communications	1,395
Chief Executive	**9,986**
Non Service Revenue	44,037
Inflation	3,770
Gov't Grant etc to be allocated	1,023
Transfers to/(from) Reserves	400
Savings to be Identified	0
Non Service Revenue	**49,230**
Total Funding Requirement	**278,426**

Appendix 3

Changes and Variations

Item	Potential / Known Budget Pressure	2012-13 over 2011-12 £'000	2013-14 over 2012-13 £'000	2014-15 over 2013-14 £'000
1	Inflation	3,770	5,500	8,000
2	NLWA - levy etc	2,100	1,400	250
3	Increase in cost of concessionary fares	1,300	500	500
4	Council Tax Benefit - subsidy 10% reduction	0	4,000	0
5	Risks to future government funding etc	2,500	2,600	2,700
6	Debt Financing Costs (net)	(3,063)	319	0
7	Service Growth (pre-agreed)	836	1,744	0
8	Potential future service pressures	0	0	2,000
	Changes and Variations Total	**7,443**	**16,063**	**13,450**

Appendix 4a

RESERVES AND THEIR ADEQUACY

1. General Fund General Reserve

The judgement on the adequacy of the general fund general reserve needs to reflect the risk management and financial control processes that are in place, and the residual risk of emergencies or unexpected events. For this purpose identification of the key risks is done in three ways:

- identification of risks during the financial planning and budget setting process as set out in the main report;
- risk assessment of the agreed investment and savings proposals in the agreed budget package, and;
- key risks identified, monitored and managed through the Council's risk management strategy and framework.

The calculation of the potential financial impact of these assessed risks has been done and in the light of this, it is regarded that £10.5m is an appropriate target level for the general fund general reserve over the three-year financial planning period. The risks set out in Appendix 4b assess a potential financial impact at £10.2m; the Director of Corporate Resources therefore regards the £10.5m figure as a prudent level to set aside.

The £10.5m target for general balances represents 4% of the Council's net budget requirement for 2012-13.

2. Services Reserve

It is Council policy that service under and over spends are retained by the relevant service subject to approval by the Cabinet in the year end financial outturn report. This reserve earmarks those funds to be carried forward to the following financial year.

3. Insurance Reserve

The insurance reserve is kept under review by the Head of Audit and Risk Management with the assistance of the Council's insurance adviser. A key variable is the split between this reserve and the level of insurance provision held elsewhere in the balance sheet. The last actuarial review concluded that this reserve was at an appropriate level. The Director of Corporate Resources is satisfied that the reserve constitutes adequate protection in respect of the self-insured risk. This self-insurance reserve is in addition to the separately procured insurance with a consortium of other London boroughs.

4. PFI Reserve

The PFI reserve reflects the new arrangements following the suspension of services within the PFI contract. The opening figure reflects the remaining element after taking into account the pre-payment previously included elsewhere in the balance sheet. The reserve will be used to manage the lifecycle fund requirements for schools in the suspended services period during the Building Schools for the Future investment programme.

5. Infrastructure Reserve

The infrastructure reserve is a key financing resource for the programmes of renewal of assets for IT and property. This assists in spreading the costs of core replacement of assets as well as managing asset improvement programmes. It is current policy that revenue and capital underspends in these services are transferred to this reserve for future use.

The infrastructure reserve will remain in place to spread the cost of future infrastructure renewal programmes.

6. Transition Reserve

The Transition Reserve is specifically earmarked for the costs associated with the Council's restructuring and savings programme.

This Reserve is to fund the associated transition costs of redundancies, decommissioning, and investment necessary to deliver longer term efficiencies and change. Given the scale of the transition programme within the period of the medium term financial plan there is still an estimated cost of some £14m relating to the redundancies as a result of the savings proposals still to be implemented. The Council is continuing to seek government approval to capitalise this cost and to date has received confirmation for £5.0m. The Director of Corporate Resources considers that all of this reserve should be earmarked for redundancy costs.

7. Financing Reserve

The financing reserve is a key tool for managing the impact of financial plans from one year to another. This reserve requires balances to be at different levels year to year depending on the demand as identified through previous and current budget plans. The overall balance on the financing reserve at 31st March 2012 is estimated to be £8.0m.

8. Debt Repayment / Capital Reserve

This reserve has previously been used to set aside money that the Council has for repaying outstanding debt in the future and / or for the purposes of setting aside money earmarked for future capital investment. It had been considered to be used to fund the impairment from the non-recovery of deposits in Icelandic banks, however, central government have allowed this to be capitalised over twenty years so this amount remains uncommitted. It has also been available to support the capital programme. However, given the scale of the redundancy costs the Council is to incur, this reserve will now be utilised and applied to these costs.

9. HRA reserve

The judgement on the adequacy of the HRA general reserve needs to reflect the risk management and financial control processes that are in place, and the residual risk of emergencies or unexpected events. This risk evaluation also needs to take into account the change in the financing of the HRA from 1st April 2012 and the account moving to be self-financing.

In the light of this, £7.5m is regarded as an appropriate target level for the HRA general reserve over the three-year financial planning period which the Director of Corporate Resources considers to be a prudent level. This represents approximately 9% of the HRA turnover for 2012-13.

10. HRA Major Repairs Reserve

The balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used for future housing capital spend. This has been inflated in recent years as the government has allowed Decent Homes funding to be brought forward. However due to changes in the HRA financing from 1st April 2012 this will be changing and currently it is not anticipated there will be any extra resources to go into this reserve after the 2012-13 capital programme has been financed.

11. Schools Reserve

The amount in the schools reserve is a consequence of the funding and spending of individual schools. A proportion of it reflects earmarked funding for future schools projects. The current expected level of the reserve at £1m represents 0.5% of the schools core funding. The projection for 2012-13 will not be finalised until individual schools budgets are calculated, which is subject to the pupil count data. A loan scheme has been introduced with the agreement of the school's forum, which acts like the Council's own Sustainable Investment Fund (SIF) and allows schools to borrow to invest in energy and carbon reducing improvements that can be repaid back to the general schools balances.

12. Overall

The estimates of the reserves position, including earmarked and un-earmarked reserves for the General Fund, schools and the HRA are detailed in the table below.

Reserve	Actuals 31.03.11 £m	Forecast to 31.03.12 £m	Forecast to 31.03.13 £m
Non-earmarked			
General Fund Balance	10.6	10.5	10.5
Total Non-earmarked Reserves	**10.6**	**10.5**	**10.5**
Earmarked			
Services Reserve	4.8	4.7	1.6
Insurance Reserve	8.9	8.0	8.0
PFI Reserve	7.2	5.0	4.8
Infrastructure Reserve	2.4	1.9	0.4
Transition Reserve	1.8	1.8	1.8
Financing Reserve	8.5	8.0	5.0
Debt Repayment/Capital Reserve	13.3	12.5	8.2
Total Earmarked Reserves	**46.9**	**41.9**	**29.8**
Other Reserves			
HRA	8.0	7.5	7.5
Major Repairs (HRA)	0.0	0.0	0.0
Schools	2.6	1.0	1.0
Total Other Reserves	**10.6**	**8.5**	**8.5**
Total	**68.1**	**60.9**	**48.8**

Appendix 4b

Adequacy of Reserves - Risk Assessment

Three key assessment areas:

1. Identification of risks during the financial planning and budget setting process as set out in the main report;
2. risk assessment of the agreed investment and savings proposals in the proposed budget package, and;
3. key risks identified, monitored and managed through the Council's risk management strategy in the corporate risk regsiter.

	Gross Budget Exposure £m	Risk %	Residual Impact £m
1. Budget Process			
Adult Social Care	50		
Childrens Services	24	A medium level risk	
Housing	10	assessment has been	
Capital Financing	40	applied to the budget	
Revenue streams	50	amount potentially at risk.	20.0
2. Savings Proposals			
- Delivery Programme	20	Medium risk on savings proposals for 2012-13	3.0
- Transition costs (e.g. redundnacies)	14	Very high risk of significant financial impact	14.0
3.Corporate Risk Register	28	Low risk assessment on variety of risks within the corporate risk register	2.0
4. Unidentified Risks			1.0
Less earmarked reserves and contingencies for the above			- 29.8
Grand Total			**10.2**

Appendix 5

DEDICATED SCHOOLS GRANT and ACADEMIES

Text below was reported to the Cabinet at its meeting on 20th December 2011

1 The Schools Forum met on 8th December 2011 to consider a paper on the Dedicated Schools Grant Budget Strategy for 2012-13. A number of recommendations were put to the Forum and their views have been set out below in respect of the key areas, to inform the Cabinet's consideration of these issues.

2 The schools financial settlement for 2012-13 will follow the same pattern as in 2011-12 (i.e. the spend plus methodology) with a single Guaranteed Unit of Funding multiplied by the number of pupils recorded in the various pupil censuses taken in January 2012.

3 The Guaranteed Unit of Funding (GUF) in 2011-12 was £6,306.81 and will continue at this level in 2012-13. This represents a standstill at cash levels although clearly the effect of inflation means that, for this element of the budget, schools will experience a real terms decrease in their funding in 2012-13. On the basis of the final 2011-12 pupil numbers and the GUF above the estimated DSG for 2012-13 will be set at £208.503m which the Cabinet is asked to **agree** as the indicative level of the Dedicated Schools Grant (DSG) for 2012-13.

4 In addition to this funding schools will continue to receive the Pupil Premium which was introduced in 2011-12. It initially provided £430 per pupil eligible for Free School Meals (FSM) in the January census. During 2011-12 this was increased to £488 per pupil and, for 2012-13,is set to double. The government has also consulted on possible changes to the methodology for distributing the Pupil Premium; the outcome of which is awaited. However, for 2012-13 the Cabinet is asked to **note** an expected Pupil Premium allocation of £10.1m.

5 In 2011-12 there was a fundamental change to a large number of previous grant funded streams with most being incorporated within the DSG. In 2011-12 it was agreed that, for ***universal grants,*** a lump sum equivalent to the 2010-11 allocation of predecessor grants, reduced by 1.5% to reflect the negative Minimum Funding Guarantee (MFG) would be provided and for ***targeted grants*** the relevant sum would be added to headroom. It was further agreed that this approach be revisited in 2012-13 as part of an overall review of the Haringey Formula. However, given that the government has consulted on fundamental changes to school funding which are anticipated to be implemented for 2013-14 and which include the possibility of a national funding formula, the Cabinet is asked **to agree** the continuation of this approach in 2012-13 pending further clarification on the outcomes from the School Funding consultation. The Schools Forum was in agreement with this approach.

6 In 2011-12 uncertainty over the continuation of the Music Education Grant (MEG) led Members to agree to support the Music Service from headroom. Resources of £126.6k were provided in 2011-12 and the increased contribution for 2012-13 on a similar basis is £41.1k which the Forum supported on the understanding that the Head of the Music Service attend the next Forum meeting to explain what steps were being taken to ensure that all pupils from across the borough had equitable access to the service.

7 A one-off allocation of £522k was made available to certain schools to take on the running of extended services on the understanding that future provision be self-sustaining. This sum is not required in 2012-13 and the Forum agreed to a proposal to add this to the available headroom. The Cabinet is asked **to endorse** this treatment.

8 The Forum was asked to express a view on a number of proposed formula changes and in particular indicate their agreement to consult on those changes with schools, and other relevant bodies, where appropriate. The School Forum has the power to agree changes to the Funding Formula and therefore the Cabinet is asked **to note** the intention of the Forum to consult and to propose changes to the Formula in the following areas:

- Protection for 'bulge' classes.
- Changes to the methodology for recognising premises costs.
- The introduction of a small secondary schools factor.

9 In addition the Forum were advised of two further formula changes; the first consequent on changes to the government's formula for distributing the Pupil Premium which has obviated the need to continue with a local factor introduced last year for new schools. The Forum also agreed not to consult on a proposal to remove the paid meal subsidy on the basis that it provided a useful lever against schools failing to levy the recommended price for a school meal.

10 A number of pressures were highlighted to the Forum which it was agreed should be met from the available headroom following the final determination of pupil numbers and the DSG. The pressures identified were:

- The need for additional funding of SEN places within the individual Schools Budget (ISB) for the new Integrated Learning Campuses and Heartlands High School resource base as part of a continuing strategy to develop in-borough SEN provision as a means to reduce the use of more costly out-borough provision and improve value for money;

- The need to provide for the costs of the Local Authority Central Services Equivalent Grant (LACSEG) following the conversion of schools to Academy status; and

- The educational component of Looked After Children (LAC) external residential costs.

11 The Cabinet is asked **to agree** to the funding of these items from available headroom.

12. Finally, the Forum were advised that the target of delegating 16% of resources via deprivation factors had now been achieved and therefore there was no need to create headroom through a general application of the Minimum Funding Guarantee (MFG). As a result they agreed to endorse an approach that did not require the reduction of formula factors by the MFG (-1.5%) unless there was insufficient headroom to meet all of the proposed calls on headroom. In the event that headroom is available after meeting all of the identified pressures the Forum agreed a proposal to distribute headroom via the Key Stage funding units including those for Early Years and place led settings. The Cabinet is asked **to agree** this approach to the use of headroom.

Academies

13 The DfE has also consulted on interim funding arrangements for Academies proposals for revising the arrangements for calculating the Local Authority Central Services Equivalent Grant (LACSEG) and the outcome of this is also outstanding.

14 Haringey now has two schools that have chosen to convert to Academy status. The financial implications for 2012-13 are that funding equivalent to the school budget shares will be recouped from the DSG plus Local Authority Central Spend Equivalent Grant (LACSEG) of approximately £0.53m. In addition the government 'top slices' the Council's Formula Grant allocation. As noted at paragraph 9.12, the DFE is consulting on the calculation and recovery arrangements for academies transfer in 2011-12 and 2012-13 but has also stated there will be no consequential changes to the 2011-12 settlement figures and no authority will be adversely affected in 2012-13 compared to their 2012-13 Settlement figures.

15 The amount of LACSEG identified above represents the formulaic calculated reduction in the cost of central services (as opposed to costs that can actually be saved). The speed at which Haringey can reduce relevant costs within the centrally retained DSB will depend on a number of issues including whether economies can be made from delivering services to fewer schools and the Authority's ability to continue to provide services to Academies under trading arrangements.

* * * * *

Dedicated Schools Grant 2012-13

Guaranteed Unit of Funding	**£6,306.81**
Pupil Numbers Jan 2011	**33,060**
Indicative Dedicated Schools Grant	**£208.503m**

	Individual Schools Budget (ISB) £m	Centrally Retained Budgets. £m	Total DSG £m
2011-12 ISB	185.385	23.118	208.503
Change in Resources			
Remove Extended Schools Contingency	0.522	-0.522	0.000
Total Change in Resources	0.522	-0.522	0.000
Change in Commitments			
Increased provision for special needs places at Inclusive Learning Campuses and Heartlands School	0.450		0.450
Educational provision for LAC		1.000	1.000
Increase in SEN contingency		0.000	0.000
Remove commitment to extended schools		-0.522	-0.522
Increased support for Music and Performing Arts Service		0.041	0.041
Headroom	0.072	-1.041	-0.969
Total Change in Commitments	0.522	-0.522	0.000
Indicative ISB 2012-13	**185.907**	**22.596**	**208.503**

Appendix 6

HOUSING REVENUE ACCOUNT 2012-13 to 2014-15

1 Summary

1.1 This appendix sets out the new arrangements for the management of the Council's housing functions starting on 1 April 2012, and the recommendations on the consequential key decisions the Cabinet needs to take.

1.2 It also sets out the current position in respect of the PWC work on investment options, and makes **recommendations** in respect of rent increases, service charges, the separating of outstanding debt, use of capital receipts and the overall financial planning assumptions for the HRA 2012-15.

1.3 Finally, a proposed HRA MTFP 2012-15 is recommended including both revenue spending and the Capital Programme.

2 Changes in the financial management of the Housing Revenue Account from April 2012

2.1 Under the provisions of the Localism Act 2011, on 1st April 2012 far-reaching changes to the management of council housing come into effect whereby the current Housing Revenue Account subsidy system will be abolished to be replaced by a system of self-financing.

2.2 Under the new system housing authorities will no longer receive HRA subsidy. From April 2012 they will be allowed to retain all their rental income and be responsible for deciding how to spend it to meet their local housing needs.

2.3 In return for the new "freedoms" councils will be allocated a share of the national housing debt. Most authorities will find that their level of debt will increase whilst a few, including Haringey, will have a portion of their debt repaid. The exact amounts of debt to be received or paid off will be finally determined by the government but the latest draft determination suggests a figure of £232m.

2.4 Since 2009 PwC have been the Government's financial advisers on the self-financing reforms and they have identified a significant shift in responsibility and resources to local authorities. They summarise their interpretation of the changes as follows:

HRA today

- It is self-contained, cannot go into deficit, with funding determined by central government;
- Annual subsidy determinations provide constraints on spending and borrowing;
- No need for active debt management strategy as government covers debt costs;
- Inflation and interest rate risks absorbed by government;
- Asset management strategy dependent on limited capital resources provided by central government;
- No real scope for strategic planning as reliant on annual government subsidy payments.

HRA in the future

- End of central government funding of housing investment – long term asset management risk is the sole responsibility of councils;
- Councils entirely responsible for their own debt management strategy including level, cost and profile of debt;
- Need for proactive debt management, particularly in the early years;
- Councils will need to develop a new strategic financial framework for the HRA;
- Significant potential investment capacity, but councils need to operate within centrally determined borrowing constraints.

2.5 For several years the Council has been aware of government plans to alter radically the system of financial management and since the publication by DCLG of "Implementing self-financing for Council Housing" on 1st February 2011 has been making preparations for implementation. The Cabinet noted these changes at its meeting in December 2011.

3 Future Investment Options

3.1 The Council and Homes for Haringey (HfH) have been preparing long term business plans, medium term financial plans and stock condition surveys for some considerable time. Nevertheless, it was felt that the proposed changes in funding arrangements justified the engagement of an external consultancy to assist in producing future investment options and assessing their implications.

3.2 Accordingly on 26th April 2011, in a report entitled "Capital Programme Priorities 2011-14" in paragraphs 9.4 to 9.7 the Cabinet were advised as follows:

- In order to inform the Council's decision making, a 30 year Business Plan needs to be produced, based on the HRA self financing model and taking into account the results of this year's stock condition surveys;

- A number of different scenarios need to be modelled in order that the Council can be properly appraised of the impact of some of the key assumptions, including:
  - Inflation and interest rates
  - Rent levels and associated policy
  - Void rates
  - Rent collection levels
  - Future management costs
  - The options for capital investment, particularly around the decent homes standard and what that actually means
  - The potential to access other external funding sources
  - The use of prudential borrowing.

- The 30 year Business Plan also needs to be modelled on different scenarios for different types of property, especially where it is already recognised that certain parts of the stock, such as the Noel Park Pods, are more costly to maintain and might require an alternative funding option;

- The re-modelling of the long term financial plan and the review of the funding options are inextricably linked. The commissioning process will reflect this.

3.3 On the basis of this advice Cabinet agreed:

> "that a Borough-wide options appraisal .... should be carried out to inform Members' consideration of how best the Council might address the short term and long term investment needs of its housing stock;"

3.4 Qualified consultants were invited to put forward proposals to carry out a brief, the purpose of which was defined as follows:

- The purpose of the brief is to support the Council and HfH in a strategic review of the options for delivering the future housing needs of the borough. It is expected that the review will consider a wide range of options. A central part of the work will be to look at the options available for capitalising on opportunities from HRA reform, to meet the investment priorities of the borough;

- o There are three stages of work required to ensure the Council and Homes for Haringey are prepared for HRA reform, and in the best position to take advantage of the new arrangements. The work naturally splits into two skill areas with stage one focussed on asset management and stages two and three focussed on business planning.

3.5 The brief was divided into three stages:

1. Asset management – Understand the nature and investment needs of the council's housing
2. Business planning – Help develop and validate a 30 year HRA financial plan to form the basis of strategic financial planning;
3. Business planning – Examine the full range of delivery options open to the council

3.6 Proposals were received from four well qualified firms and after interview and detailed appraisal the brief was awarded to PwC who were felt to be particularly well qualified, not least because of their work in helping the government to develop its proposals.

3.7 The three stage report will be presented to the Cabinet at a future meeting but the draft has been used to inform the proposed 2012-13 revenue and capital budgets and the 2012-15 MTFP. Cabinet noted the position at its meeting in December 2011.

4 Rent increases

4.1 Under the self-financing regime rents will remain as the overriding source of income for the HRA and the Cabinet and Council will continue to be required to make decisions annually on the level of increases. Cabinet's formal approval to a recommendation to the Council is now sought at this meeting.

4.2 For several years it has been the Council's policy, in accordance with subsidy determinations, to set rent increases leading towards convergence with rent levels of other social landlords at the specified time.

4.3 Rent increases in 2011-12 were the guideline increases included in the subsidy determination based on September 2010 RPI inflation and convergence by April 2016. This produced an average weekly actual rent of £87.49 compared with a target rent of £94.21. This represented an increase of 6.5% following increases of 1.3% and 6.1% in the previous two years.

4.4 Under self-financing there will no longer be an HRA subsidy determination but authorities will still be expected to follow convergence guidelines.

4.5 On the basis of the Cabinet's established policy, target rent increases for 2012-13 should reflect the September 2011 RPI (5.6%) and convergence in April 2016.

4.6 The average weekly dwelling rents with caps and limits applied according to the Government's restructuring policy will increase by £6.55 (7.5%) from £87.49 to £94.04. There will be differing increases across dwellings as set out below:

Forecast weekly dwelling rents for 2012-13 with caps and limits applied

Table 1

No of bedrooms	Minimum £	Maximum £	Average £
Bedsit	59.64	103.65	75.17
1	50.14	122.32	80.45
2	71.43	132.93	93.97
3	67.59	141.44	108.08
3+	78.93	165.90	125.69
All dwellings	**50.14**	**165.90**	**94.04**

Percentage increase in weekly dwelling rents for 2012-13 with caps and limits applied

Table 2

No of bedrooms	Minimum %	Maximum %	Average %
Bedsit	4.3	9.8	7.8
1	4.0	10.5	7.5
2	5.2	9.2	7.6
3	5.0	9.3	7.5
3+	5.5	8.9	7.4
All dwellings	**4.0**	**10.5**	7.5

Range of changes

Table 3

Amount	Number of properties
Less than £4.00	15
Between £4.00 and £5.00	1,025
Between £5.00 and £6.00	4,490
Between £6.00 and £7.00	4,775
Between £7.00 and £8.00	4,131
Between £8.00 and £11.00	1,684
Total	**16,120**

4.7 Should the Council not implement the full increase the loss of rent would be £0.7m per 1% of reduced increase.

4.8 Over 70% of the Council's tenants have at least part of their rent paid by benefits.

4.9 In the past the loss of rent income from the application of caps and limits has been reflected in increased subsidy. This is not expected to continue and a total expected loss of £1.2m in 2012-13 has been included in the overall self-financing budget. Over the "convergence" period this will reduce to zero.

4.10 Informal consultation on these proposed increases has been completed. 91% of 220 respondents were opposed to the increases. However, the Cabinet is now **recommended** to propose the rent increases detailed in paragraph 4.6 above to the Council for its approval.

5 Service charges

5.1 In addition to rents, tenants need to pay separate service charges for specific services that they receive. Charges are currently made for the following services.

- Concierge services
- Caretaking
- Grounds maintenance
- Street sweeping
- Light and power
- District heating
- Water

5.2 The Council's policy has been to set charges to match budgeted expenditure. Except in unusual circumstances it has not been the policy to compensate for under or over recovery in previous years.

5.3 Based on current policy the Cabinet is **recommended** to propose the following changes to charges agreed for 2011-12 which have been consulted upon to the Council for its approval:

Table 4 Option	Existing charge per week 2011-12 £	Increase %	Increase £	Proposed charge per week 2012-13 £
Concierge	15.23	-7.0	-1.06	14.17
Grounds maintenance	2.41	19.1	0.46	2.87
Caretaking	5.57	-2.9	-0.16	5.41
Street sweeping	2.98	22.1	0.66	3.64
Light & power	1.06	187.8	1.99	3.05
District heating	9.02	25.5	2.30	11.32
Integrated reception service			0.77	0.77
Estates road maintenance			0.45	0.45
Water	5.56	16.7	0.93	6.49

6 Separation of outstanding debt

6.1 In accordance with statute and nationally accepted practice the Council finances a high proportion of its capital expenditure from borrowing and maintains a single loans account. Traditionally there has been no requirement for maintaining a separate account for the HRA. However under the new arrangements there is likely to be pressure for and logic in separating the debt between the General Fund and the HRA. Notwithstanding such a split there is no doubt that all of the debt will remain that of the Council and its management will remain the responsibility of the Council's Chief Financial Officer.

6.2 As at the end of March 2012 the Council's outstanding loans portfolio is expected to be:

Table 5	**£m**
Public Works Loans Board (UK Treasury)	453
Commercial lenders	176
Internal sources	100
TOTAL	**729**

6.3 It is likely that approximately £507m will relate to HRA expenditure with the balance of £222m relating to General Fund purposes. Draft guidance suggests that the government does not intend to be prescriptive as to whether the HRA debt and the General Fund debt should be separated but the guidance does show a bias in support of such a split. In addition, under the self-financing arrangements there are strong arguments of principle for separating the debt with the guidance advising that the overriding principles are:

- no detriment to the General Fund
- a solution that is broadly equitable between the HRA and General Fund.

6.4 As indicated in paragraph 2.3 above, on 28th March 2012 the government will be repaying a large proportion of the Council's PWLB debt. In the draft determination the government has indicated that this sum will be £232m leaving a total portfolio as follows:

Table 6	**£m**
Public Works Loans Board (UK Treasury)	221
Commercial lenders	176
Internal sources	100
TOTAL	**497**

6.5 Of the internal sources listed above approximately £8m relates to HRA balances and the remaining £92m to the General Fund [GF]. It is therefore recommended these sums be allocated directly to the two funds with the PWLB and commercial loans then split pro-rata to past expenditure creating a total split as follows:

Table 7	HRA £m	GF £m	TOTAL £m
Public works Loan Board (UK Treasury)	149	72	221
Commercial Lenders	118	58	176
Internal sources	8	92	100
TOTAL	275	222	497

6.6 For the HRA the average rate of interest on external borrowing for 2012-13 is estimated at 5.52%.

6.7 At its meeting in December 2011 the Cabinet agreed the above methodology be used to separate the outstanding debt on 1st April 2012 between the HRA and the General Fund. The approval of the Council will now be sought at its meeting on 28th February 2012. At that meeting the Council will receive the Treasury Management Strategy Statement. Within that Statement the Council will be advised of the final determination as discussed in paragraph 6.4 above and its impact on the specific level of debt to be allocated to the HRA on 1st April 2012.

7 Revenue Budget and MTFP 2012-15

7.1 The new self financing arrangements are predicated on the basis of a very straightforward structure for the Council's HRA as follows:

Table 8	£m
Rents	(80.1)
Costs of management and maintenance	37.3
Interest charges etc	15.9
SURPLUS	(26.9)

7.2 Of the surplus, £19.4m will be allocated for capital purposes whilst the remainder (£7.5m) can be used for further capital works or to augment the HRA balance.

7.3 Annex A sets out the HRA MTFP 2012-15 in terms of:

- o Company Account
- o Managed Account
- o Retained Account

7.4 The Company Account – covers duties undertaken by Homes for Haringey funded by the Management Fee comprising mainly housing management and repairs and maintenance.

7.5 The Managed Account – comprises Council budgets for which management is delegated to Homes for Haringey including rental income, HRA subsidy and service charges.

7.6 The Retained Account- comprises Council budgets for which management is retained by the Council including capital financing costs and services funded by Supporting People.

7.7 As part of the Council's strategy to generate efficiency savings, Homes for Haringey have been asked to reduce the portions of their Company Budget within their full control, [that is excluding charges made by the Council], by 5% which equates to £1.9m. They have been asked to minimise the impact on "front line" services and are planning accordingly.

7.8 The net budget for the Managed Account which comprises most of the HRA income sources is estimated to realise increased net income of £6.6m when the abolition of HRA subsidy is taken into account, arising largely from rent increases and additional service charges discussed above.

7.9 The Retained Account shows an expenditure reduction of £14.8m arising mainly from the reduction in the Management Fee payable to Homes for Haringey (-£1.2m); capital financing charges reflecting the self-financing arrangements (- £18.3m) and insurance charges (-£0.6m) partly offset by increased depreciation charges (£5.8m).

7.10 The impact of the move to self financing on the revenue budget is identified in the summary below of the most significant variances between the budget for 2011-12 (net surplus of £0.3m) and the proposed budget for 2012-13:

Table 9	£m
Increased rental income	5.2
Increased service charges	1.5
Reduction in Management Fee	1.2
Move to self-financing	(1.6)
Net other changes	0.9
Variance [£8.4m in December 2011 report]	**7.2**

7.11 The self-generated resources which will be available to the Council to fund capital expenditure in 2012-13 will be the in-year surplus of £7.5m as identified above and detailed in annex A together with the sum of £19.4m provided within the budget specifically for capital expenditure purposes.

7.12 The draft budgets for 2013-14 and 2014-15 largely reflect forecast inflationary increases with rental income additionally including provision for the movement towards convergence on 1 April 2016. Because of the overriding significance of rents within the HRA the forecast net budget surpluses show estimated increases of 59.3% in 2013-14 and 37.3% in 2014-15."

7.13 The Cabinet is **recommended** to approve the 2012-13 HRA Budget and MTFP 2012-15 summarised above and set out in detail at annex A, for approval by the Council at its meeting on 28th February 2012.

8 Capital Programme

8.1 In recent years the Council's programme for maintaining its estate has depended mainly on subsidy determinations and supported borrowing. The capital programme for 2011-12 is £36.2m with £19m being spent on Decent Homes funded from supported borrowing and £17.2m being spent on a range of repairs and improvement works financed by HRA subsidy and other resources including capital receipts. In addition, provision is made in the revenue account for a cyclical and responsive repairs programme of approximately £20m.

8.2 Whilst, in the short term, a further £50.9m of grants is expected to be received to support the Decent Homes programme, as discussed above, HRA subsidy will no longer exist and the format of the capital programme will need to take into account more complex factors.

8.3 Under self-financing the Council will have a relatively small amount of borrowing capacity and by far the majority of capital spend will need to be met from its own income sources, primarily rents and capital receipts.

8.4 In order to ensure maximum flexibility for the Council in advance of the completion of the review of investment options it is proposed the capital programme for 2012-13 relies predominately on internally generated resources. It is not planned therefore to draw on the limited borrowing capacity.

8.5 A proposed capital programme of £44.0m is set out at annex B. Proposed funding of that programme is set out below.

Table 10	**2012-13 £m**
Decent Homes Grant	17.0
Internally generated funds (para 7.11)	26.5
Capital receipts	0.5
TOTAL	**44.0**

8.6 Should any of the works cover leasehold properties the costs will be recoverable from the leaseholders and will not be a charge on the Council's resources.

8.7 The Cabinet is **recommended** to approve the Capital Programme summarised above and set out in detail at annex B for approval by the Council in February 2012.

ANNEX A REVENUE BUDGET

HRA Summary	2011-12		2012-13		2013-14		2014-15	
	Increase / (Decrease) £000s	Original Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s
Company Income	-	(53,158)	3,160	(49,998)	756	(49,242)	737	(48,505)
Chief Executive	-	1,350	(20)	1,330	(43)	1,287	(43)	1,244
Housing Management	-	12,046	238	12,284	(158)	12,126	(160)	11,966
Business Improvement	-	93	(93)	(0)	-	(0)	-	(0)
Resources	-	2,395	(172)	2,223	(81)	2,142	(82)	2,060
Property Services	-	29,744	(2,400)	27,344	(824)	26,520	(840)	25,680
Corporate	-	7,530	(713)	6,817	350	7,167	388	7,555
Total Company Accounts	**-**	**-**	**(0)**	**(0)**	**-**	**(0)**	**-**	**(0)**
Rental Income	-	(72,518)	(5,229)	(77,747)	(3,474)	(81,221)	(3,549)	(84,770)
Non Dwelling Rents	-	(2,443)	73	(2,370)	(47)	(2,417)	(48)	(2,465)
HRA Subsidy	-	(14,094)	14,094	0	0	0	0	0
Leasehold Service Charge Income	-	(5,171)	(158)	(5,329)	(113)	(5,442)	(115)	(5,557)
Tenant Service Charge Income	-	(8,618)	(1,370)	(9,988)	(200)	(10,188)	(203)	(10,392)
Miscellaneous Income	-	(5,321)	(679)	(6,000)	(117)	(6,117)	(119)	(6,236)
Housing Management Costs	-	7,439	658	8,097	162	8,259	165	8,424
Repairs & Maintenance	-	71	50	121	2	123	3	126
Bad Debt Provision	-	650	63	713	450	1,163	0	1,163
Service Charge Costs	-	6,519	38	6,557	95	6,652	96	6,748
Total Managed Accounts	**-**	**(93,486)**	**7,540**	**(85,946)**	**(3,242)**	**(89,188)**	**(3,771)**	**(92,959)**
Temporary Accommodation Income	-	(3,540)	(56)	(3,596)	(115)	(3,711)	(119)	(3,830)
Housing Management Direct Costs	-	1,709	(226)	1,483	59	1,542	60	1,602
Supported Housing Costs	-	2,844	(196)	2,648	11	2,659	11	2,670
Repairs & Maintenance	-	328	(10)	318	7	325	7	332
Capital Financing Charges	-	47,800	(12,464)	35,336	(174)	35,162	334	35,496
Other Property Costs	-	2,014	(606)	1,408	19	1,427	24	1,451
Bad Debt Provisions	-	61	1	62	1	63	2	65
ALMO Management Fee	-	41,979	(1,206)	40,773	(1,023)	39,750	(1,011)	38,739
Total Retained Accounts	**-**	**93,195**	**(14,763)**	**78,432**	**(1,216)**	**77,216**	**(692)**	**76,524**
TOTAL HOUSING REVENUE ACCOUNT	**-**	**(291)**	**(7,223)**	**(7,514)**	**(4,458)**	**(11,972)**	**(4,463)**	**(16,435)**

ANNEX B1 - CAPITAL PROGRAMME	2012-13 £m	2013-14 £m	2014-15 £m
Programmed Works			
Mechanical and Electrical	1.250	1.250	1.250
Asbestos Removal	0.100	0.100	0.100
Boiler Replacements and Major Repairs	3.500	3.500	3.500
Lift Renewal	2.181	2.181	2.181
Structural Works	0.600	0.600	0.600
Capitalised Repairs	4.563	4.000	3.750
Extensive Void Works	1.350	1.650	1.821
Major Voids and Accommodation Improvements	0.500		
Decent Homes	25.322	15.629	27.480
Aids and Adaptations	1.200	1.200	1.200
Professional Fees	1.508	1.671	1.750
Sub Total	**42.074**	**31.781**	**43.632**
Projects			
Adaptation and Refurbishment of Six Bedroom House	0.090		
Environmental improvements	0.250		
Adaptation of office accommodation	0.150		
Conversions and Extensions - disused commercial units	0.550		
Energy Efficiency Programme	0.100	0.100	0.100
Supported Living Scheme (residential care)	0.150		
Supported Living Scheme (young care leavers)	0.150		
Saltram Close	0.467		
Sub Total	**1.907**	**0.100**	**0.100**
TOTAL	**43.981**	**31.881**	**43.732**

ANNEX B2

2012-13 Capital Programme Commentary

1. Mechanical and Electrical – £1.25m

1.1 Approximately half of the budget will be spent on the re-wiring of landlord's electrical supply to blocks and the other half on planned maintenance and repairs to existing door entry systems.

2. Asbestos Removal – £0.100m

2.1. This budget funds the testing, removal and management of asbestos containing materials (ACMs) identified during responsive repair works. This work is essential to enable responsive repairs work to be completed safely and ensure that ACMs are safely managed in homes and communal areas. Sometimes the work is carried out by sealing or encasing the asbestos, rather than removing it.

3. Boiler Replacements and Major Repairs – £3.500m

3.1 This budget funds the replacement of boilers, together with major repairs such as the replacement of heat exchangers, on a reactive basis.

3.2 Although a boiler has an expected life of 15 years, many boilers are considerably older than this and should be replaced. Modern energy efficient boilers that Homes for Haringey is now installing have a life expectancy of only 12 years.

3.3 The proposed budget is broadly consistent with advice received from Homes for Haringey that an annual budget of £4m be provided to support a planned approach to boiler replacement.

4. Lift Renewal – £2.181m

4.1 This budget funds the replacement of lifts that have reached the end of their useful life. Lifts have an expected life of between 15 and 20 years, and lift replacement programmes require long lead-in periods because of the specialist nature of the work and the bespoke requirements of each lift.

4.2 There are 142 lifts in the Council's housing stock. Currently approximately 60 lifts are identified for renewal. Each of these lifts is more than 20 years old, and several are significantly older.

4.3 In recent years the lift replacement programme has not been keeping pace with obsolescence causing considerable inconvenience to residents. The regular lift servicing programme has identified the need to replace more lifts in future years to ensure continued service for residents. The increase in budget from the £1.4m allocated in 2012-13 will help reduce the backlog.

4.4 An enhanced replacement programme will also have a positive impact on the pricing of the lift maintenance contract that is about to be re-procured.

5. Structural Works – £0.600m

5.1 This budget funds essential structural works including, for example, underpinning, concrete repairs and brickwork repairs.

6. Capitalised Repairs – £4.563m

6.1 This budget funds capital works (such as kitchen renewal, bathroom renewal and the installation of new central heating systems) that are carried out, as part of the responsive repairs programme, to renew items that are beyond economic repair. Repairs to void properties account for a significant amount of expenditure within this budget.

7. Extensive Void Works – £1.350m

7.1 This budget funds the repair and improvement of void properties that require major works before they can be re-let.

7.2 The proposed budget has increased from £0.600m in 2012-13 partly to deal with the impact of the reduction in the Decent Homes programme and the need to focus on the external fabric and services. As a result kitchen and bathroom replacements in void properties, which would previously have been part of the Decent Homes programme, must now be funded separately.

8. Major Voids and Accommodation Improvements - £0.500m

8.1 This budget will facilitate one off capital schemes to refurbish large voids for other uses. The programme includes upgrading the facilities at Homes for Haringey's Lordship Lane Repairs Depot by demolishing redundant pre-fabricated buildings, extending the stores facility, upgrading the joinery mill and glazing facility and providing additional parking. Lane.

9. Decent Homes - £25.322m

9.1 On 4 October 2011 Cabinet agreed a detailed programme utilising the Decent Homes grant of £17m and to the delivery of that programme through a mini-tender process.

9.2 It is proposed that an additional £7.8m is allocated for 2012/13, enabling the external fabric work to benefit an estimated additional 750 to 900 homes, making them warm, safe and dry. The current Decent Homes work profile is focused on the external fabric, but also includes boiler renewal and rewiring. This element of M&E work will supplement the specific allocations for the M&E budgets to more closely mirror the investment requirements identified in the Stock Options projections.

9.3 The specific blocks to benefit from the enhancement to the programme will be agreed once the size of the allocation has been confirmed. First call would be given to the "Reserve Schemes" for the 2012-13 programme that were agreed by Cabinet in October 2011. The investment will be targeted to avoid potential conflict with potential options arising from the Stock Options Appraisal.

10. Aids & Adaptations – £1.200m

10.1 This demand-led budget funds the adaptation of council homes and the provision of disabled facilities for council tenants and members of their household.

11. Adaptation and Refurbishment of Six Bedroom House - £0.090m

11.1 This will enable the creation of a supported living scheme with on site carer for five adults with learning difficulties who are currently living in residential care.

12. Environmental Improvements - £0.250m

12.1 This project involves upgrading lighting, entry control and communal water facilities and refurbishing external surfaces.

13. Adaptation of Office Accommodation - £0.150m

13.1 This allows the improvement of facilities for customer contact at Gloucester Road and Commerce Road.

14. Conversions and Extensions - £0.550m

14.1 To reduce overcrowding in council housing it is proposed to convert seven disused commercial units into family homes and extending five family homes to create extra bedrooms.

15. Energy Efficiency Scheme - £0.100m

15.1 This project allows for the installation of low cost but high impact measures, including loft/cavity wall installation and central heating controls, and provides for start up / matched funding to attract additional investment from other funders.

16. Supported Living Scheme - £0.150m

16.1 This will enable 3-5 family homes to be adapted to create supported living schemes for people who are currently living in residential care.

17. Supported Living Scheme - £0.150m

17.1 This will enable 3-5 family homes to be converted to create suitable short-term accommodation for young care leavers who will be provided with the help and support they need to develop their life skills and prepare for independent living as part of a planned move into social rented housing.

18. Saltram Close - £0.467m

18.1 This project comprises playground and landscaping works, door entry and environmental works and the refurbishment of garages. The project commenced in 2011-12 when £0.043m was spent with the balance of £0.467m scheduled for 2012-13.

Appendix 7

Draft Haringey Council Capital Programme 2012/13 to 2014/15

	Draft Summary Capital Programme 2012/13 to 2014/15				
	Draft Expenditure Budget	**Proposed Budget 2012/13**	**Indicative Budget 2013/14**	**Indicative Budget 2014/15**	**Total**
		£'000	**£'000**	**£'000**	**£'000**
	Place and Sustainability	16,033	9,381	6,838	**32,252**
	Adults and Housing	2,112	1,536	1,536	**5,184**
	Corporate Resources	2,945	1,837	250	**5,032**
	Alexandra Palace & Park Charitable Trust	1,350	1,350	750	**3,450**
	Children & Young People	20,793	13,325	4,600	**38,718**
	Housing Services (Housing Revenue Account only)	43,981	31,881	43,732	**119,594**
	Cross Directorate	650	0	0	**650**
	Total Capital Programme	**87,864**	**59,310**	**57,706**	**204,880**
	Draft Capital Financing				
	Capital grants from central government departments (inc SCE(C))	11,138	9,351	2,936	**23,425**
	Grants and contributions from private developers & leaseholders	141	1,090	0	**1,231**
	* Grants & contributions from non-departmental public bodies	3,170	511	160	**3,841**
	* Capital grants from the National Lottery	200	350	0	**550**
	Capital funding from GLA bodies	3,792	2,120	2,100	**8,012**
	Use of capital receipts	11,130	9,300	5,128	**25,558**
	* Section 106	2,600	50	900	**3,550**
	Capital expenditure financed from the Housing Revenue Account	43,514	31,881	43,732	**119,127**
	Capital expenditure financed from the General Fund Revenue Account	5,060	1,950	450	**7,460**
	Supported Capital Expenditure (prudential borrowing)	5,474	2,020	2,300	**9,794**
	Use of reserves	1,645	687	0	**2,332**
	Total Capital Financing	**87,864**	**59,310**	**57,706**	**204,880**
Note	* Includes provisional external funding assumptions. Individual schemes will not proceed as set out until sufficient funding is confirmed.				

Appendix 7.1

Draft Haringey Council Capital Programme 2012/13 to 2014/15

Ref. No.	Draft Capital Programme 2012/13 to 2014/15	Total Planned Expenditure Budget				Total Funding Source (3 years)						
	Name of Capital Scheme	Proposed Original Budget 2012/13	Indicative Original Budget 2013/14	Indicative Original Budget 2014/15	Total	Grants & Contribution From Private Developers & Leaseholders	Grants & Contribution From Non-Departmental Public Bodies	Capital Grants From The National Lottery	Capital Funding From GLA Bodies	Use Of Capital Receipts	Section 106	Total
	Place and Sustainability											
1	Lordship Lane Recreation Ground	3,120	461	160	3,741	0	3,741	0	0	0	0	3,741
2	* Tottenham Hale Gyratory	3,241	500	1,778	5,519	141	0	0	0	1,878	3,500	5,519
3	Tottenham Regeneration	500	800	0	1,300	0	0	0	0	1,300	0	1,300
4	Contribution to Northumberland Park Regeneration Package	1,300	2,200	500	4,000	0	0	0	0	4,000	0	4,000
5	* Down Lane Park - Master Plan Implementation	500	700	0	1,200	0	100	550	0	500	50	1,200
6	Repairs and Maintenance of Council Buildings	750	750	750	2,250	0	0	0	0	2,250	0	2,250
7	Street Lighting	400	400	400	1,200	0	0	0	0	1,200	0	1,200
8	Borough Roads and Footways	500	500	500	1,500	0	0	0	0	1,500	0	1,500
9	Road Safety/Drainage/Structures	300	150	150	600	0	0	0	0	600	0	600
10	Parking Plan	150	0	0	150	0	0	0	0	150	0	150
11	TfL - Corridors/Neighbourhoods/Smarter Travel	2,167	2,120	2,100	6,387	0	0	0	6,387	0	0	6,387
12	TfL - Local Transport	100	0	0	100	0	0	0	100	0	0	100
13	TfL - Principal Road Maintenance	525	0	0	525	0	0	0	525	0	0	525
14	TfL - Wood Green Town Centre	1,000	0	0	1,000	0	0	0	1,000	0	0	1,000
15	Accommodation Strategy	1,430	750	450	2,630	0	0	0	0	2,630	0	2,630
16	Capital Programme Support	50	50	50	150	0	0	0	0	150	0	150
	Total Place and Sustainability	16,033	9,381	6,838	32,252	141	3,841	550	8,012	16,158	3,550	32,252
Note	* Includes provisional external funding assumptions. Individual schemes will not proceed as set out until sufficient funding is confirmed.											

Appendix 7.2

Draft Haringey Council Capital Programme 2012/13 to 2014/15

Ref. No.	Draft Capital Programme 2012/13 to 2014/15	Total Planned Expenditure Budget				Total Funding Source (3 years)		
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2012/13	Indicative Original Budget 2013/14	Indicative Original Budget 2014/15	Total	Capital Grants From Central Government Departments (inc SCE(C)	Use Of Capital Receipts	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Adults and Housing							
17	Major Adaptations in Non Council Owned Properties	1,536	1,536	1,536	**4,608**	2,508	2,100	**4,608**
18	Telecare	87	0	0	**87**	87	0	**87**
19	Vulnerable Adults - Supported Living	193	0	0	**193**	193	0	**193**
20	Modernisation of Day Opportunities	216	0	0	**216**	216	0	**216**
21	Haricare Expansion	30	0	0	**30**	30	0	**30**
22	Think Local, Act Personal - Move On	50	0	0	**50**	50	0	**50**
	Total Adults and Housing	**2,112**	**1,536**	**1,536**	**5,184**	**3,084**	**2,100**	**5,184**

Appendix 7.3

Draft Haringey Council Capital Programme 2012/13 to 2014/15

Ref. No.	Name of Capital Scheme	Proposed Original Budget 2012/13 £'000	Indicative Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Total £'000	Use Of Capital Receipts £'000	Financing From General Fund Revenue Account £'000	Use of reserves £'000	Total £'000
	Draft Capital Programme 2012/13 to 2014/15	Total Planned Expenditure Budget				Total Funding Source (3 years)			
	Corporate Resources								
23	IT Capital Programme (Corporate)	250	250	250	**750**	750	0	0	**750**
24	IT Infrastructure Renewal Programme								
	- Desktop/Laptop	1,800	0	0	**1,800**	0	900	900	**1,800**
	- Infrastructure Renewals	745	1,587	0	**2,332**	0	900	1,432	**2,332**
25	Customer Service Centre Refurbishment	100	0	0	**100**	100	0	0	**100**
26	Customer Service Centre Re-provision	50	0	0	**50**	50	0	0	**50**
	Total Corporate Resources	**2,945**	**1,837**	**250**	**5,032**	**900**	**1,800**	**2,332**	**5,032**
	Alexandra Palace & Park Charitable Trust								
27	Refurbishment of Premises and Plant	500	500	500	**1,500**	1,500	0	0	**1,500**
28	Regeneration and Development Programme	850	850	250	**1,950**	0	1,950	0	**1,950**
	Total Alexandra Palace & Park Charitable Trust	**1,350**	**1,350**	**750**	**3,450**	**1,500**	**1,950**	**0**	**3,450**

Appendix 7.4

Draft Haringey Council Capital Programme 2012/13 to 2014/15

Ref. No.	Draft Capital Programme 2012/13 to 2014/15 — Name of Capital Scheme	Total Planned Expenditure Budget — Proposed Original Budget 2012/13 £'000	Indicative Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Total £'000	Total Funding Source (3 years) — Capital Grants From Central Government Departments (inc SCE(C) £'000	Grants & Contribution From Private Developers & Leaseholders £'000	Use Of Capital Receipts £'000	Financing From General Fund Revenue Account £'000	SCE (R) Single Capital Pot £'000	Total £'000
	Children & Young People Service										
	BSF Programme										
29	Heartlands High School	840	0	0	840	0	0	0	840	0	840
30	Woodside High	300	0	0	300	0	0	0	300	0	300
31	ICT MSP Contract	1,330	2,060	0	3,390	560	0	1,500	1,330	0	3,390
32	BSF Other - Total	640	0	0	640	0	0	0	640	0	640
	(A) Sub-total BSF Programme	3,110	2,060	0	5,170	560	0	1,500	3,110	0	5,170
	Primary and Pre-School Programme										
33	Broadwater Farm ILC	5,437	1,254	0	6,691	1,254	0	2,283	0	3,154	6,691
34	Rhodes Avenue Expansion to 3 FE	2,670	787	0	3,457	3,457	0	0	0	0	3,457
35	Mulberry modernisation	726	164	0	890	890	0	0	0	0	890
36	Alexandra - Primary Expansion	490	790	280	1,560	1,280	0	0	0	280	1,560
37	Belmont - Primary Expansion	670	1,090	380	2,140	670	1,090	0	0	380	2,140
38	Lancasterian - Primary Expansion	780	1,260	440	2,480	2,040	0	0	0	440	2,480
39	Welbourne - Primary Expansion	1,240	2,020	700	3,960	1,240	0	0	0	2,720	3,960
40	Primary Pupil Place expansion fund	500	0	0	500	500	0	0	0	0	500
41	Ferry Lane MUGA	70	0	0	70	0	0	0	0	70	70
42	Alternative Provision	0	1,000	0	1,000	1,000	0	0	0	0	1,000
	(B) Sub-total Primary and Pre-School Programme	12,583	8,365	1,800	22,748	12,331	1,090	2,283	0	7,044	22,748
	Planned Asset Improvement										
43	Planned and reactive condition works	1,000	1,000	1,000	3,000	1,500	0	0	0	1,500	3,000
44	School Kitchen enhancements	200	200	200	600	600	0	0	0	0	600
45	Electrical infrastructure upgrades	500	0	0	500	0	0	0	0	500	500
46	Lifecycle works (Secondary Schools)	200	200	200	600	0	0	0	600	0	600
47	Carer Home adaptations	100	0	0	100	100	0	0	0	0	100
	(C) Sub-total Planned Asset Maintenance	2,000	1,400	1,400	4,800	2,200	0	0	600	2,000	4,800
	Devolved Schools Capital										
48	Devolved Capital	800	800	800	2,400	2,400	0	0	0	0	2,400
	(D) Sub-total Planned Devolved Schools Capital	800	800	800	2,400	2,400	0	0	0	0	2,400
	Total Excluding BSF (B+C+D)	15,383	10,565	4,000	29,948	16,931	1,090	2,283	600	9,044	29,948
49	Programme Delivery Costs	800	700	600	2,100	2,100	0	0	0	0	2,100
50	Programme Contingency	1,500	0	0	1,500	750	0	0	0	750	1,500
	Total Children & Young People	20,793	13,325	4,600	38,718	20,341	1,090	3,783	3,710	9,794	38,718

Appendix 7.5

Draft Haringey Council Capital Programme 2012/13 to 2014/15

Ref. No.	Draft Capital Programme 2012/13 to 2014/15 Name of Capital Scheme	Total Planned Expenditure Budget Proposed Original Budget 2012/13 £'000	Indicative Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Total £'000	Use Of Capital Receipts £'000	Total Funding Source (3 years) Financing From HRA £'000	Total £'000
	Housing Services (Housing Revenue Account (HRA))							
	Programmed Works							
51	Mechanical and Electrical	1,250	1,250	1,250	3,750	0	3,750	3,750
52	Asbestos Removal	100	100	100	300	0	300	300
53	Boiler Replacements and Major Repairs	3,500	3,500	3,500	10,500	0	10,500	10,500
54	Lift Renewal	2,181	2,181	2,181	6,543	0	6,543	6,543
55	Structural Works	600	600	600	1,800	0	1,800	1,800
56	Capitalised Repairs	4,563	4,000	3,750	12,313	0	12,313	12,313
57	Extensive Void Works	1,350	1,650	1,821	4,821	0	4,821	4,821
58	Major Voids and Accommodation Improvements	500	0	0	500	0	500	500
59	Decent Homes	25,322	15,629	27,480	68,431	0	68,431	68,431
60	Aids and Adaptations	1,200	1,200	1,200	3,600	0	3,600	3,600
61	Professional Fees	1,508	1,671	1,750	4,929	0	4,929	4,929
	Sub-total	42,074	31,781	43,632	117,487	0	117,487	117,487
	Projects							
62	Adaptation and Refurbishment of Six Bedroom House	90	0	0	90	0	90	90
63	Environmental Improvements	250	0	0	250	0	250	250
64	Adaptation of Office Accommodation	150	0	0	150	0	150	150
65	Conversions and Extensions - disused commercial units	550	0	0	550	0	550	550
66	Energy Efficiency Programme	100	100	100	300	0	300	300
67	Supported Living Scheme (Residential Care)	150	0	0	150	0	150	150
68	Supported Living Scheme (Young Care Leavers)	150	0	0	150	0	150	150
69	Saltram Close	467	0	0	467	467	0	467
	Sub Total	1,907	100	100	2,107	467	1,640	2,107
	Total Housing Services (Housing Revenue Account)	43,981	31,881	43,732	119,594	467	119,127	119,594

Appendix 7.6

Draft Haringey Council Capital Programme 2012/13 to 2014/15

	Draft Capital Programme 2012/13 to 2014/15	Total Planned Expenditure Budget				Total Funding Source (3 years)	
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2012/13	Indicative Original Budget 2013/14	Indicative Original Budget 2014/15	Total	Use Of Capital Receipts	Total
		£'000	£'000	£'000	£'000	£'000	£'000
	Cross Directorate						
70	One SAP Programme	650	0	0	**650**	650	**650**
	Total Cross Directorate	**650**	**0**	**0**	**650**	**650**	**650**

Appendix 8

DRAFT RECOMMENDATIONS OF THE BUDGET SCRUTINY PANEL AND THE DRAFT RESPONSES OF THE CABINET

CO2

Recommendation 1
Whilst the overall objective of carbon reduction is one of the most important for the future of the borough, the annual carbon report could be improved by being better structured. Future reports and, when developed, the borough-wide strategy could particularly benefit from;

- Greater clarity and detail on how objectives will be reached; and
- The use of accessible language to make them easier to promote to the local community and beyond.

Cabinet's response
The recommendation is noted however there is no reference to resources.

The 4020 Action Plan (once developed) with the support of the Carbon Commission (expected to conclude in April 2012) will provide greater clarity on how objectives will be reached.

Recommendation 2
The calculation of expended and saved carbon is an issue and the Panel felt that some of the claims made are hard to justify: they could either be over or under estimates. The Panel is of the view that more could be done to accurately measure CO2 burdens and the impact of savings on energy bills, such as cost benefit analysis.

Cabinet's response
There is a robust process in place for the assessment of project viability and performance validation, consistent with best practice in this sector.

CO2

Recommendation 3
The Sustainable Investment Fund (SIF) has been very successful and consideration should be given to expanding the fund to accelerate and increase the number of projects in the Council and to ensure that as much of the fund as possible is in circulation (recycled) at any time.
Cabinet's response
The SIF has already been expanded from £0.5m to £1m in view of its success.

Recommendation 4
The biggest single area of council activity that generates CO2 is education. The Panel is disappointed that, despite significant investment, comparatively small CO2 savings and cumulative cost avoidance has been recorded so far. The schools SIF programme should be reviewed and, if significant improvements are proven to be feasible, consideration given to additional investment from central Council reserves. It was also of great concern that there was little understanding of the significant differences in CO2 savings made by mainstream SIF and Schools SIF.

Cabinet's response
The Building Schools for the Future programme has considerably increased the contribution that schools make to the Council's overall carbon footprint; however these improvements were necessary to provide high quality teaching facilities.

The Schools SIF programme is not suffering from a lack of funds and additional investment is not required. Awareness raising by Councillors, those involved in Governing bodies and the wider school communities could help to increase take up of SSIF.

Future projects include an innovative arrangement with En10ergy that has engaged 6 pilot schools and grant funded environmental audits. If the project is successful this could be rolled out more widely.

The pre-requisite time had not yet elapsed that would provide the necessary data to evaluate the effectiveness of several school SIF projects.

CO2

Recommendation 5

The Panel notes the core-funded salaries of £125k of the ERT Carbon Management and Sustainability Team as well as the grants received set out in Table 2 of Appendix 2 of the submitted report. The Panel requests that, in the interests of transparency, greater clarity be provided on where the grant money is being spent, particularly on "feasibility and business planning".

Cabinet's response

Full details of the studies and reports are available on the Haringey 4020 website[1]. Key studies included:

1. Investigating the technical potential for energy efficiency measures to housing and business models to deliver the Green Deal.
2. Solar renewable technical pre-feasibility and business plan for Council owned stock (leading to the development of a £16m investment package)
3. Green enterprise potential in the Upper Lee Valley (covering Enfield, Haringey and Waltham Forest)
4. Electricity supply licence feasibility work, geared towards small scale producers of electricity such as local authorities installing Solar PV and Combined Heat and Power Plant, enabling them to obtain a better price for electricity produced.
5. Decentralised energy master planning guidance for local authorities, enabling local authorities to take a borough wide rather than piecemeal approach to network development

[1] http://www.haringey4020.org.uk/index/useful-information/lcf_studies.htm

CO2

Recommendation 6
The Panel notes the examples of future funding opportunities including schemes involving European funding. They are of the view that there is limited evidence in the report that these are being maximised and seek reassurance that bids have and will be made.

Cabinet's response
European funding has been secured and further funding is expected to be secured in future as detailed in the Scrutiny report, this includes European Regional Development Funding in 2011-12 and funding from ELENA expected in 2012-13.

Recommendation 7
The Panel felt that more information could have been included within the report on the Green Deal. It notes that the government consultation on the draft Green Deal proposals is expected to be released within the next few weeks and that the Carbon Commission will help develop the Council's approach. It requests that the Council, in its response to the consultation, emphasises that opportunities and loans offered by the Green Deal should benefit the "fuel poor". Furthermore, it requests assurances that, when implemented, the scheme will be fully advertised by the Council and that all residents, particularly the fuel poor, will be encouraged and enabled to take advantage.

Cabinet's response
No specific expenditure on Green Deal should be considered until after the government consultation has concluded.

CO2

Recommendation 8

The panel was a little disappointed with the slow progress of the 40/20 Club, acknowledging the significant role that large and small businesses and community groups could play in achieving Borough wide CO2 reduction targets. Greater efforts could be made to tap into local resources as part of the development of the 40/20 Club as well as the promotion of cross borough working.

Cabinet's response

This is a new initiative and the Cabinet continues to seek opportunities to increase the level of community engagement. Any specific recommendations from Scrutiny on how to achieve greater community engagement would be welcome.

Recommendation 9

The Panel requests that they be supplied with details of the potential impact on CO2 emissions of council housing stock resulting from changes to Decent Homes funding as part of government spending reductions. It recommends that the Chair write to the Minister of State for Energy and Climate Change expressing concern at:

a. The loss of Decent Homes funding and requesting that the government consider appropriate action to ameliorate the effects on the fuel poor; and
b. The reduction in the FIT tariff proposed by the government and that this constitutes part of the Council's response to the ongoing consultation on the issue.

Cabinet's response

Noted. Councillor Goldberg would welcome a copy of the correspondence from the Chair of Scrutiny to the Minister of State for Energy and climate Change

CO_2

Recommendation 10
That consideration be given to accelerating progress with the expansion in the number of car clubs.
Cabinet's response
Since 2009, the number of users of car club spaces has grown from 700 to 4000 (Oct 2011). Car club spaces have grown to 96 (87 on road and 9 off road), as at April 2011. The Council has plans to increase the number of spaces to 150 by the end of 2013-14, and aims via this expansion to ensure that all residents and businesses will be within a 5 minute walk of a car club space. Under the existing business plan model and funding arrangement, the Council's service provider – Zip Car (formerly Streetcar), these targets should be achievable. The Council will aim to accelerate the expansion via a new contract proposal which will come in after June 2012; that will allow "a multiple operator contract" instead of the current single operator contract.

Recommendation 11
That, in respect of LIP schemes, action on improving traffic flows be prioritised through measures.
Cabinet's response
All schemes are scrutinised by ourselves and TfL on traffic flow impacts. In some cases, TfL will not permit schemes which would have a detrimental impact on traffic flows, which has meant that we have had to reduce our proposals to improve facilities for pedestrians, e.g. at Turnpike Lane/High Road junction.

Buchannon have completed a study on our LIP proposals and have recommended that we expand on personalised travel planning programme and provide eco-driver training as part of our Smarter Travel programme, on the two measures which would have the most impact on reducing carbon emissions from road traffic. The first would reduce CO_2 by reducing car use and this may also lead to improvements in traffic flow if there is less traffic on the road. The eco-driving would influence driver behaviour and also reduce CO_2 emissions.

A balance needs to be struck however, as an emphasis on improving traffic flows in our LIP schemes would be likely to lead to increase in road capacity for cars and this would be likely to be detrimental to pedestrians (removal of crossings); cyclists (removal of cycle lanes and advance step lines); public transport (removal of bus lanes) and also road safety (widening traffic lanes) for example.

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 1

That the service carefully considers whether further investment in the assessment process would lead to a faster identification of those not ultimately deemed to be eligible for Temporary Accommodation and therefore save money. The Panel recommends that a business case be produced to consider this and that the DCLG target of 33 days be set as a target to assess eligibility. Performance against this target should be reported to both Cabinet and Scrutiny.

Cabinet's Response

Although timely decision making can save the Council money if it avoids or reduces the use of temporary accommodation, decisions must be accurate. This objective can be achieved through effective casework management, and not just through the investment of additional resources in the assessment process.

The target of 33 working days was included in guidance issued by the DCLG more than 20 years ago. It has no legal status and is no longer regarded as an effective measure of performance, since it does not take into account the complexity of the case, whether or not interim accommodation is being provided or, indeed, the prospects of the Council accepting a re-housing duty.

Options for reducing the amount of time it takes to assess the homelessness applications of households living in temporary accommodation (and for introducing new targets that support this objective) will now be reviewed and evaluated. Arrangements will be made for performance against the new target(s) to be reported to Cabinet and the Overview & Scrutiny Committee.

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 2
That a strategy and action plan be written with an outcome of reducing the time spent in TA by 15% per annum.

Cabinet's Response

Haringey already has a very effective strategy for minimising the Council's use of temporary accommodation (TA) and there are already very effective measures in place (including auto-bidding and the Housing Allocations Policy 2011) to minimise the amount of time that households spend in TA.

The outcome proposed by the Panel is ambiguous and unrealistic.

- A 15% reduction in the time that households spend in TA is equivalent to 6 months for households requiring a one-bedroom home and more than 12 months for households requiring a two-bedroom home.

- Over a 3 year period, a <u>cumulative</u> reduction of "15% per annum" would amount to a reduction of 38%. This is equivalent to a reduction of almost 14 months for households requiring a one-bedroom home and almost 32 months for households requiring a two-bedroom home.

As the number of permanent homes available for letting is reducing each year and there is no evidence that the supply of assured shorthold tenancies will increase in the foreseeable future, homeless households are likely to spend a lot more time, rather than substantially less time, living in TA.

For these reasons, the Panel's recommendation is not accepted.

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 3

The number of people who are in Housing Association accommodation as temporary accommodation be explored with a view to encouraging Housing Associations to change the tenancies on these properties to secure tenancies.

Cabinet's Response

This is not possible. The TA that is managed by housing associations is leased from private owners for a period of 3 - 5 years. They are obviously not in a position to offer secure tenancies on properties that are owned by someone else. For this reason, the Panel's recommendation is not accepted.

Recommendation 4

The panel acknowledges the issues suffered by Haringey due to neighbouring boroughs not complying with the Pan London agreement. Therefore the panel recommends that this is taken up at the highest level to ensure that other authorities stick to this agreement and that the Leader and the Lead Member for Housing write to their counterparts urging observance of the agreement.

Cabinet's Response

This matter has already been resolved by the Leader and the Cabinet Member for Housing. At a meeting on 28 November 2011, Islington Council agreed to reduce the amount of money it pays for its TA in Haringey and become part of the Joint Agreement signed by Haringey, Enfield, Barnet and Camden. The Deputy Director has also met with Council Officers from Waltham Forest on 29 November 2011 and is confident that Waltham Forest will reduce the amount of money it pays for its TA in Haringey. It seems very interested in becoming part of the Joint Agreement signed by Haringey, Enfield, Barnet and Camden. If there are any further breaches of the Pan London Agreement, the Leader and Cabinet Member for Housing will again support Officers to ensure that other boroughs comply with the Agreement.

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 5

That there should be a further consideration of the option to build new council stock or purpose-built temporary accommodation to help reduce the number of people in temporary accommodation and save revenue costs in the longer term.

Cabinet's Response

In 2012-13, significant changes will be made to the funding arrangements for council housing and these new freedoms and flexibilities are expected to make more capital resources available for housing. The Council will be producing a business plan that will set out how these resources should be used, taking into account the level of investment needed to maintain and improve existing properties and, of course, the opportunities for regeneration and development.

Building temporary accommodation will not reduce the number of people in TA or, indeed, achieve net revenue savings in the long term.

Recommendation 6
That capital receipts realised on the sale of Council housing properties should be ring-fenced and used to increase the stock of council housing in the borough.

Cabinet's Response

The Government has recently announced changes to the Right to Buy scheme and has stated its intention to ensure that every home sold under this scheme is replaced by a new affordable home. The precise details of how this scheme will work have not yet been announced.

Under the existing Right to Buy scheme, a proportion of the capital receipts are retained by the Council and it is likely that this will continue. The Council is free to decide its own policy as to how these receipts (and other receipts from the sale of HRA properties and land) are allocated. This will be considered as part of the Council's preparations for the new funding arrangements for council housing

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 7
That options be explored to attempt to bring in more investors for example partnerships with institutional investors. That a feasibility report be produced to explore this.

Cabinet's Response

These options, together with the various investment models and vehicles, will be considered by the Council in the context of the freedoms and flexibilities that are expected to accompany the new funding arrangements for council housing.

Recommendation 8
That there should be an increased effort to confirm the eligibility of people already in Council housing. That the Council investigates the possibility of data sharing across departments to assist in this.

Cabinet's Response

Homes for Haringey is already working very closely with Council Officers to tackle the issue of tenancy fraud and sub-letting. Data is shared between Homes for Haringey, Community Housing Services and the Council's Anti Fraud Team to identify anomalies, risks and potential tenancy fraud.

The Anti Fraud Team is routinely provided with a wide range of data (relating to such matters as tenancy succession, the way in which rent payments are being made, and the way in which properties are being used) in order that it can be compared and validated with other data.

In order to detect and prevent fraud, the Council will be commissioning a credit reference agency to compare the data that the Council holds on its housing stock with the data that is held by the credit reference agency. This exercise will identify anomalies between the data sets which can then be reviewed and investigated by Tenancy Management staff and the Anti Fraud Team.

Given the amount of work that is already being done to confirm the eligibility of people who are currently living in Council housing, it is considered that no further action is needed in relation to this recommendation.

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 9

That there be a more determined effort to address the issue of under-occupancy in order to free up larger homes for families in need of this accommodation, particularly where there may be older people no longer able to manage larger properties.

Cabinet's Response
Haringey already has a very comprehensive and effective multi agency strategy for addressing under-occupation in social rented housing. This strategy was the subject of extensive consultation with stakeholders and was, in fact, considered by members of the Council's Overview & Scrutiny Committee.

As well as appointing dedicated staff to tackle under-occupation and overcrowding, the Council has introduced a new Housing Allocations Policy (incorporating a Local Lettings Policy for Newlon Housing Trust's new housing development at Tottenham Hale) which prioritises under-occupiers living in social rented housing and provides financial incentives for council tenants who are willing to transfer to a smaller home. It is also working very hard to identify and contact people who are under-occupying social rented housing. It is acknowledged, however, that more information is required to enable the Council to better understand the profile of its population in council housing.

Consideration is being given to how best to promote mutual exchanges in the light of the Government's welfare reforms which are expected to restrict, from April 2013, the amount of Housing Benefit paid to most tenants of working age who are under-occupying social rented housing. Given the amount of effort that has already been invested in tackling under-occupation in Haringey – and the fact that under-occupiers cannot be compelled to move out of their homes – it is surprising that the Panel has concluded that "a more determined effort" is required to deal with under-occupation.
In view of the commitments made in the Overcrowding & Under-occupation Strategy – and the work already being done to tackle under-occupation – it is considered that no further action is needed in relation to this recommendation.

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 10

Whilst the panel recognises that there is no longer a national target for reducing the number of people in temporary accommodation the panel recommends that there be a local target of a 5% reduction for each year over the next three years.

Cabinet's Response

As members of the Panel are aware, it has been agreed with the Cabinet that the target for the number of households in TA will remain at 3,100 for the next 2½ years up to, and including, 2013-14.

To stabilise the number of households in TA at 3,100 until 2013-14 would be an excellent achievement, given the economic situation. Rising unemployment, together with the unprecedented levels of homelessness resulting from the Government's welfare reforms and the reduction in the level of investment in affordable housing, threatens to increase the number of households in TA.

As homelessness is set to increase and the supply of affordable rented housing is expected to decrease, the Panel's suggestion that a TA reduction target of 155 (5%) per annum is unrealistic. Even a target of 3,100 is extremely challenging.

For these reasons, the Panel's recommendation is not accepted.

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 11
That the Council puts increased emphasis on bringing voids back into use and sets a Local Target to be met to allow these properties to be brought back into use as quickly as possible. Any failure to meet this target during 2012-2013 should be the subject of a report to Scrutiny for the first meeting of the 2013 municipal year so that the Committee can decide on what further action to recommend.

Cabinet's Response

Excluding void properties earmarked for disposal or conversion, there were a total of 101 void Homes for Haringey properties (general needs and supported housing) that were empty and awaiting repairs and/or re-letting at the end of November 2011. This is less than half of what it was a couple of years ago. At present, there are six void properties that are very costly to repair. However, it is proposed that four of these properties will be brought back into use (and the other two sold) during the early part of 2012/13. The Council and Homes for Haringey place considerable emphasis on bringing void properties back into use and already have a challenging local target of 25 days to bring routine voids back into use. Between September and November 2011, the average void turnaround time (for general needs <u>and</u> supported housing) was as follows:

- September 2011 – 32.95 days
- October 2011 – 26.86 days
- November 2011 – 26.88 days

The average turnaround time for general needs housing only was as follows:

- September 2011 – 28.19 days
- October 2011 – 22.68 days
- November 2011 – 24.33 days

HOMELESSNESS and TEMPORARY ACCOMMODATION

Recommendation 12

That the good service currently provided by the Housing Benefit service to private landlords who provide Assured Short hold Tenancies to homeless households be maintained to discourage landlords from letting their properties through other organizations.

Cabinet's Response

Community Housing Services will continue to work closely with the Housing Benefit Service to ensure that private landlords who are offering ASTs to homeless households nominated by the Council continue to be satisfied with the speed and quality of the service provided.

LOOKED AFTER CHILDREN AND ASSOCIATED LEGAL COSTS

Recommendation 1

The Panel welcomes the creation of the Transformation Board and acknowledges the good work described in order to stabilise the service. However the Panel feels that it would have been beneficial to set this Board up 18 months earlier.

a. The Panel welcomes the work strands identified in the scrutiny report which are set out in detail in the Strategic Improvement Plan (SIP) and are being progressed through the Transformation Board. The Panel asks that it be given the opportunity to scrutinise the SIP in full before its agreement by the Cabinet.

b. The Panel feels that particular emphasis should be placed on 'challenging the length of time some children are looked after and moving children to permanent solutions more quickly'; this should be achieved through a sharper focus on exit plans.

c. The Panel notes that part of the role of the Transformation Board is to monitor the continued overspend within CYPS, and we consider that even if all the major strands of the Board's work are delivered any substantial departmental overspend in the current financial year and/or 2012-13 will be reported back to the Overview and Scrutiny Committee for the consideration of further recommendations.

Cabinet's Response

Whilst these views are noted the CYPS has been under Government intervention for the last three years and as such has been called to report to the DfE on its Improvement Plan; the focus of which was inevitably different to that of the current Transformation Board. It would not have been practical or efficient to run a parallel process to the scrutiny of government at an earlier stage

a. The Strategic Improvement Plan will cover the full remit of CYPS work and will in effect be officers' business plan for delivering the service agreed with the Lead Member. These are not usually subject to call in from Finance Scrutiny Committee. However we accept that this Committee should be able to call in any continuing areas of overspend during the course of the next financial year for scrutiny;

b. Looked After Children all have "Care Plans" which set out the longer terms plan for their care. These are subject to review at least twice a year and the service plans to address these issues raised here through refreshing that process and enhancing the role of the Independent Reviewing Officers.

c. See a) above. The Directorate is committed to minimizing any overspend in 2011-12 and ensuring the range of actions set out in the SIP will deliver a balanced budget in 2012-3.

LOOKED AFTER CHILDREN AND ASSOCIATED LEGAL COSTS

Recommendation 2
The Panel recognises the importance of prevention and early intervention services and recommends that any additional investment in Children's Services should be targeted in this area. In particular investment should be prioritised for pre-school and infant age children.

Cabinet's Response
There are currently no additional resources identified for investment in Children's Services. Where any additional resource becomes available the service should look first to the Children and Young People's Plan needs assessment to identify priority areas for investment. This by no means precludes the Early Years but any investment must be subject to a compelling business case.

Recommendation 3
The Panel feels that the absence of a Universal Health Visitor Service is unacceptable and welcomes the work being done with Health Colleagues to put one in place. The Panel recommends that arrangements for the re-provision of a Universal Health Visitor Service be put in place as soon as possible

Cabinet's Response
This is an area for Health colleagues to address.

Recommendation 4
The Panel recommends that the review of in-house residential care provision for looked after children be accelerated and that there be clear evidence of outcomes for children and value for money considerations being included as part of any change proposals.

Cabinet's Response
A review of in-house residential provision is included as part of the 2012-13 budget proposals from the service and work is already progressed in evaluating the available options and discussing them with the Lead Member. It is intended that proposals in this area will be presented to Cabinet in February 2012 for implementation in July 2012.

LOOKED AFTER CHILDREN AND ASSOCIATED LEGAL COSTS

Recommendation 5
The Panel feels that in order to make best use of resources there needs to be more flexibility in the Legal Aid funding regime including consideration of Legal Aid funding being provided at an earlier stage to support alternatives such as legal negotiations and save court time. The Panel therefore recommends that the Lead Member for CYP write to the Ministry of Justice.

Cabinet's Response
The Family Justice Review has just reported and the Government's response to it is awaited. It may be possible to include this issue in any co-coordinated response that arises from this. Legal Aid funding has been progressively restricted by the capping of unit costs because it is understandably a finite resources but this delivers perverse consequences because of its limited availability. The capping of certain activities pre proceedings and within care proceedings is considered to be a contributory factor to the overall delays within care proceedings which increases the overall costs.

Recommendation 6
The Panel feels that considerable savings and a better service for clients could be achieved by the use of electronic case management systems for the efficient transmission of legal case work documents. The Panel therefore recommends that the Leader should write to the appropriate body to urge the evaluation and possible adoption of this technology as soon as practicable.

Cabinet's Response
We suggest that this recommendation might be more effective if it was re-worded to propose that officers collaborated with other local authorities to raise this issue with our local courts for a local solution. Electronic case management of care proceedings cases by the Courts is to be encouraged in place of the vast resource required to service such hearings by the printing, delivery and retrieval of paper bundles to and from courts for each hearing. The Ministry of Justice is the appropriate body to receive any such representations in respect of these concerns.

LOOKED AFTER CHILDREN AND ASSOCIATED LEGAL COSTS

Recommendation 7
The Panel welcomes the discussions taking place by the North London Strategic alliance around the creation of an arm's length service to undertake assessments in advance of court hearings. The Panel supports and encourages the setting up of such an organization and would recommend that the work is undertaken in close conjunction with the Barnet Branch to identify the court's needs at an early stage.
Cabinet's Response
Agreed. There is existing regular liaison by both the Assistant Head of Legal and the Deputy Director for Children and Families with both the Designated Judge in the Barnet County Court which deals with the Council's more complex cases as well as the Barnet Family Proceedings Panel which deals with the more straightforward cases in the magistrates' court. Both levels of court are interested in understanding and contributing ideas to any new initiative by the Council to improve practice and reduce the delays in care proceedings for children.

Recommendation 8
The Panel welcomes the work programme being undertaken by the North London Strategic Alliance around bench-marking and supports and encourages this work as it represents an opportunity to learn best practice by member councils.
Cabinet's Response
Agreed

Recommendation 9
The Panel expressed its concern over the relatively poor performance against comparator authorities in respect of numbers of adoptive placements. Where adoption is the most appropriate and best outcome for a looked after child the panel recommends that processes be put in place to speed up this outcome; this will include improving the efficiency of processes for identifying and evaluating the suitability of prospective adopters in addition to improving the time-frame for placing suitable LAC in adoptive placements.

Cabinet's Response
These actions form part of the Strategic Improvement Plan

LOOKED AFTER CHILDREN AND ASSOCIATED LEGAL COSTS

Recommendation 10

The Panel expressed concern over the lack of a clear strategy for increasing the number of Foster carers in the borough, and that a new strategy should be delivered expeditiously:

a. The Panel recommends that a new strategy to recruit foster carers should be developed with much better targeting of different demographic groups.
b. The strategy should be clear about how an increased use of in-house provision will be met by a corresponding reduction in other, more expensive, external provisions as this was not borne out by the performance data submitted

The Panel recommends that a target should be set for increasing the number of available in-house foster families for our looked after children and young people by 15% in each of the next three years.

Cabinet's Response

The Communications Team has recently put in place a successful new marketing strategy for fostering. This will be complemented by a Looked after Children's Sufficiency Strategy currently being undertaken to propose the numbers and types of placement we need in place for our Looked After Children population. This will be reported to the Corporate Parenting Committee to evaluate its effectiveness. Targets for the service must be based on the placement numbers expected; and so should await the outcome of the sufficiency strategy.

LOOKED AFTER CHILDREN AND ASSOCIATED LEGAL COSTS

Recommendation 11
The Panel wishes to express its concern that proposed changes to the Housing Benefit regime could act as a disincentive to foster carers. The Panel recommends that a concession be provided so that spare rooms held by foster carers pending placement of a Looked after Children should be discounted from Housing Benefit calculations on 'spare capacity' and would ask that a robust response be made to relevant consultations on this aspect.

Cabinet's Response
This is an uncosted proposal for which the business case would need to be assessed.

Recommendation 12
The Panel encourages the service to consider reviewing the approach for families with complex care needs based on the 'Hackney model' of there being a single team working with a family right through the care plan. It recommends that, following such a review and evaluation, a pilot scheme be undertaken for families with multiple difficulties or complex needs unless compelling evidence is found to discount such an approach. Based on evidence of a stabilised workforce the Panel now believes that conditions are right to pilot such an approach in order to provide continuity of care.

Cabinet's Response
We note the Committee's views. Proposals for work with Families with Multiple Needs are to be developed in a multi-agency group and to be in place for the end of the financial year.