
Full Council

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Mayor will confirm if all or part of the meeting is being filmed. The images and sound recording may be used for training purposes within the Council.

Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

If you have any queries regarding this, please contact the Principal Support Officer (Committee Clerk) at the meeting.

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 WEDNESDAY, 27TH FEBRUARY, 2013 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 disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 4-6 and Appendix A of the Members' 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 19 NOVEMBER 2012, AND 17 JANUARY 2013 (PAGES 1 - 22)

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

7. TO RECEIVE THE REPORT OF THE CHIEF EXECUTIVE

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 23 - 80)

- a) Corporate Committee – Report No.3 - 2012/13

11. MEDIUM TERM FINANCIAL PLANNING FOR 2013/14 - 2015/16 (PAGES 81 - 212)

To consider the report of the Director of Corporate Resources in respect of Medium Term Financial Planning for 2013/14 - 2015/16 and to agree the Council Tax for 2013/14

Nick Walkley
Chief Executive
River Park House
225 High Road
Wood Green
London N22 8HQ

Tuesday, 19 February 2013

This page is intentionally left blank

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

Councillors Adamou, Adje, Alexander, Allison, Amin, Basu, Beacham, Bevan, Bloch, Brabazon, Browne (Mayor), Bull, Butcher, Canver, Christophides, Cooke, Davies, Demirci, Diakides, Dogus, Egan, Ejiofor, Engert, Erskine, Gibson, Goldberg, Gorrie, Griffith, Hare, Jenks, Khan, Kober, 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

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CNCL40.	TO RECEIVE APOLOGIES FOR ABSENCE There were no apologies for absence.	
CNCL41.	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 The Assistant Chief Executive – Mr Young advised that there were 2 late items of business, which could not be available earlier, and which would need to be dealt with at the meeting. <u>Item 12 – To receive reports from the following Bodies</u> <u>Report No 1 2012/13 of the Cabinet meeting – 13 November 2012</u> Mr Young advised that the report of Cabinet of 13 November 2012 required consideration and adoption by Full Council in respect of the Revision of Statement of Gambling Policy. The report was late for consideration and could not be forwarded to Full Council until Cabinet had considered the proposals on 13 November 2012. 13 – Questions and Written Answers Mr Young advised that notice of questions was not requested until 8 clear days before the meeting, following which the matters raised had to be researched and replies prepared to be given at the meeting. The Mayor agreed to take Item 12(ii) – Report No1 2012/13 under the provision and in accordance with Section 100B (4)(b) of the Local Government Act 1972. The Mayor MOVED a variation to the order of business to consider agenda Item 12 after Item 8, and this was agreed nemine contradicente.	

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

	NOTED	
CNCL42.	DECLARATIONS OF INTEREST Councillor Rahman-Khan declared a personal interest in Item 14 – Motion C as a family member working full time received tax credits. The Chief Whip sought guidance from the Head of Legal Services and Monitoring officer in respect of deputation request from the Pinkham Way Alliance, and any issues for Members in respect of being members of the Council's Planning Sub-Committee, or the North London Waste Authority (NLWA). Mr Ryan advised the meeting that in noting the deputation from the Pinkham Way Alliance at Agenda item 9 and the more broad debate on Waste under the Haringey debate at Agenda item 11, in his capacity as Monitoring Officer he was giving advice to members on interests so that members may be clear on their ability to participate in the debate and not say anything to prejudice themselves from participation in future decisions in respect of waste disposal, in particular planning applications. Mr Ryan advised that it was important to be aware that the Haringey debate was not a decision-making matter but rather an opportunity for a general exchange of views on issues of importance to the Council. In these circumstances a broad range of views may be exchanged and it was possible that there would be at least passing reference to planning applications in relation to waste disposal in the borough, a matter upon which decisions would be made by planning members in the future. Similar comments applied to the deputation. Mr Ryan commented that in respect of the current members of the Planning Sub-Committee, or those trained to be substitutes, may be required at a future point to determine planning applications regarding waste disposal in the borough but that this would not prejudice them from participating in these items. Nevertheless those members needed to be careful not to express views which demonstrated a closed mind upon the subject as that may be regarded as amounting to predetermination of any question which would come forward for decision in the future. Other members who were not currently members of the Planning Sub-Committee, but may be in future years, might also wish to take account of this to safeguard their position should they be required to participate in future planning decisions relating to waste disposal in the borough. Mr Ryan further advised that Members of the NLWA may wish to declare a personal interest in both items arising from their membership of that authority. Under the current code of conduct there was no requirement to declare personal interests, but members may do so if they wished. Mr Ryan concluded that he hoped that the advice would assist members	

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

	to participate appropriately in the debate. Councillor Dogus declared a personal interest in Item 9 – Deputation from the Pinkham Way Alliance, and Item 11 – Haringey Debate as resident close to the area of Pinkham Way. Councillor Meehan declared a personal interest in Item 9 - Deputation from the Pinkham Way Alliance, and Item 11 – Haringey Debate, as a Member of NLWA. Councillor Canver, in rising to declare a personal interest in Item 9 - Deputation from the Pinkham Way Alliance, and Item 11 – Haringey Debate, as a Member of NLWA, was advised by the Mayor that it was not necessary for her to make the declaration. NOTED	
CNCL43.	TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETINGS OF THE COUNCIL HELD ON 16 JULY 2012 & 16 OCTOBER 2012 RESOLVED: That the minutes of the meetings of the Council held on 16 July 2012, and 16 October 2012 be signed as a true record.	
CNCL44.	TO RECEIVE SUCH COMMUNICATIONS AS THE MAYOR MAY LAY BEFORE THE COUNCIL i. Presentation of Andy Ludlow Homelessness Award 2012 The Mayor announced with pleasure that Haringey's Hearthstone centre, which offered domestic violence advice and support, had won a prestigious award. The Mayor advised that the Andy Ludlow Homelessness Award 2012 recognised the innovative approach Hearthstone had taken to help survivors of domestic abuse in the borough and help them avoid becoming homeless and this has been recognised with this award. Councillor Bevan advised that for more than a decade, the Andy Ludlow Homelessness Awards had been established as the foremost awards recognising innovative work to tackle homelessness in London. The awards were sponsored by the London Housing Foundation, the 33 London councils and Shelter and were run by London Councils. Hearthstone developed a holistic approach to addressing domestic violence, encouraging greater co-operation between the agencies to improve the experience for the survivor and this was recognised with this award. Councillor Bevan advised that the award was especially poignant	

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

for Haringey Council as Andy Ludlow was a much respected director of housing and social services in the borough.

The Mayor asked the team to come forward to receive their award.

The team were:

Sophie Dixon, Hearthstone Manager
Cynthia Greer, Senior Hearthstone Support Worker
Karen Vincent, Hearthstone Support Worker
Hayley Holohan, Hearthstone Support Worker
Margaret Symister, Hearthstone administrator
and one additional member of staff in the team who was on leave
– Abigail Brennan, Hearthstone Support Worker

Following a brief summary of how the award monies would be used within the centre, and further congratulations from Councillor Watson the team received a round of applause from members of the Council.

NOTED

ii. Presentation from the Mayor's Charity "Action for Kids"

The Mayor introduced Mr David Budd from Action for Kids, the Mayor's Charity and ask him to give a brief presentation and answer questions on the work the organisation was doing.

Mr Budd addressed the meeting highlighting the Mayor's positive involvement in the past 6 months by his visiting the Action for Kids Offices and getting to know the staff and better understanding the Charity's aims, and attending the Trustee Board meeting. The mains aims of the Charity were to work with kids in developing confidence and to equip them with the requisite skills to get them ready for a job in the world of work through the creation of jobs and opportunities.

Mr Butt referred to the Mayor attending a number of charity events including the annual City Beach Volley ball event where £50K was raised for the Charity. Mr Butt advised that the most challenging aspects of the Charity's work were to assist in developing personal CVs and placing individuals in work experience placements, and the Charity's Transition Officer was the key person who worked with businesses etc to secure placements for work experience. Mr Butt then asked Ms Nolan to speak.

Ms Nolan commented on her experiences with Action for Kids since she was 16 (some 6 years) and the work they did to build self esteem and confidence. Through the Charity's effort Ms Nolan advised that she had had worked in a voluntary capacity in

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

	a Charity in Muswell Hill together with a work experience placement at Sainsbury's Muswell Hill, which she hoped would lead to a permanent work position. Through gaining confidence in public speaking Ms Nolan commented on the large number of capacity events she had now spoken at to raise the profile of the Charity by detailing her own experiences. In response to questions from Councillor Egan Ms Read advised that most of the individuals referred to the Charity were from Schools and Colleges, and there was assistance given to people in their 20's and 30's as well, and also some referrals came from the Local Authority Social Services. Councillor Winskill commented on the forthcoming fund raising carol concert event at Hornsey Town Hall on Saturday 8 December 2012 to which Action for Kids was supporting, and hoped that as many Councillors as possible would be attending. The Council gave Mr Butt, Ms Nolan and Ms Read a resounding round of applause. The Mayor thanked each of the representatives for their attendance. 3. <i>The Death of ex Councillor Ann Douglas</i> The Mayor, with regret, reported the death of Ann Douglas who was a former Labour Councillor for Green Lanes Ward (1986-1987), who died peacefully on Wednesday 8 August 2012. As a mark of respect, the Council stood for a minute's silence.	
CNCL45.	TO RECEIVE THE REPORT OF THE ASSISTANT CHIEF EXECUTIVE AND INTERIM HEAD OF PAID SERVICE There were no matters to report.	
CNCL46.	TO RECEIVE THE REPORT OF THE MONITORING OFFICER AND HEAD OF LEGAL SERVICES There were no matters to report.	
CNCL47.	TO MAKE APPOINTMENTS TO OUTSIDE BODIES The Chief Whip – Councillor Egan MOVED the recommendation as set out in the circulated report. Councillor Wilson asked that the Minority Group's opposition to the proposed appointment be registered as whilst he had no doubt the	

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

	nominated member – Cllr Egan would serve the position well, Cllr Egan served a Ward in the north the Borough, and it was not close in local vicinity to Finsbury Park and that the vacancy should be filled by a Liberal Democrat Councillor serving in the vicinity of the Park. Councillor Egan responded that he had been recommended as part of the commitment to the One Borough/One Future policy that the Council had adopted. It was then RESOLVED: That the appointment to the outside bodies be approved, as detailed in the Appendix to the report. The Mayor then advised that the meeting would next consider Item 12 as agreed earlier at agenda item 2.	
CNCL48.	TO RECEIVE REPORTS FROM THE FOLLOWING BODIES i <u>CORPORATE COMMITTEE REPORT NO 2 2012/13</u> Councillor Meehan – Chair of the Corporate Committee MOVED the recommendations as contained in the report of the Corporate Committee of 27 September 2012 in respect of Treasury Management 2012/13 Mid Year Activity & Performance Update. RESOLVED: That the Treasury Management activity undertaken during the first half of 2012/13 and the performance achieved be noted. ii. <u>CABINET REPORT NO 1 - 2012/13</u> Councillor Kober – Chair of Cabinet MOVED the recommendations as contained in the report of Cabinet of 13 November 2012 in respect of the revised Statement of Gambling Policy 2013-2016 as detailed in appendix 1 to the circulated report. RESOLVED: That approval be given to the adoption of the revised Statement of Gambling Policy 2013-2016 as detailed in appendix 1 to the circulated report.	
CNCL49.	TO CONSIDER REQUESTS TO RECEIVE DEPUTATIONS AND/OR PETITIONS AND, IF APPROVED, TO RECEIVE THEM	

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

There were two deputations to address the meeting, and one petition.

The first deputation was received from Jonathan Boswell and Nicky Pryce in respect of Second Annual Carbon Report. Mr Boswell commented that he was speaking on behalf of local environmental campaigners who try to live sustainably and raise awareness of climate change.

In advising that he was a member of the cross party Haringey 40:20 Steering Group together with other local and community /environmental groups, Mr Boswell commented on the excellence of the report before the Council. He also advised that as he and Nicky were Grandparents they were acutely concerned regarding the future the world was facing with the evident environmental crisis, the deepening recession, poverty levels both nationally and locally in Haringey, together with the direct and indirect changes in climate and extreme weather conditions, of floods and devastation in the wake of the recent Hurricane Sandy. Mr Boswell commented that whilst the 40:20 target was ambitious to meet this target, it required more than just Local Authority efforts. In praising the excellence of the Haringey Carbon Commission report, every effort was needed locally and nationally to achieve these goals in order to make Haringey a more environmentally sound place to live.

Mr Pryce emphasised that it was possible to change direction, to reduce carbon emissions while at the same time generating sustainable jobs and creating growth in the local economy. The 'green' economy was one of the few sectors of the economy that had shown growth in recent years, and measures such as reducing energy consumption would reduce utility costs, freeing up more money to be spent in the local community. More ambitiously, a community utility company, harnessing sustainable sources of power, could create new jobs and reduce people's bills, but would require partnership between the Council, local businesses, individual residents and the Government. The steering group praised the Council for its progress so far, but there was more to be done, and would require a national effort. All Councillors were invited to give this work their full support.

Members asked questions of the deputation and received responses thereto.

The Cabinet Member for Finance and Carbon Reduction responded to the deputation and thanked both speakers for highlighting the need to take firm action on climate change. The carbon commission would continue to work with community bodies on these issues, and individuals also needed to take decisions to reduce carbon emissions and meet targets. There was a need for a political consensus in order to drive this forward, as ultimately these were issues affecting everyone's future.

The second deputation was received from Stephen Brice – on behalf of Pinkham Way Alliance in respect of the Waste Debate on the agenda later in the proceedings. Mr Brice advised that the long term contract the

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

Council was entering into with the North London Waste Alliance with regard to the Pinkham Way site would lead to the risk of financial penalties, were the Council to produce insufficient waste to meet the plant's capacity in future. It was reported that this had already happened in Stoke on Trent. The trends in London were for higher levels of recycling and a reduction in waste; these trends were likely to accelerate in the next few years and may lead to a shortfall in the amount of waste produced for processing. The proposed contract would therefore lead to the risk of councils being punished for reducing their levels of waste below the minimum level required in the contract, and would tie the Council in for many years.

Members asked questions of the deputation and received responses thereto.

The Cabinet Member for Economic Development and Social Inclusion responded to the deputation. Cllr Strickland advised that estimating the amount of waste that would be produced throughout the duration of the contract was a standard way of contracting such an agreement, and would enable the authority to obtain better value for money and better environmental solutions. The risk of incurring financial penalties was felt to be low, as the estimates used had taken into account the anticipated increase in recycling rates and reduction in levels of household waste. Moreover, the guaranteed minimum tonnage had been set at 70% of the estimates. Compared with today's levels of waste, there would have to be more than a 50% reduction in waste levels in order to fall beneath the minimum levels of waste set out in the contract.

The Mayor reported that a petition had been received from Chris Ostwald representing traders and user/residents of Muswell Hill requesting the Council to reduce the extremely high cost of pay and display charges in Muswell Hill. 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. Mr Ostwald spoke in respect the requests to the Council to reduce the extremely high cost of pay and display charges in Muswell Hill, which was putting customers off using the local high street and was having a detrimental effect on local shopkeepers, particularly in the current economic climate. Local shops were a source of local employment and it was therefore important to encourage people to support them; it was also more environmentally sustainable for people to use their local high street. The Council was asked to consider the strength of local feeling, represented by over 5,000 signatures.

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

The Cabinet Member for the Environment responded to the petitioners.

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

	Cllr Canver advised that this petition highlighted the difficulties facing local businesses in the current financial environment, across the country. The parking charges had been set on 2010, at which time demand was regularly exceeding capacity, and the consultation response at that time had indicated that turnover of parking spaces was the main concern. At this point in the proceedings Councillor Wilson MOVED a variation to the order of business to consider Item 14 – MOTION D as part of this debate/discussion, in accordance with Part Four, Section A 3.2(ii) and 14 (c) of the Constitution. The MOTION was seconded by Councillor Bloch. Councillors Egan and Kober responded to the MOTION request. On a Vote there being 22 for, and 34 against the MOTION was lost. The Mayor thanked both the depute and petitioners for their attendance. NOTED	
CNCL50.	SECOND ANNUAL CARBON REPORT The Cabinet Member Finance and Sustainability – Councillor Goldberg presented Haringey’s Second Annual Carbon report, which set out very clearly the actions the borough would take in order to reduce carbon emissions in Haringey by 40% by 2020. There was a very clear environmental and economic case for undertaking this work, as the economic cost to the UK, were climate change not addressed, would be severe. It was understood that this was the only report of its kind in the country to a Full Council, and demonstrated, in a transparent way, Haringey’s commitment to this issue. As set out in the report, progress had been made, for example the zero carbon community centre, sustainable investment fund, green light business support and low carbon zone, but there was still much more to do, given the scale of the challenge. Climate change should change the way in which enterprise was thought about, and encourage the consumption of locally-made products, supporting local businesses. Climate change was real, and would continue to have an impact on the UK economy; the case for action was clear. Cllr Goldberg commended the report to Full Council. Mr Andrew Raingold - Executive Director at Aldersgate Group, addressed the meeting following Cllr Goldberg’s introduction. Representing a diverse group of business and political leaders, Mr Raingold advised that environmental policy, if designed in the right way, was a key driver for the economy, and his group campaigned for policies that would improve companies’ monitoring and managing of their carbon emissions. Being green and economic growth were not mutually exclusive; there was a need to frame what a green economy would look like, and what policies were required in order to achieve it. There were significant risks for the UK economy related to climate change, not least	

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

	as a result of an increase in commodity prices associated with climate change. At the same time, there were significant economic opportunities around the ambitious targets set for the reduction in carbon emissions; the UK had a trade surplus with its key partners for environmental goods and services, and the industry was a key job creator, but this was a globally competitive market. Consistent policy around this issue was essential in order to deliver further development. Mr Raingold advised that he was delighted to be able to contribute to the Haringey Carbon Commission, which was a positive and ambitious initiative, which brought opportunities to develop the local economy, create jobs, reduce fuel costs and deliver health benefits to the borough, at the same time as reducing emissions. In response to questions regarding the implementation of EU climate-change legislation at a national level, Mr Raingold advised that there was need for action at an EU-level in order to make climate change legislation effective, as the necessary drivers and policy signals were not currently there. Councillor Goldberg concluded the debate and thanked Mr Raingold for his presentation. There was a clear case for Haringey to take the lead on this issue, which related to inequality and social justice, as well as environmental and economic concerns. Cllr Goldberg commended the report to Full Council. The Mayor thanked Mr Raingold for his contribution to the debate. RESOLVED i. that the transparent progress being made by the Council and other organisations, in order to support work towards a 40% carbon reduction target by 2020 and associated local and economic benefits of this activity be noted; ii. that the issues and debate raised by the Second annual carbon report be noted and the Council's full support be given to implementing the recommendations of the Carbon Commission and 40:20 Action Plan; and iii. that in endorsing (ii) above this was on the basis that the wide ranging benefits of action on climate change will hit all the Council's priorities such as jobs and training, health and well being, in addition to environmental considerations.	
CNCL51.	HARINGEY DEBATE - WASTE AND WASTE DISPOSAL IN THE 21ST CENTURY; ISSUES AND TECHNIQUES The Assistant Chief Executive outlined the procedure for the fifth occasion where the Council had a Haringey Debate. The opposition spokesperson – Councillor Solomon gave an introduction of the debate on the issue of waste and waste disposal and where the Council currently is with disposal and techniques, what is likely to happen with waste disposal in the future, and what the options are for solving any associated problems.	

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

Councillor Solomon introduced Dr Andrew Tubb – from the University of the West of England.

Dr Tubb addressed the meeting and stated that one of the disadvantages of a 25-year contract was that you would be unable to take advantage of emerging technologies, and would be tied into what was in place when the contract was issued. It was not possible to predict what would happen in the next 25 years, and long term contracts were unable to take this into account. The level of risk associated with such a contract would depend on the estimates that had been made regarding anticipated waste amounts for the duration of the contract. Dr Tubb provided information on different waste technologies and their value for money, and indicated that MBT ranked among the lowest for value for money delivered. There were many factors which contributed to the level of waste generated, and the trend for a reduction in waste was likely to continue and even accelerate. It was possible, with the right technologies, to divert 95% of waste from landfill – these solutions were all open to the Council.

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.

In response to a question from Cllr Stanton regarding how the assertions made in his presentation could be tested, Dr Tubb advised that a full life cycle analysis of the various options was the only way to really test them, but that this might be difficult to undertake without assistance from external expertise.

Cllr Erskine highlighted that there were a number of ways in which people could individually reduce the level of waste they produce, by choosing to buy products with less packaging, by buying less, by reusing and by repairing. People could always look back at the supply chain of products, and ask companies what they were doing to make their products more recyclable.

Cllr Wilson stated that it was important to bring people with you when introducing changes, and that to this end, consultation was essential. This had not happened when the fortnightly waste collection was rolled out; there should have been a specific pilot, with feedback taken into account and lessons learnt from. As a consequence, work by scrutiny indicated that 40% of residents were not satisfied with the new arrangements. There was a need to recognise that a one size fits all approach was not appropriate across the whole borough, and this had led to issues, which could no longer be called teething problems.

Cllr Jenks advised that he was awaiting a clear answer on the democratic accountability of the NLWA and its exact role, and also asked what Haringey was able to do regarding the present situation. It was suggested that there should be a greater focus on the recycling of street waste, as debate generally centred on domestic waste

MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012

arrangements, and it was suggested that a study be commissioned around how street waste recycling levels could be improved. It was felt that Haringey should be looking at all the possible options around increasing the level of recycling.

During the proceedings at 21.55hrs, the Mayor advised that he would use his prerogative and extend the meeting end time to 22.10hrs to allow the remaining Members who had indicated their wish to speak to address the meeting.

Cllr Bull stated that he was in favour of fortnightly waste collection in principle, but that there was a need for a more flexible approach in order to address particular issues in particular areas of the borough. As an example, the Council should be able to work with HMO residents regarding the number of bins they actually needed, rather than allocating a bin per unit, and liaise with residents where bins were identified as overflowing to see if allocating an additional bin would help. Culture change was difficult, but there were positive examples of recycling across the borough; it was necessary to do everything possible to encourage recycling, and to promote the items that could be recycled to raise awareness.

Cllr Hare raised a specific issue with regards to glass recycling, as the current method being employed was felt to be wasteful. It was requested that the Council given special consideration as to how to process glass more efficiently, taking on board technical advice in order to make the best decisions for local residents and the environment.

The Cabinet Member for Economic Development and Social Inclusion addressed the Council on behalf of the Cabinet Member for the Environment, as Cllr Canver had a personal interest in this matter. Cllr Strickland advised that the procurement exercise for the contract was objective-based, with a target of recycling 50% of waste by 2020 and a reduction in the amount of waste going to landfill to less than 15% of current levels. The contract did not bind the Council to a particular technology; waste disposal technology was an issue the NLWA was looking into and the Council would work with the waste authority to ensure that they were able to take advantage of new technologies as these emerged. The points raised during the debate would be fed back to the NLWA. Haringey's target was to be recycling 40% of waste by 2015 and the Council was on track to meet this target. There were lessons for everyone to learn from the introduction of fortnightly collections, which would require culture change across the borough. It was not a consistent position to be in favour of increasing recycling levels, but opposed to fortnightly collections, and the Opposition were asked to reconsider their approach to this issue. This was a priority for all political parties, and it was necessary to work together on getting it right.

At the conclusion of the debate, the Mayor invited Councillor Solomon to respond.

**MINUTES OF THE FULL COUNCIL
MONDAY, 19 NOVEMBER 2012**

	Cllr Solomon agreed that this should not be a political issue, and that the objective of the debate had been to raise awareness of an issue that many people may not have given a lot of consideration to. If people were better informed, they would know the right questions to ask. There was a need to start changing behaviours from the bottom up. Waste had to be considered as a resource, and this was something that had not seriously been addressed to date. There should be an audit around reuse and recycling in order to get a better picture of the current situation. Publicity on these issues was limited, and could be improved. It was felt that the Council should work together with the NLWA, but should also have its own independent expertise on these issues and develop good practice, in consultation with all councillors. Communication with residents was a crucial matter, and it was not possible to adopt a one-size fits all approach if this were to be successful. The Mayor thanked members for their participation.	
CNCL52.	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	
CNCL53.	TO CONSIDER THE FOLLOWING MOTIONS IN ACCORDANCE WITH COUNCIL RULES OF PROCEDURE NO. 13 <u>Motions C & D (2012/13)</u> Motions C & D were not reached due to the late hour.	

The meeting ended at 22.10hrs.

COUNCILLOR DAVID BROWNE

Mayor

This page is intentionally left blank

**MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013**

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

Apologies Councillor Allison, Khan and Stewart

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CNCL01.	TO RECEIVE APOLOGIES FOR ABSENCE Apologies for absence were received from Councillors Allison, Khan, and Stewart. The Mayor formally welcomed the new Chief Executive – Mr Nick Walkley to the London Borough of Haringey, on behalf of all Members of the Council. NOTED	
CNCL02.	DECLARATIONS OF INTEREST There were no declarations of interest. NOTED	
CNCL03.	TO CONSIDER REQUESTS TO RECEIVE DEPUTATIONS AND/OR PETITIONS AND, IF APPROVED, TO RECEIVE THEM There were no deputations or petitions. NOTED	
CNCL04.	TO RECEIVE THE REPORT OF THE CHIEF EXECUTIVE Following an introduction of the report by the Chief Executive The Chief Whip MOVED and it was: RESOLVED	

MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013

	i. That the changes to Political Group composition as detailed in paragraph 4.1 of the report be noted;. ii. That the resultant changes to Council body membership, and outside bodies membership as detailed in paragraph 4.6 and appendices 1 & 2 of the report be agreed; iii. That the notified change to Group Political appointments within the Liberal Democrat Group by Councillor Whyte stepping down as Chief Whip with immediate effect, and being replaced by Councillor Beacham, be noted; and iv. That Appendix 1 (page 10) of the circulated report be amended for Councillor Weber – showing next to her name 'Ind' and not 'Ind L/D' as shown.	
CNCL05.	FINAL APPROVAL OF HARINGEY COUNCIL TAX REDUCTION SCHEME The Mayor advised that an addendum to the report contained in the summons was circulated to Members on 16 January 2013 by email and also delivered late afternoon & evening. The Mayor advised that in respect of the process to be followed the Director of Corporate Resources would introduce both reports, and respond to any points of clarification. The Mayor also advised that the Head of Revenues, Benefits and Customer Services and other officers were also in attendance to assist in any points of clarification or questions. The Mayor further advised that the Cabinet member for Finance and Carbon Reduction - Cllr Goldberg would speak, followed by an open discussion on this item. The Mayor advised that at the conclusion of the discussion the Cabinet member for Finance and Carbon Reduction would give a concluding comment. The Mayor then advised that at the conclusion of this he would then formally move the recommendations contained in the report before the meeting. The Director of Corporate Resources gave an introduction to the two reports circulated regarding the final approval of the Haringey Council Tax reduction scheme, the first report being in the main pack and the supplementary report that had been dispatched subsequently. By way of background to the reports, the Director advised that Council tax benefit was being abolished and local authorities were being required to develop their own schemes by 31 January 2013, for 2013/14. The government was transferring the support to councils in 2013/14, with a reduction in funding of 10% and a requirement that the council's own scheme must maintain the support to pensioners. Cabinet had considered various options for the scheme at its meeting on 10th July 2012 and agreed to consult on 4 proposals, as set out in paragraph 4.4 of the main report as follows:	

MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013

- To reduce payments to all working age claimants by an equal proportion in line with the reduction in government funding – estimated to be 20%.
- Reduce savings and investment allowed to £10,000
- Remove entitlement if less than £1
- Amend the maximum backdating period.

The consultation responses were included in the report pack, and indicated a desire that some groups should be protected – in particular pensioners and the disabled. In response, the scheme being recommended to the Council recommended protecting claimants in receipt of particular benefits that recognise significant disability, as listed in the report at paragraph 6.6.6.

The Director advised that in October, the government had announced a transitional grant scheme of funding for one year, if the council implemented a scheme which limited the benefit reduction passed onto claimants to 8.5%. This was covered in the report at paragraph 4.5. The main report also covered recommended technical changes to the exemptions and discounts for council tax.

The supplementary report included a letter from Irwin Mitchell Solicitors (received on Friday 11th Jan) warning of a potential judicial review to the council tax reduction scheme, and a copy of the council's response. The points made in the letters were covered in the supplementary covering report, and the Director emphasised the importance of members considering both letters and the material in the supplementary report, in making their decision.

Both reports together set out the choices available to the Council in terms of determining a scheme. In determining the scheme - the Council should have due regard to:

- Feedback from consultation
- Impact on the individuals concerned
- The equality impact assessments and mitigation
- The financial consequences of the scheme on the council
- Give due consideration to other options for the scheme including those eligible for transitional grant.

Paragraph 10.1 of the supplementary report set out the cost burdens on the Council of the different options, allowing for the protection of pensioners and qualifying disabled as follows:

- If council were to absorb - £3.846m (which after grant would reduce to £3.14m)
- Passing on 8.5% and receiving transitional grant - £1.489m
- Passing on 19.8% - (the recommendation) – nil cost

The Director concluded her introduction to the reports by advising that

MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013

the report recommended a scheme that reduced council tax support to working age claimants (excluding those in receipt of certain disability related benefits) by 19.8% overall, and also recommended technical changes to exemptions and discounts.

In response to a call from the Mayor for any questions of clarification in respect of the reports presented, no questions of clarification were asked of the Director of Corporate Resources.

The Cabinet Member for Sustainability and Carbon Reduction, Cllr Goldberg, gave an opening address, criticising the Government's policy as having a disproportionate impact on the poorest and most vulnerable in society. The proposals as set out in the report were intended to address the £3.8m shortfall, which was likely to increase in future; Haringey had the highest number of households in receipt of Council Tax Benefit in London and figures from the DCLG indicated that around 48% of those entitled to Council Tax Benefit did not currently claim. Cllr Goldberg outlined the options considered, and felt that sharing the burden equally across recipients was the fairest approach. With regard to the transition grant, it was reported that this had only been announced at a late stage and would be for one year only. The amount available would only cover one-fifth of the shortfall and would still leave the Council with a £1.5m funding gap. The proposal as set out in the reports was felt to be the most just approach.

Cllr Strang felt that, although there was a need to address the level of public spending, the national policy placed budget cuts disproportionately on the poor. Concern was expressed, however, that initial communication of the changes had been alarmist. Moreover, the Medium Term Financial Plan had already set funding aside to cover the reduction in Council Tax Benefit grant. This recommendation, however, passed the cuts directly onto the poorest residents, while rejecting the money on offer from the Government.

Cllr Christophides stated that the combined changes to the benefits system would result in a significant reduction in household income to families, and thousands of the lowest-paid families would have to pay more. In the current climate, there was a need to support and promote the credit union. With regard to getting more people into work, this was against a background of 20 applicants for every job, and the unsuccessful work programme. It was unsustainable for the Council to meet the cost of the shortfall, and the grant offered would not meet the funding gap.

Cllr Wilson addressed the Council and stated that Liberal Democrats opposed the decision to reject the grant offered by the Government and would vote against the recommendation. An opportunity had been available to mitigate the impact on residents, but this had been refused. He stated that 13 other labour councils had rejected the grant. The Liberal Democrat group believed that the Council should have found the £1.5m required to unlock the transition funding. Since 2010, £40m had

MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013

been spent on consultants and agency staff. In February 2012 a decision had been taken to set aside £4m to meet this cost, but this plan now appeared to have changed. The Council needed to prioritise, and this was a decision which would have a negative impact on local residents.

Cllr Kober said that 13 labour councils had not come together in an electoral conspiracy and advised that the transition funding would lead to a greater shortfall, and that it was not a political decision to reject the funding offered by Government. It was incorrect to say that £4m had been set aside in the budget to cover the cost of the reduction in grant; the Cabinet report had referred to £4m budget pressure, not funding that was set aside. It was also necessary to take into account that this was not an isolated welfare cut, but was one of a number of cuts which would mean that benefit claimants bore the brunt of public spending cuts, including a reduction in housing benefit as part of the pilot scheme for Universal Credit in Haringey. The Liberal Democrats were not offering alternative solutions. It was necessary to take decisions in the interest of the wider financial health of the Council.

Cllr Reece called on all Members to vote against this decision, and to protect the vulnerable rather than doubling the level of cut they faced. The Council was advised that they had a choice to take the assistance offered, and should not take political decisions at the expense of local residents. The Council could instead make cuts in areas such as communications, IT and legal fees. The Council had a choice, and was here being asked to make the wrong one.

Cllr Peacock advised that the impact of Government policy would increase the burden on the poorest at the worst possible time, when families had to make a choice between food and heating. While it was good that pensioners and disabled people were being protected, this would lead to a greater cut for other low-paid families. The transitional funding offered was not enough and would just lead to a steeper cut the following year. In April the true impact of the cuts on local residents would be seen.

Cllr Davies stated that he was opposed to the Government's decision, which was being called devolution, but was really budget cutting. He was pleased at the proposed exemption for disabled people, but asked for clarification as to whether the ESA would be included in the list of benefits which would qualify someone for an exemption. Cllr Davies stated that he would prefer to raise Council Tax, but Government constraints made this impractical. In the absence of a feasible alternative, he would support the recommendation, but with regret.

Cllr Bull reported that it was becoming harder to stand up for those who could not stand up for themselves. People were tired of hearing that the previous Government was to blame for the current situation, when it was as a result of the banking industry. He was fed up of people being portrayed as 'skivers', and the poorest in society being attacked. The privatisation of gas and electricity meant that people were finding it

**MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013**

harder to heat their homes and were having to make difficult choices.

Cllr Schmitz stated that both parties should recognise they both sometimes had to do things they did not wish to do. They could debate whose fault the current situation was, but if the deficit were not tackled, this would lead to increased interest rates which would have an impact on everybody. The decision not to take the grant would result in chasing people for money that may not be recoverable. The Council had not defended its proposed course of action.

Cllr Brabazon spoke against the demonization of the poor and vulnerable, when many were living in poverty in the sixth richest country in the world. The Council was trying to mitigate the Government cuts against a background of forthcoming bankers bonuses, which the Government had failed to regulate at the same time as they were capping the resources needed for basic essentials for some people.

Cllr Butcher stated that he agreed with Labour regarding the impact on the poorest, but regretted that they were not stopping it when they had the opportunity to take the transition grant. While people needed to be made aware of the changes, he did not understand why so much had been spend on publicity; this money could have been spent on limiting the cuts to residents. As arrears were already increasing, the Council could avoid the trouble of trying to recover the extra money from residents and find the savings now.

Cllr Meehan stated that if the Government agreed that people were entitled to a benefit, then they should be meeting the cost, and it was understandable that people may be angry about this situation, however those speaking opposite him did not seem to be coming over as very angry. It was not possible to compare different Councils without a full picture of their circumstances. The global financial crisis could not all be blamed on the previous Government, but was the responsibility of the banking industry. The national debt had increased since the current Government came to power. The rules had been changed so that the Council could not increase Council Tax to meet such shortfalls.

Cllr Stanton spoke to say that, as a ward councillor, he was seeing people in dire circumstances and they knew that things were going to get worse. There were cuts that could be made elsewhere, but these needed to be put forward with costings. All Members should be joining together to oppose what was happening, when at the moment they weren't responding to the situation.

Cllr Jenks recalled an earlier debate around drop-in centres, when the Council argued that it did not have the funding, but subsequently found funding for other things. He mentioned the one borough one future fund, the extra audit costs linked to final accounts and the payment to the ex-Chief Executive. Council Tax debt was a particularly difficult debt and could lead to prison; this was not a pressure that should be imposed on the vulnerable. Realistically, the collection rate, currently 95%, was likely

MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013

to reduce as a result of this - others had estimated non-collection rates of 20-50%. The people affected here were vulnerable; the Council should be protecting them, not putting them under pressure.

Cllr Egan emphasised that replacing the Council Tax benefit was a single element in a range of policies affecting the poor and low-paid working families. It was noted that struggling families would suffer from the break between benefit rises and inflation, which would effectively mean a cut. Children and families in Haringey would be disproportionately affected. Families would be pushed into poverty and this would lead to a lost generation. The Liberal Democrats were asked to lobby their minister regarding these issues.

In clarification of the point raised by Cllr Davies, the Director of Corporate Resources confirmed that ESA was not one of the benefits which would entitle someone to exemption.

Cllr Goldberg summed up and advised that he was disappointed in the misrepresentation of the facts. The Medium Term Financial Plan had stated that the Council would need to find a further £4m to meet the cuts, and the proposals from the Liberal Democrats represented spending the same money several times over. The agency staff previously referred to were delivering essential front line services such as social work. Cllr Goldberg asked why the Government was giving tax breaks to millionaires and increasing the burden on the poorest. An unprecedented 7 years of austerity had been announced. Cllr Goldberg stated that he would vote for the recommendation, as he did not feel the Council had any other reasonable choice.

The Mayor then MOVED the recommendations as contained in the report.

On a vote there being 32 for and 22 against (on a re-count found to be 32 for and 21 against) it was:

RESOLVED

- i. That having taken into account the outcome of the consultation as detailed in Appendix A and the attached Equalities Impact Assessment at Appendix B of the report, the Council Tax Reduction Scheme as set out at Appendix E of the report be agreed and adopted;
- ii. That accordingly, the principles of the Council Tax Reduction Scheme, as summarised in Section 6 of the report, be adopted in respect of all working age claimants, having an overall reduction of Council Tax support of 19.8%;
- iii. The Scheme remain in perpetuity with parameters uprated as per the Scheme rules, unless a decision were to be taken by Council to replace or alter the Scheme at annual review;

**MINUTES OF THE FULL COUNCIL
THURSDAY, 17 JANUARY 2013**

	iv. That further to the agreement at Cabinet on 10th July 2012, the following adjustments to Council Technical changes be agreed:- a) Reduction of discount on Class D empty properties undergoing major repair (previously known as Exemption Class A) to 50% for one year and 0% discount thereafter. This was previously agreed at a flat 0% discount; b) Payment of an Empty Homes Premium on properties that have been empty and unfurnished for more than two years of 50%. Unoccupied annexes and properties belonging to a member of the armed forces currently absent as a result of this are excluded from this premium; c) One-off 100% discount for the first calendar month for Class C properties (Empty properties) and 0% discount thereafter. Occupation periods of less than six weeks will be disregarded in administering this discount; v. That authority be given to the Director of Corporate Resources and Head of Revenues, Benefits & Customer Services to take all appropriate steps to implement and administer the Scheme; and. vi. That authority to be given to the Head of Legal Services to make all necessary amendments to the Constitution to reflect the Council's new functions in relation to council tax reduction schemes.	
--	--	--

The meeting ended at 20.40hrs.

COUNCILLOR DAVID BROWNE

Mayor

REPORT OF THE CORPORATE COMMITTEE No. 03-2012/2013
COUNCIL 27 February 2013

Chair:
Councillor George Meehan

Deputy Chair:
Councillor Kaushika Amin

INTRODUCTION

- 1.1 This report to full Council arises from the Treasury Management Strategy Statement considered by the Corporate Committee at their meetings on the 29 November 2012 and the 22 January 2013.

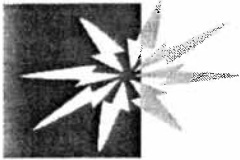
SUMMARY

- 2.1 Treasury Management strategy Statement 2013/14 - 2015/16
- 2.2 We were asked to consider the proposed Treasury Management strategy statement and draft prudential indicators for 2013/14 to 2015/16 prior to them being scrutinised by Overview and Scrutiny Committee and presented to full Council for final approval.
- 2.2 As the Capital Programme figures for the current year would be determined by the Cabinet at its meeting in December, the report to the 29 November meeting contained the previous year's figures. A further updated report containing the final capital programme figures and prudential indicators was subsequently considered at the January Corporate Committee meeting. We noted that this did not affect the overriding principles for investing and borrowing which we were asked to consider in November.
- 2.3 We noted that very low short term interest rates compared to medium and long term rates was expected to continue in 2013, meaning that there would be an ongoing 'cost of carry' if funds were borrowed in advance of capital expenditure. It was reported that, to minimise the cost of borrowing, the council will maintain the strategy of borrowing in the short term at low rates from other local authorities to maintain liquidity whilst also being mindful of any long term opportunities to borrow from the PWLB.
- 2.4 On the advice of the council's treasury management advisors, Arlingclose Ltd, we noted that a small change had been made to the strategy, which was to remove the minimum short term rating criteria for lending, as the long term rating of an organisation was the ultimate driver of creditworthiness. We noted that this would not change the portfolio of banks named in the lending list, but would enable the Council to start using RBS and Nat West again.
- 2.5 We received an explanation of the term LIBID (London Inter Bank Interest Deposit Rate), and requested that efforts be made for the figures printed in future reports to be as legible as possible.

- 2.6 At the 22 January 2013 meeting, we received a report setting out the updated Treasury Management Strategy Statement, to reflect the capital programme figures as agreed by the Cabinet in December 2012. We noted that the general principles around borrowing had not changed as a result.
- 2.7 In response to a question around the 2012/13 approved and projected actual figures, as set out in table 7 of the report, it was reported that the approved limit was the maximum level authorised, and was set relatively high in order to allow for unforeseen circumstances. We noted that this accounted for the discrepancy between the maximum authorised and the expected actual borrowing.
- 2.8 We discussed the borrowing limits around the HRA debt cap, and received clarification that any spending in this area would need to be prioritised in line with Council strategy, and was subject to detailed guidance issued by Government.

WE RECOMMEND

The approval of the proposed Treasury Management Strategy Statement (TMSS) and prudential Indicators for 2013/14 to 2015/16 at Appendix 5 of the Financial Planning report to Council.



Haringey Council

Report for:	Corporate Committee 22 nd January 2013	Item number	
Title:	Treasury Management Strategy Statement 2013/14 – 2015/16		
Report authorised by :	 Director of Corporate Resources		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

- 1.1 To present an update to the proposed Treasury Management Strategy Statement and Prudential Indicators for 2013/14 to 2015/16 before it is presented to full Council for final approval.

2. Cabinet Member Introduction

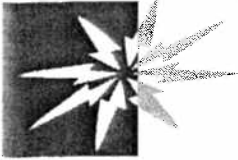
- 2.1 Not applicable.

3. Recommendations

- 3.1 That the proposed Treasury Management Strategy Statement and Prudential Indicators for 2013/14 to 2015/16 at Appendix 1 be recommended to Council for approval as part of the Financial Planning report.

4. Other options considered

- 4.1 None.



Haringey Council

5. Background information

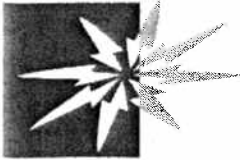
- 5.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.
- 5.2 An initial draft of the Treasury Management Strategy for 2013/14 to 2015/16 was presented to Corporate Committee on 29th November 2012. This was in advance of Cabinet agreeing the capital programme and so the Committee approved it subject to the figures being updated.
- 5.3 Cabinet met on 18th December 2012 and approved the capital programme enabling the figures in the strategy to be updated. The figures which have been updated are tables 1 to 9 in the strategy and prudential indicators 1 to 6 set out in Annex 1. No other changes have been made to the strategy.
- 5.4 All the figures in this document are based on current plans for the revenue budget and capital programme. This means they are subject to any further changes to these plans and, therefore, the statement will be updated for required adjustments before submission to full Council. Any such adjustments are expected to be minor.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 The figures in this report have been updated in line with the capital programme agreed by Cabinet in December 2012. These changes do not alter the strategy of maintaining low cash balances and borrowing only when required, which was agreed at the Committee's meeting on 29th November 2012.

7. Head of Legal Services and Legal Implications

- 7.1 As mentioned in this report the Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.
- 7.2 Legal comments were provided in the report to the Committee on 29 November 2012. As a result of the Cabinet approval on 18 December 2012 of the capital programme it is necessary to update the TMSS as



Haringey Council

set out in paragraph 5.3 of this report. These updates do not raise any further legal issues.

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None applicable.

11. Use of Appendices

11.1 Appendix 1: Revised Draft Treasury Management Strategy Statement
2013/14 – 2015/16.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

**DRAFT Treasury Management Strategy Statement
and Investment Strategy 2013/14 to 2015/16**

Contents

1. Background
2. CIPFA Treasury Management Code of Practice
3. Balance Sheet and Treasury Position
4. Borrowing Strategy
5. Investment Policy and Strategy
6. Use of Financial Instruments for the Management of Risks
7. Housing Revenue Account Self financing
8. Outlook for Interest Rates
9. Balanced Budget Requirement
10. MRP Statement
11. Other Issues

Annexes

1. Detail of Treasury Position
 - A: General Fund Pool
 - B: HRA Pool
2. Summary of Prudential Indicators
3. Arlingclose's Economic and Interest Rate Forecast
4. Specified Investments
5. Lending List of counterparties for investments

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:
 - Treasury Management Strategy - Borrowing in Section 4, Investments in Section 5
 - Prudential Indicators – these are detailed throughout the report and summarised in Annex 2
 - 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 and 2011 have been reflected in updated versions of all policies and procedures.

3. Balance Sheet and Treasury Position

- 3.1 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 1a: Treasury Position – General Fund

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
General Fund CFR	254,229	251,066	240,206	228,322
Less: Share of Existing External Borrowing & Other Long Term Liabilities	183,907	156,488	148,731	141,598
Internal Borrowing	70,322	65,322	60,322	55,322
Cumulative Net Borrowing Requirement	0	29,256	31,153	31,402

Table 1b: Treasury Position – HRA

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
HRA CFR	271,714	271,714	271,714	271,714
Less: Share of Existing External Borrowing & Other Long Term Liabilities	264,482	204,043	195,272	188,016
Internal Borrowing	7,232	7,500	7,500	7,500
Cumulative Net Borrowing Requirement	0	60,171	68,942	76,198

- 3.2 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 4), 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.

- 3.3 Ensuring that gross external debt does not exceed the CFR over the medium term is a key indicator of prudence. There has been no difficulty meeting this requirement in 2012-13 to date, nor are there any difficulties envisaged for future years, as the levels of internal borrowing in tables 1a and 1b above demonstrate.
- 3.4 It is a requirement for the HRA CFR to remain within 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 2: HRA Debt Cap

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
HRA CFR	271,714	271,714	271,714	271,714
HRA Debt cap	327,538	327,538	327,538	327,538
Headroom	55,824	55,824	55,824	55,824

- 3.5 Table 3 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 3: Capital Expenditure

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
General	44,350	38,400	47,811	21,079	16,619
HRA	43,514	42,000	34,202	55,818	47,319
Total	87,864	80,400	82,013	76,897	63,938

- 3.6 Capital expenditure is expected to be financed or funded as follows:

Table 4: Capital Financing

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Capital receipts	11,130	9,609	16,073	10,128	7,600
Other grants & contributions	9,903	7,194	13,130	1,147	1,783
Government Grants	28,138	27,278	15,278	35,987	6,886
Reserves / Revenue contributions	33,219	30,941	28,657	28,588	47,669
Total Financing	82,390	75,022	73,138	75,850	63,938
Borrowing	5,474	5,379	8,875	1,047	0
Total	87,864	80,400	82,013	76,897	63,938

- 3.7 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 5: Incremental Impact of Capital Investment Decisions

	2012/13 Approved £	2012/13 Projected Out-turn £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
Increase in Band D Council Tax	1.31	0.72	8.77	1.41	0.36
Increase in Average Weekly Housing Rents	0.20	0.11	0.13	0.13	0.22

- 3.8 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 6: Ratio of Financing Costs to Net Revenue Stream

	2012/13 Approved %	2012/13 Projected Out-turn %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
General Fund	2.70	2.71	2.62	2.51	2.45
HRA	15.35	13.87	12.94	12.72	11.88

4. Borrowing Strategy

- 4.1 A breakdown of the Council's current and expected external borrowing plus other long-term liabilities is shown in Annex 1. This is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.
- 4.2 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 7: Authorised Limit for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	637,803	391,702	569,256	569,409	561,982
Other Long-term Liabilities	151,114	56,687	102,037	96,068	89,888
Total	788,917	448,389	671,293	665,477	651,870

- 4.3 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow 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 8: Operational Boundary for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	537,803	391,702	469,256	469,409	461,982
Other Long-term Liabilities	100,742	56,687	68,024	64,045	59,926
Total	638,545	448,389	537,280	533,454	521,908

- 4.4 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.
- 4.5 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 3 indicates that an acute difference between short and longer term interest rates is expected to continue until 2016. 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.
- 4.6 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 2013-14, there are no plans to replace this internal borrowing with external borrowing. However due to debt maturities in 2013-14, external borrowing of approximately £90m will be required.
- 4.7 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.

- 4.8 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
- 4.9 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 a review of the borrowing strategy in conjunction with the Council’s treasury management advisers to determine whether the exposure to shorter dated and variable rates is maintained or altered.
- 4.10 The Council has £125m of loans which are LOBO loans (Lender’s Options Borrower’s Option) and all of them will be in their call period during 2013/14. 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. As LOBOs currently make up 35% of the total external debt portfolio, this is a significant risk. Any LOBO called will be discussed with the Council’s 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.
- 4.11 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
 - Align long term cash flow projections and debt levels
 - 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.

- 4.12 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.
- 4.13 The Council's existing level of fixed interest rate exposure is 96.7% and variable rate exposure is 3.3%, however it is recommended that the limits in place for 2012/13 are maintained in future to retain flexibility.

Table 10: Fixed and Variable Interest Rate Exposure

	2012/13 Approved %	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	96.7	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	3.3	40	40	40

- 4.14 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 11: 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

5. Investment Policy and Strategy

- 5.1 Guidance from the Communities and Local Government Department (CLG) on Local Government Investments in England requires that an Annual Investment Strategy be set.
- 5.2 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.
- 5.3 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 4 and the list of proposed counterparties is shown in Annex 5. In keeping with the strategy of maintaining low investment balances while internally borrowing, it is proposed only to use specified investments during 2013/14. 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.
- 5.4 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 continue to limit the proposed counterparty list to UK institutions and Money Market Funds only.
- 5.5 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. It is proposed to continue to apply a minimum long term credit rating of A-, which is described as "high credit quality" by the rating agencies.
- 5.6 In addition to the minimum long term credit rating, the Council has in the past set a minimum short term rating. However, it is the long term rating that is the ultimate driver of creditworthiness of financial institutions. In the capital markets, the perceived credit standing of an institution is referenced by its long-term rating which represents an agency's view of an institution's capacity to honour its financial obligations and its vulnerability to foreseeable events. The long-term rating is the principal driver of a bank's funding costs and perceived creditworthiness internationally, and hence market sentiment towards that institution. Given the prominence of long term ratings, it is proposed to remove the reference to short term ratings in the lending list criteria.

- 5.7 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.
- 5.8 If the monitoring reveals any concern about an institution'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.)
- 5.9 The Council currently banks with Nat West, which is rated A-. Even if the credit rating of the Council's bank falls below the minimum of A-, it is proposed that the bank will continue to be used for short term liquidity arrangements (overnight and weekend investments) and business continuity arrangements.
- 5.10 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.
- 5.11 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.
- 5.12 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.

6. Use of Financial Instruments for the Management of Risks

- 6.1 The 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.

7. Housing Revenue Account Self-financing

- 7.1 Central Government completed the reform of the Housing Revenue Account (HRA) Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.
- 7.2 The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual Treasury Management Strategy Statement.
- 7.3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long term loans borrowed will be assigned in to one pool or the other. Interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 7.4 Differences between the value of the HRA loan pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured periodically and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolios of treasury investments and short term borrowing.

8. Outlook for Interest Rates

- 8.1 The interest rate forecast provided by the Council's treasury management adviser, Arlingclose Ltd, is attached at Annex 3. 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 This interest rate forecast shows that UK base rate is forecast to remain at 0.5% until 2016. This would mean that short term rates remain significantly lower than long term rates throughout 2013/14 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will be 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 2013/14: The guidance states Options 1 and 2 may be used only for capital expenditure originally incurred when government support was available. Methods of making prudent provision for self financed expenditure include Options 3 and 4. There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.
- 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 continue to apply Option 1 (charge 4% per annum over 25 years) in respect of capital expenditure originally incurred when government support was available and Option 3 (charge over the life of the asset) in respect of all other capital expenditure funded through borrowing. MRP in respect of leases and PFI (Private Finance Initiative) schemes brought onto the Balance Sheet under the IFRS (International Financial Reporting Standards) based Accounting 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 & Carbon Reduction 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 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

Detail of Treasury PositionA: General Fund Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	69,947	61,844	57,520	53,944
Market loans	41,273	41,273	41,273	14,273
Local Authorities	16,000	0	0	0
Total External Borrowing	127,220	103,117	98,793	95,217
Long Term Liabilities	56,687	53,371	49,938	46,381
Total Gross External Debt	183,907	156,488	148,731	141,598
CFR	254,229	251,066	240,206	228,322
Internal Borrowing	70,322	65,322	60,322	55,322
Cumulative Borrowing requirement	0	29,256	31,153	31,402

B: HRA Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	136,755	120,316	111,545	104,289
Market loans	83,727	83,727	83,727	83,727
Local Authorities	44,000	0	0	0
Total External Borrowing	264,482	204,043	195,272	188,016
CFR	271,714	271,714	271,714	271,714
Internal Borrowing	7,232	7,500	7,500	7,500
Cumulative Borrowing requirement	0	60,171	68,942	76,198

ANNEX 2

Summary of Prudential Indicators

No.	Prudential Indicator	2013/14	2014/15	2015/16
CAPITAL INDICATORS				
1	Capital Expenditure	£000	£000	£000
	General Fund	47,811	21,079	16,619
	HRA	34,202	55,818	47,319
	TOTAL	82,013	76,897	63,938
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.62	2.54	2.45
	HRA	12.94	12.72	11.88
3	Capital Financing Requirement	£000	£000	£000
	General Fund	251,066	240,206	228,322
	HRA	271,714	271,714	271,714
	TOTAL	522,780	511,920	500,036
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	8.77	1.41	0.36
	Weekly Housing rents	0.13	0.13	0.22

No.	Prudential Indicator	2013/14	2014/15	2015/16			
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£000	£000	£000			
	Authorised Limit	671,293	665,477	651,870			
	Operational Boundary	537,280	533,454	521,908			
6	HRA Debt Cap	£000	£000	£000			
	Headroom	55,824	55,824	55,824			
7	Upper limit – fixed rate exposure	100%	100%	100%			
	Upper limit – variable rate exposure	40%	40%	40%			
8	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%
9	Sums invested for more than 364 days	0	0	0			
10	Adoption of CIPFA Treasury Management Code of Practice	√	√	√			

ANNEX 3

Arlingclose's Economic and Interest Rate Forecast

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Base Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month LIBID	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.50	0.55	0.55	0.55	0.60
1 year LIBID	0.90	0.90	0.95	0.95	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.10
5 yr gilt	0.80	0.90	0.90	0.90	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.20
10 yr gilt	1.90	1.90	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20
20 yr gilt	2.80	2.80	2.80	2.80	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.00
50 yr gilt	3.30	3.30	3.30	3.40	3.40	3.40	3.50	3.50	3.50	3.50	3.60	3.60

Specified Investments

It is proposed that the Council only uses specified investments during 2013/14. 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 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)

The Council will also take into account the range of information on investment counterparties detailed in section 5.7.

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
Treasury 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 (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.

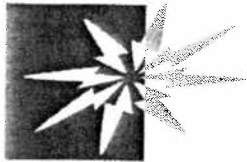
ANNEX 5

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 4 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 5.7 and 5.8 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



Haringey Council

Report for:	Corporate Committee 29 th November 2012	Item number	
Title:	Treasury Management Strategy Statement 2013/14 – 2015/16		
Report authorised by :	Director of Corporate Resources J. Paulor 20/11/12		
Lead Officer:	Nicola Webb, Head of Finance – Treasury & Pensions nicola.webb@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A		Report for Non Key Decision	

1. Describe the issue under consideration

- 1.1 To present the proposed Treasury Management Strategy Statement and draft Prudential Indicators for 2013/14 to 2015/16 to this Committee prior to them being scrutinised by Overview & Scrutiny Committee and presented to full Council for final approval.

2. Cabinet Member Introduction

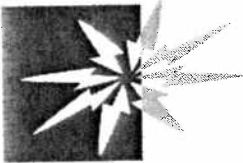
- 2.1 Not applicable.

3. Recommendations

- 3.1 That the proposed Treasury Management Strategy Statement and draft Prudential Indicators for 2013/14 to 2015/16 at Appendix 1 be recommended to Council for approval as part of the Financial Planning report, subject to updating to reflect the agreed capital programme.

4. Other options considered

- 4.1 None.



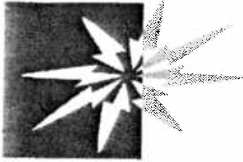
Haringey Council

5. Background information

- 5.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.
- 5.2 The CIPFA Treasury Management Code of Practice requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management, is then subject to scrutiny before being approved by full Council. Corporate Committee is responsible for formulating the Treasury Management Strategy Statement for recommendation to full Council through Overview and Scrutiny Committee and in consultation with the Cabinet Member for Finance and Carbon Reduction.
- 5.3 In previous years the Treasury Management Strategy Statement has been presented to Corporate Committee in January before being considered by Overview and Scrutiny Committee a few days later. However due to the timing of meetings this year, it has become necessary for the Committee to consider the strategy early. Due to the timing, the proposed capital programme is not yet ready and so the figures included in this report are those provided in last year's report and therefore are draft only.
- 5.4 The figures and the proposed prudential indicators will be updated once the capital programme is approved by Cabinet in December, so that they accurately reflect the Council's plans. This report with the updated figures will then be presented to this Committee and Overview & Scrutiny Committee in January before the strategy is presented to full Council for final approval in February.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 The approval of a Treasury Management Strategy Statement and prudential indicators are requirements of the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code. The proposed strategy of minimising borrowing and continuing to make use of internal balances not only minimises costs, but also reduces the credit risk associated with investments, as the amount being invested is low.



Haringey Council

- 6.2 New borrowing will still be required during 2013/14 due to planned maturities, and it is proposed that the cost of refinancing be minimised by borrowing short term from local authorities to maintain liquidity and taking opportunities to fix borrowing rates from the PWLB as they arise.

7. Head of Legal Services and Legal Implications

- 7.1 The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislations. In addition further changes were introduced to the way the Housing Revenue Account is dealt with as a result of the Localism Act 2011. The level of HRA Capital Financing Requirement must remain within the debt cap set by the Department of Communities and Local Government.
- 7.2 The Council is required to determine and keep under review its borrowing and in complying with this requirement it must have regard to the code of practice entitled the "Prudential Code for Capital Finance in Local Authorities" as published by CIPFA from time to time. In addition, the Council adopted the CIPFA Treasury Management Code of Practice in May 2002.
- 7.3 As mentioned in this report the Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available in within it and any further oral advice given at the meeting of the Committee.
- 7.4 Members should note the proposed change in the perceived creditworthiness of financial institutions with the removal of the short term ratings requirement from the lending list criteria.

8. Equalities and Community Cohesion Comments

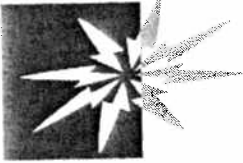
- 8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

- 9.1 Not applicable.

10. Policy Implications

- 10.1 None applicable.



Haringey Council

11. Use of Appendices

11.1 Appendix 1: Draft Treasury Management Strategy Statement
2013/14 – 2015/16.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

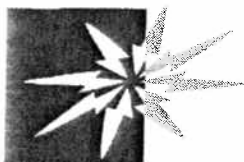
13. Proposed Treasury Management Strategy Statement

13.1 As set out in paragraph 5.3 above the figures and prudential indicators set out in this report are draft figures from last year's report. This is because the capital programme is not due to be considered by Cabinet until December. The lack of precise figures at this stage does not affect the proposed strategies for borrowing and investing being put forward.

13.2 Once the capital programme is agreed by Cabinet, the figures and prudential indicators will be updated to reflect the programme. This will impact on tables 1 to 9 in the strategy and prudential indicators 1 to 6 set out in Annex 1. This report with the updated figures will then be presented to this Committee and to Overview & Scrutiny Committee in January before the strategy is presented to full Council for final approval in February as part of the Financial Planning report.

13.3 In 2013/14 a continuation of very low short term interest rates compared to medium and long term rates is expected throughout the year. This means that there will be an on-going "cost of carry" if funds are borrowed in advance of capital expenditure being incurred. Therefore the Council plans to continue to run a strategy of keeping cash balances low and invested short term and to borrow only when required.

13.4 As there are loans due to mature during 2013/14, and the Council has already maximised its internal borrowing position, new borrowing will be required. It is proposed that short term loans are taken from other local authorities to maintain liquidity, and that opportunities to obtain PWLB fixed rate loans at reasonable rates are taken as they arise on the advice of the Council's treasury management advisers.



Haringey Council

- 13.5 For the investment strategy, it is proposed that the Council maintains a minimum long term credit rating of A- and continues to restrict investments to the same list of UK banks, building societies, and money market funds as in 2012/13, in addition to the Debt Management Office and other local authorities.
- 13.6 In the past the Council has set a minimum short term rating, alongside the minimum long term credit rating. However, it is the long term rating that is the ultimate driver of creditworthiness in financial institutions. In the financial markets, the perceived credit standing of an institution is referenced by its long-term rating which represents a credit rating agency's view of an institution's capacity to honour its financial obligations and its vulnerability to foreseeable events. The long-term rating is the principal driver of a bank's funding costs and perceived creditworthiness internationally, and hence market sentiment towards that institution. Given the prominence of long term ratings and on the Council's treasury management advisers' advice, it is proposed to remove the reference to short term ratings in the lending list criteria. This change will enable the Council to lend to Royal Bank of Scotland and Nat West Bank, which is not possible under the current strategy.
- 13.7 Although the minimum criterion for the Council's lending list is set with reference to credit ratings, the Council will review a range of information in addition to credit ratings when determining credit worthiness. Within the strategy statement, the proposed limits for time and amounts are maximum limits, and the list of counterparties is the broadest range which can be used. However, operationally the limits applied and counterparties used are reviewed regularly and where necessary restricted in response to any concerns about creditworthiness to ensure security of investments remains the priority for the Council.

**DRAFT Treasury Management Strategy Statement
and Investment Strategy 2013/14 to 2015/16**

Contents

1. Background
2. CIPFA Treasury Management Code of Practice
3. Balance Sheet and Treasury Position
4. Borrowing Strategy
5. Investment Policy and Strategy
6. Use of Financial Instruments for the Management of Risks
7. Housing Revenue Account Self financing
8. Outlook for Interest Rates
9. Balanced Budget Requirement
10. MRP Statement
11. Other Issues

Annexes

1. Detail of Treasury Position
 - A: General Fund Pool
 - B: HRA Pool
2. Summary of Prudential Indicators
3. Arlingclose's Economic and Interest Rate Forecast
4. Specified Investments
5. Lending List of counterparties for investments

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:
 - Treasury Management Strategy - Borrowing in Section 4, Investments in Section 5
 - Prudential Indicators – these are detailed throughout the report and summarised in Annex 2
 - 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 and 2011 have been reflected in updated versions of all policies and procedures.

3. Balance Sheet and Treasury Position

- 3.1 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 1a: Treasury Position – General Fund

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
General Fund CFR	298,901	287,402	276,236	265,236
Less: Share of Existing External Borrowing & Other Long Term Liabilities	216,119	188,448	179,688	176,038
Internal Borrowing	82,782	77,782	72,782	67,782
Cumulative Net Borrowing Requirement	0	21,172	23,766	21,416

Table 1b: Treasury Position – HRA

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
HRA CFR	272,854	272,854	272,854	272,854
Less: Share of Existing External Borrowing & Other Long Term Liabilities	260,020	213,913	205,970	198,745
Internal Borrowing	12,834	10,000	10,000	10,000
Cumulative Net Borrowing Requirement	0	48,941	56,884	64,109

- 3.2 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 4), 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.

3.3 Ensuring that net physical borrowing (i.e. net of investments) does not exceed the CFR is a key indicator of prudence. There has been no difficulty meeting this requirement in 2012-13 to date, nor are there any difficulties envisaged for future years, as the levels of internal borrowing in tables 1a and 1b above demonstrate.

3.4 It is a requirement for the HRA CFR to remain within 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 2: HRA Debt Cap

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 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

3.5 Table 3 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 3: Capital Expenditure

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
General	44,350	51,400	27,429	13,974	13,974
HRA	43,514	42,800	31,881	43,732	43,732
Total	87,864	94,200	59,310	57,706	57,706

- 3.6 Capital expenditure is expected to be financed or funded as follows:

Table 4: Capital Financing

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Capital receipts	11,130	13,948	9,300	5,128	5,128
Other grants & contributions	9,903	8,787	4,121	3,160	3,160
Government Grants	28,138	16,747	15,851	30,336	30,336
Reserves / Revenue contributions	33,219	49,994	28,018	16,782	16,782
Total Financing	82,390	89,476	57,290	55,406	55,406
Borrowing	5,474	4,724	2,020	2,300	2,300
Total	87,864	94,200	59,310	57,706	57,706

- 3.7 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 5: Incremental Impact of Capital Investment Decisions

	2012/13 Approved £	2012/13 Projected Out-turn £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
Increase in Band D Council Tax	1.31	0.53	0.85	0.39	0.39
Increase in Average Weekly Housing Rents	0.20	0.12	0.20	0.13	0.13

- 3.8 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 6: Ratio of Financing Costs to Net Revenue Stream

	2012/13 Approved %	2012/13 Projected Out-turn %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
General Fund	2.70	2.79	2.64	2.47	2.47
HRA	15.35	14.12	14.86	13.97	13.97

4. Borrowing Strategy

- 4.1 A breakdown of the Council's current and expected external borrowing plus other long-term liabilities is shown in Annex 1. This is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.
- 4.2 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 7: Authorised Limit for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	637,803	392,187	630,539	623,720	612,720
Other Long-term Liabilities	151,114	83,952	143,491	135,666	135,666
Total	788,917	476,139	774,030	759,386	748,386

- 4.3 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow 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 8: Operational Boundary for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	537,803	392,187	530,539	523,720	512,720
Other Long-term Liabilities	100,742	83,952	95,660	90,444	90,444
Total	638,545	476,139	626,199	614,164	603,164

- 4.4 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.
- 4.5 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 3 indicates that an acute difference between short and longer term interest rates is expected to continue until 2016. 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.
- 4.6 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 2013-14, there are no plans to replace this internal borrowing with external borrowing. However due to debt maturities in 2013-14, external borrowing of approximately £70m will be required.
- 4.7 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.

- 4.8 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
- 4.9 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.
- 4.10 The Council has £125m of loans which are LOBO loans (Lender’s Options Borrower’s Option) and all of them will be in their call period during 2013/14. 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. As LOBOs currently make up 35% of the total external debt portfolio, this is a significant risk. Any LOBO called will be discussed with the Council’s 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.
- 4.11 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
 - Align long term cash flow projections and debt levels
 - 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.

- 4.12 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.
- 4.13 The Council's existing level of fixed interest rate exposure is 96.7% and variable rate exposure is 3.3%, however it is recommended that the limits in place for 2012/13 are maintained in future to retain flexibility.

Table 10: Fixed and Variable Interest Rate Exposure

	2012/13 Approved %	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	96.7	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	3.3	40	40	40

- 4.14 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 11: 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

5. Investment Policy and Strategy

- 5.1 Guidance from the Communities and Local Government Department (CLG) on Local Government Investments in England requires that an Annual Investment Strategy be set.
- 5.2 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.
- 5.3 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 4 and the list of proposed counterparties is shown in Annex 5. In keeping with the strategy of maintaining low investment balances while internally borrowing, it is proposed only to use specified investments during 2013/14. 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.
- 5.4 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 continue to limit the proposed counterparty list to UK institutions and Money Market Funds only.
- 5.5 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. It is proposed to continue to apply a minimum long term credit rating of A-, which is described as "high credit quality" by the rating agencies.
- 5.6 In addition to the minimum long term credit rating, the Council has in the past set a minimum short term rating. However, it is the long term rating that is the ultimate driver of creditworthiness of financial institutions. In the capital markets, the perceived credit standing of an institution is referenced by its long-term rating which represents an agency's view of an institution's capacity to honour its financial obligations and its vulnerability to foreseeable events. The long-term rating is the principal driver of a bank's funding costs and perceived creditworthiness internationally, and hence market sentiment towards that institution. Given the prominence of long term ratings, it is proposed to remove the reference to short term ratings in the lending list criteria.

- 5.7 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.
- 5.8 If the monitoring reveals any concern about an institution'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.)
- 5.9 The Council currently banks with Nat West, which is rated A-. Even if the credit rating of the Council's bank falls below the minimum of A-, it is proposed that the bank will continue to be used for short term liquidity arrangements (overnight and weekend investments) and business continuity arrangements.
- 5.10 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.
- 5.11 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.
- 5.12 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 12: Upper Limit for total principal sums invested over 364 days

	2012/13 Approved	2012/13 Projected Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£000	£000	£000	£000	£000
Principal	0	0	0	0	0

6. Use of Financial Instruments for the Management of Risks

- 6.1 The 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.

7. Housing Revenue Account Self-financing

- 7.1 Central Government completed the reform of the Housing Revenue Account (HRA) Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.
- 7.2 The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual Treasury Management Strategy Statement.
- 7.3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long term loans borrowed will be assigned in to one pool or the other. Interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 7.4 Differences between the value of the HRA loan pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured periodically and interest transferred between the General Fund and HRA at the net

average rate earned by the Council on its portfolios of treasury investments and short term borrowing.

8. Outlook for Interest Rates

- 8.1 The interest rate forecast provided by the Council's treasury management adviser, Arlingclose Ltd, is attached at Annex 3. 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 This interest rate forecast shows that UK base rate is forecast to remain at 0.5% until 2016. This would mean that short term rates remain significantly lower than long term rates throughout 2013/14 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will be 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 2013/14: Options 1 and 2 may be used only for supported Non HRA capital expenditure funded from borrowing. 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). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.
- 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 and PFI (Private Finance Initiative) schemes brought onto the Balance Sheet under the IFRS (International Financial Reporting Standards) based Accounting 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 & Carbon Reduction 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 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

Detail of Treasury PositionA: General Fund Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	74,877	66,606	62,193	58,543
Market loans	42,125	42,125	42,125	42,125
Local Authorities	15,165	0	0	0
Total External Borrowing	132,167	108,731	104,318	100,668
Long Term Liabilities	83,952	79,717	75,370	75,370
Total Gross External Debt	216,119	188,448	179,688	176,038
CFR	298,901	287,402	276,236	265,236
Internal Borrowing	82,782	77,782	72,782	67,782
Cumulative Borrowing requirement	0	21,172	23,766	21,416

B: HRA Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	147,310	131,038	123,095	115,870
Market loans	82,875	82,875	82,875	82,875
Local Authorities	29,835	0	0	0
Total External Borrowing	260,020	213,913	205,970	198,745
CFR	272,854	272,854	272,854	272,854
Internal Borrowing	12,834	10,000	10,000	10,000
Cumulative Borrowing requirement	0	48,941	56,884	64,109

ANNEX 2

Summary of Prudential Indicators

No.	Prudential Indicator	2013/14	2014/15	2015/16
CAPITAL INDICATORS				
1	Capital Expenditure	£000	£000	£000
	General Fund	27,429	13,974	13,974
	HRA	31,881	43,732	43,732
	TOTAL	59,310	57,706	57,706
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.64	2.47	2.47
	HRA	14.86	13.97	13.97
3	Capital Financing Requirement	£000	£000	£000
	General Fund	287,402	276,236	265,236
	HRA	272,854	272,854	272,854
	TOTAL	560,256	549,090	549,090
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	0.85	0.39	0.39
	Weekly Housing rents	0.20	0.13	0.13

No.	Prudential Indicator	2013/14	2014/15	2015/16			
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£000	£000	£000			
	Authorised Limit	774,030	759,386	748,386			
	Operational Boundary	626,199	614,164	603,164			
6	HRA Debt Cap	£000	£000	£000			
	Headroom	54,684	54,684	54,684			
7	Upper limit – fixed rate exposure	100%	100%	100%			
	Upper limit – variable rate exposure	40%	40%	40%			
8	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%
9	Sums invested for more than 364 days	0	0	0			
10	Adoption of CIPFA Treasury Management Code of Practice	√	√	√			

Arlingclose's Economic and Interest Rate Forecast

[illegible]

Specified Investments

It is proposed that the Council only uses specified investments during 2013/14. 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 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)

The Council will also take into account the range of information on investment counterparties detailed in section 5.7.

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
Treasury 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 (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 5

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 4 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 5.7 and 5.8 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 Dept 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

Report for:	Full Council	Item Number:	
-------------	--------------	--------------	--

Title:	Medium Term Financial Planning 2013/14 to 2015/16
--------	---

Report Authorised by:	<i>J. Parker</i> 19/2/13 Julie Parker – Director of Corporate Resources
-----------------------	--

Lead Officer:	Kevin Bartle – Assistant Director of Finance
---------------	--

Ward(s) affected: All	Report for Key decisions
-----------------------	--------------------------

1 Purpose of Report

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

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

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

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

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

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

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

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

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

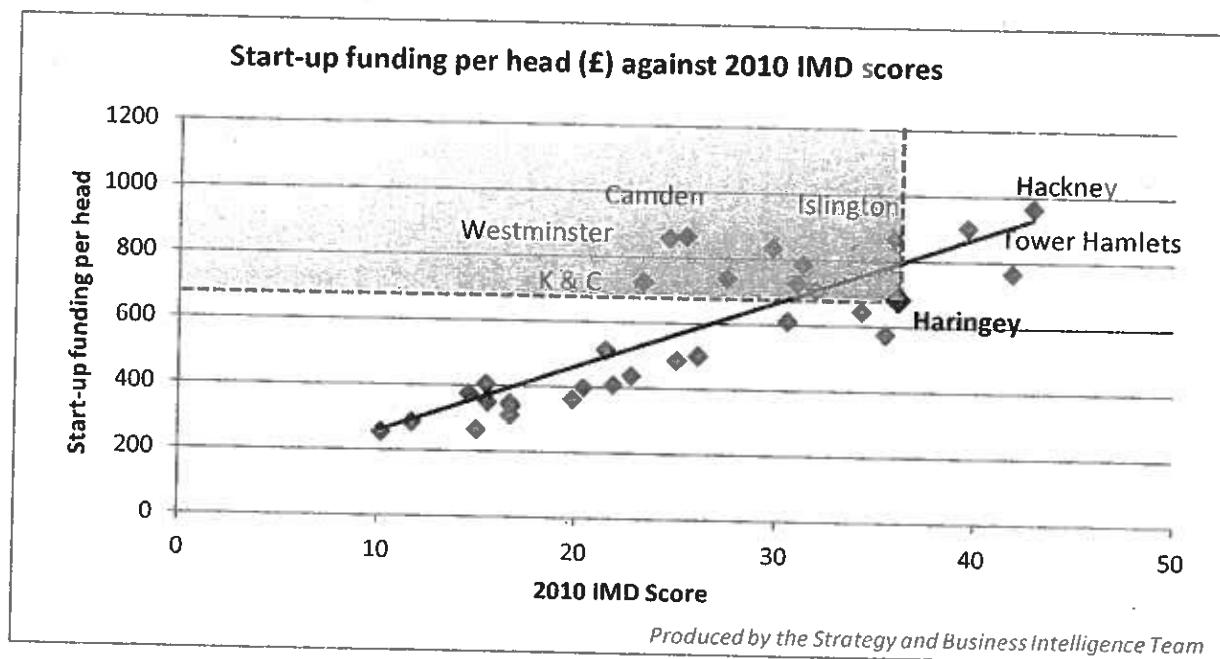
Average Start-up funding for Haringey's Inner London Neighbours = **£899 per head**
Differential between Haringey and the average = **£216 per head**
Shortfall for Haringey based on 2013 population projections = **£56.7m**

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

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

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

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



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

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

3 Recommendations

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

4 Other options considered

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

5 Background information

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

6 Key Developments

Final Local Government Finance Settlement 2013/14 and other changes

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

MTFP.

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

Budget consultation

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

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

Levying bodies

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

The Greater London Authority Precept

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

Consequential changes

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

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

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

Considerations in setting the Council Tax

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

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

- 6.36 Accordingly on the basis of the Cabinet's proposals for no change in Haringey's part of the Council Tax, no referendum will be required.
- 6.37 The government has confirmed councils that freeze or reduce tax in 2013/14 will receive additional funding equivalent to a 1% increase in the 2012/13 Band D Council Tax amount for both 2013/14 and 2014/15.
- 6.38 In considering the level of its Council Tax for 2013/14 the Council should have regard to:
- The level of non-Council Tax funding resources that will be available in each of the next three years;
 - The on-going demand for services;
 - The views of residents, trade unions, businesses and other interested parties;
 - The level of efficiency savings and service reductions that can realistically be delivered;
 - The criteria for Council Tax referenda determined by the government;
 - The conditions relating to, and the level of grant being offered to councils who freeze their Council Tax increase in 2013-14;
 - The general economic climate and the additional financial burden any increase would have on Council Taxpayers.
- 6.39 The Cabinet's Budget package proposals include no increase in Haringey's Council Tax in 2013/14, and the consequential receipt of additional Council Tax Freeze Grant of £1.038m for 2013/14 and 2014/15.
- 6.40 The projected income from Council Tax in 2013/14 is £75.24m based on 63,530 Band D equivalent properties and a collection rate of 94% (2012/13 96%). The 2012/13 Tax Base was 86,979 Band D Equivalent properties. The reduction in 2013/14 compared to 2012/13 has come about as a result of the localised Council Tax Support scheme, which has the effect of reducing the number of properties by issuing discounts. The following shows the changes to the Band D tax base from 2012/13 to 2013/14:

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

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

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

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

7 Robustness of the budget process

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

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

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

8 Adequacy of Reserves

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

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

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

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

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

- 8.5 It is imperative the un-earmarked general reserves are adequate to meet the net financial impact of the risks and opportunities detailed in the report to the Cabinet on 12th February 2013. These have been assessed as £11.4m, as set out in Appendix 3c. Accordingly the proposed levels of general reserves set out in paragraph 8.2, above, are judged to be adequate within the meaning of the 2003 Act.
- 8.6 No change in the Council's Reserves policy is recommended.

9 Treasury Management

- 9.1 The Treasury Management Strategy Statement (TMSS) for 2013/14 (set out in Appendix 4) sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was initially considered by Corporate Committee on 29th November 2012. They then considered an updated version on 22nd January 2013 once further information was available about the proposed capital programme. The updated TMSS was recommended for approval by full Council. Overview and Scrutiny Committee also considered it on 22nd January 2013 as part of the scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice. They had no comments to make.
- 9.2 The pattern of short term interest rates being significantly lower than medium and long term rates is expected to continue throughout 2013/14. Therefore the strategy proposes to continue keeping cash balances at a minimum, investing short term and only borrowing when necessary.
- 9.3 The investment section of the TMSS proposes to maintain a minimum long term credit rating of A- for UK banks the Council can lend to. In 2012/13 a minimum short term rating was also specified. The TMSS for 2013/14 proposes the removal of this criterion on the basis of advice from the Council's treasury management advisers that this rating does not add any significant value to the consideration of creditworthiness. In practice this would only add the Royal Bank of Scotland and Nat West back on to the list of banks the Council could lend to. Given the substantial government ownership of these banks, it is considered this is still a prudent approach to investing. Corporate Committee supported this recommendation.
- 9.4 The proposed prudential indicators are based on the capital programme as reported to Cabinet on 12th February 2013. Any future decision by the Council to undertake new borrowing for housing will require a review of the prudential indicators. Any required revisions will need to be approved by full Council.

10 Summary and Conclusions

- 10.1 This report finalises the Budget and proposes no increase to Council Tax for 2013/14.
- 10.2 The level of financial reserves is also reported and those levels are considered to be adequate.
- 10.3 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires billing authorities such as Haringey, to calculate

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

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

11 Comments of the Chief Finance Officer and financial implications

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

12 Head of Legal Services and legal implications

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

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

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

13 Equalities and Community Cohesion Comments

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

14 Head of Procurement Comments

- 14.1 Not applicable

15 Policy Implication

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

16 Use of Appendices

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

16.7 Appendix 7 – Budget Consultation 2013 – A summary

17 Local Government (Access to Information) Act 1985

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

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

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

HARINGEY COUNCIL MEDIUM TERM FINANCIAL PLAN TO MARCH 2016

Appendix 1

	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	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	2015/16 Revised Base Budget £'000
Service Areas (excluding Corporate Recharges and Capital Financing Costs)																
Adults and Housing	88,048	4,888	4,900	(3,808)	(1,729)	92,099	0	650	0	(1,200)	91,549	0	950	0	(365)	92,134
Place and Sustainability	45,531	869	1,094	(3,179)	(683)	43,632	500	(962)	(800)	(950)	41,420	0	0	0	(200)	41,220
Public Health *	724	0	17,587	0	(500)	17,811	0	592	0	0	18,403	0	0	0	0	18,403
Children and Young People's Services	65,133	18	(632)	(1,042)	(3,648)	59,829	0	0	(810)	(2,975)	56,044	0	0	0	0	56,044
Sub-Total	199,436	5,575	22,949	(8,029)	(6,560)	213,371	500	280	(1,610)	(5,125)	207,416	0	950	0	(565)	207,801
Corporate Services																
Corporate Resources	26,436	44	580	(1,835)	(416)	24,809	0	(330)	(390)	(725)	23,364	0	(100)	0	0	23,264
Chief Executive	9,953	0	330	(1,030)	617	9,870	0	310	(50)	(264)	9,866	0	(440)	0	(60)	9,366
Non-Service Revenue	42,625	5,583	(1,600)	(4,687)	(3,695)	38,226	1,350	4,500	0	0	44,076	0	5,530	0	0	49,606
Inflation	0	1,800	0	0	0	1,800	5,000	0	0	0	6,800	0	5,000	0	0	11,800
Budget Shortfall	0	0	0	0	0	0	0	0	0	(20,352)	(20,352)	0	0	0	(22,501)	(42,853)
Sub-Total	79,014	7,427	(690)	(7,552)	(3,494)	74,705	6,350	4,480	(440)	(21,341)	63,754	0	9,990	0	(22,561)	51,183
Total Funding Requirement	278,450	13,002	22,259	(15,581)	(10,054)	288,076	6,850	4,760	(2,050)	(26,466)	271,170	0	10,940	0	(23,126)	258,984
Funding Sources																
Core Grants	29,703	0	0	(2,500)	(22,668)	4,535	0	(1,000)	0	0	3,535	0	(750)	0	(1,000)	1,785
Public Health Grant *	0	0	17,587	0	0	17,587	0	592	0	0	18,179	0	0	0	0	18,179
NHS Grant	2,830	0	0	(1,430)	2,710	4,110	0	0	0	0	4,110	0	0	0	0	4,110
Education Services Grant	0	0	0	0	3,760	3,760	0	(600)	0	0	3,160	0	(600)	0	0	2,560
New Homes Bonus	1,685	0	0	0	1,410	3,095	0	0	0	0	3,095	0	0	0	0	3,095
Business Rates	0	0	0	0	18,577	18,577	0	0	0	571	19,148	0	0	0	0	19,148
Top up	0	0	0	0	52,710	52,710	0	0	0	1,617	54,327	0	0	0	0	54,327
Revenue Support Grant	141,221	0	0	(3,500)	(29,259)	108,462	0	(9,013)	(10,573)	0	88,876	0	(11,366)	0	0	77,510
Council Tax	103,011	0	0	0	(27,771)	75,240	0	0	1,500	0	76,740	0	1,530	0	0	78,270
Surplus/(Deficit) on Collection Fund	0	0	(3,570)	0	0	(3,570)	0	3,570	0	0	0	0	0	0	0	0
Contribution from/(to) Reserves	0	0	3,570	0	0	3,570	0	(3,570)	0	0	0	0	0	0	0	0
Total Available Funding	278,450	0	17,587	(7,430)	(531)	288,076	0	(10,021)	(9,073)	2,188	271,170	0	(11,186)	0	(1,000)	258,984

Notes

* Transfer of Responsibility to the Council

This page is intentionally left blank

Appendix 2

Business Unit Cash Limits

2013/14

	Cash Limit £000
Director of Adults & Housing	760
Adults and Community Services	74,436
Community Housing Services	16,903
Total Adults and Housing	92,099
Director of Place & Sustainability	404
Single Front Line Services	28,012
Planning, Regeneration & Economy	2,872
Single Front Line Management	146
Tottenham Team	700
Property	6,557
Leisure Services	1,598
Culture, Libraries & Learning	3,262
BSF Revenue/Direct Services	81
Total Place & Sustainability	43,632
Director of Public Health	17,811
Total Public Health	17,811
Director of Corporate Resources	201
Revenues, Benefits & Customer Services	7,032
Corporate Finance	5,402
Corporate Procurement	1,845
Legal Services	-824
Information Technology	11,153
Total Corporate Resources	24,809
Prevention and Early Intervention	10,314
Children & Families	48,882
Director's Budget	633
Total Children & Young People's Services	59,829
Chief Executive	2,168
Electoral Service	309
Human Resources	2,190
Organisational Development & Committee	865
Local Democracy	888
Policy, Intelligence & Partnerships	2,165
Communications	1,285
Total Chief Executive	9,870
Non Service Revenue	40,026
TOTAL FUNDING REQUIREMENT	288,076

This page is intentionally left blank

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 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 cash sum over the period of the general fund medium-term financial strategy. The level will also be expressed as a percentage of general funding requirement (to provide an indication of financial context).

HRA general reserve

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

Earmarked reserves

- 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 and other budgets where the Cabinet has agreed that such sums could 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 service the debt relating to the Council's secondary schools PFI project; this will be required to manage lifecycle funds during the suspended services period;
 4. Council infrastructure reserve (formerly infrastructure reserve): specific funds set aside for the planned maintenance and renewal of the Council's infrastructure including for IT and Property programmes;
 5. Transformation reserve (formerly the Transition reserve): will now be used to fund investment needs identified through the Medium Term Financial Planning process. It will also be used to fund redundancy and decommissioning costs and the investment necessary to deliver longer term efficiencies and change;

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 is 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;
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;

New Reserves to be established from 31 March 2013

10. Community Infrastructure and Growth reserve – going forward the council will need to grow its revenue base as government funding reduces, this will be achieved by increasing the Council Tax and Business Rate base. Resources are likely to be needed to support the community, infrastructure and growth in housing and business;
11. Urban Renewal reserve: it would be beneficial for the council to support local businesses so they can share the benefits of the growth, this could include supporting town centres and business investment districts, and maintaining retail business.

Management and control

- 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.

Reporting and review

- 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

Corporate 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.

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 undertaken and in the light of this, it is regarded that £15m is an appropriate level for the general fund general reserve over the three-year financial planning period. The risks set out in Appendix 3b assess a potential financial impact at £11.4m; the Director of Corporate Resources therefore regards the £15.3m figure as a very prudent level to set aside.

The £15m figure for general balances represents 5% of the Council's net budget requirement for 2013-14.

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 either be carried forward to the following financial year or retained.

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 agreed arrangements following the suspension of services within the PFI contract. The reserve will be used to manage the lifecycle fund requirements for schools.

5. Council Infrastructure Reserve

The Council infrastructure reserve is a key financing resource for the programmes of renewal of assets for the Council, including 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 IT and Property are transferred to this reserve for future use.

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

6. Transformation (formerly Transition) Reserve

The Transition Reserve was previously earmarked to fund redundancy costs and investment needs identified through the Medium Term Financial Planning process. The Director of Corporate Resources now proposes to rename the reserve as the Transformation Reserve, which more accurately reflects its proposed usage. It will continue to be used to fund redundancy costs but additionally now cover decommissioning costs and any investment necessary to deliver longer term efficiencies and change.

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 reserve 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. This reserve will be expanded to include the downside risk of volatility in the business rate base as that is now borne by councils up to a certain safety net level.

8. Debt Repayment / Capital Reserve

This reserve is 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 is also available to support the capital programme.

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. The risk evaluation has taken into account the recent move to self-financing.

In the light of this, the HRA will need to generate additional and substantial contributions to the reserve to fund Housing capital expenditure in the future. The Director of Corporate Resources considers the plans set out in the HRA MTFP for the next three years financial planning period to be at a prudent level.

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.

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 31 March 2013 of £4.1m represents 3% of the schools core funding.

A schools loan scheme is in place (with the agreement of the Schools 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. The overall balance is likely to reduce further as more schools opt to become Academies and take their balance with them.

The following new reserves are proposed for establishment as at 31 March 2013:-

12.Community Infrastructure and Growth Reserve

Going forward the council will need to grow its revenue base as government funding reduces, this will be achieved by increasing the Council Tax and Business Rate base. Resources are likely to be needed to support the community infrastructure and growth in housing and business;

13.Urban Renewal Reserve

It will be beneficial for the council to support local businesses so they can share the benefits of growth, this could include supporting town centres and business investment districts, and maintaining retail business.

14.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 following table.

Reserves Summary

	Actuals at 31.3.2012 £million	Forecast to 31.3.2013 £million	Forecast to 31.3.2014 £million
Non-earmarked			
General Fund Balance	15.3	15.3	15.3
Total Non-earmarked Reserves	15.3	20.3	20.3
Earmarked			
Services Reserve	8.4	7.0	5.6
Insurance Reserve	8.2	8.0	8.0
PFI Reserve	7.9	7.0	7.0
Council Infrastructure Reserve (renamed)	2.4	1.4	1.0
Transformation Reserve (renamed)	6.4	8.2	4.2
Financing Reserve	14.9	18.1	14.1
Debt Repayment/Capital Reserve	13.3	13.3	12.2
Community Infrastructure & Growth Reserve	0	3.0	2.0
Urban Renewal Reserve	0	2.0	1.0
Total Earmarked Reserves	61.5	68.0	55.1
Other Reserves			
HRA	11.6	11.8	13.4
Major Repairs (HRA)	0.6	0.6	0.6
Schools	5.1	4.1	3.1
Total Other Reserves	17.3	16.5	17.1
Total	94.1	99.8	87.5

Appendix 3c

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 register.

	Gross Budget Exposure £m	Risk %	Residual Impact £m
1. Budget Process			
Adult Social Care	75	A medium level risk	
Children's Services	60	assessment (10%) has	
Housing	17	been applied to the	
Capital Financing	38	budget amount potentially	
Revenue streams	50	at risk	24.0
2. Savings Proposals			
		Medium risk (15%) on	
		savings proposals for	
- Delivery Programme	27	2013-14	4.1
- Transition costs (e.g. redundancies)	10	High risk of significant financial impact	10.0
		Low risk assessment on	
		variety of risks within the	
3. Corporate Risk Register	30	corporate risk register	3.0
4. Unidentified Risks			1.0
Less earmarked reserves and contingencies for the above			- 30.7
Grand Total			11.4

Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16

Contents

1. Background
2. CIPFA Treasury Management Code of Practice
3. Balance Sheet and Treasury Position
4. Borrowing Strategy
5. Investment Policy and Strategy
6. Use of Financial Instruments for the Management of Risks
7. Housing Revenue Account Self financing
8. Outlook for Interest Rates
9. Balanced Budget Requirement
10. MRP Statement
11. Other Issues

Annexes

1. Detail of Treasury Position
 - A: General Fund Pool
 - B: HRA Pool
2. Summary of Prudential Indicators
3. Arlingclose's Economic and Interest Rate Forecast
4. Specified Investments
5. Lending List of counterparties for investments

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:
 - Treasury Management Strategy - Borrowing in Section 4, Investments in Section 5
 - Prudential Indicators – these are detailed throughout the report and summarised in Annex 2
 - 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 and 2011 have been reflected in updated versions of all policies and procedures.

3. Balance Sheet and Treasury Position

- 3.1 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 1a: Treasury Position – General Fund

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
General Fund CFR	254,229	251,066	240,206	228,322
Less: Share of Existing External Borrowing & Other Long Term Liabilities	167,907	151,488	143,731	136,598
Internal Borrowing	86,322	74,022	69,022	64,022
Cumulative Net Borrowing Requirement	0	25,556	27,453	27,702

Table 1b: Treasury Position – HRA

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
HRA CFR	271,714	271,714	271,714	271,714
Less: Share of Existing External Borrowing & Other Long Term Liabilities	265,482	209,043	200,272	193,016
Internal Borrowing	6,232	7,500	7,500	7,500
Cumulative Net Borrowing Requirement	0	55,171	63,942	71,198

- 3.2 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 4), 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.

- 3.3 Ensuring that gross external debt does not exceed the CFR over the medium term is a key indicator of prudence. There has been no difficulty meeting this requirement in 2012-13 to date, nor are there any difficulties envisaged for future years, as the levels of internal borrowing in tables 1a and 1b above demonstrate.
- 3.4 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 2: HRA Debt Cap

	31/03/2013 Estimate £000	31/03/2014 Estimate £000	31/03/2015 Estimate £000	31/03/2016 Estimate £000
HRA CFR	271,714	271,714	271,714	271,714
HRA Debt cap	327,538	327,538	327,538	327,538
Headroom	55,824	55,824	55,824	55,824

- 3.5 Table 3 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 3: Capital Expenditure

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
General	44,350	38,400	47,811	21,079	16,619
HRA	43,514	42,000	34,202	55,818	47,319
Total	87,864	80,400	82,013	76,897	63,938

- 3.6 Capital expenditure is expected to be financed or funded as follows:

Table 4: Capital Financing

	2012/13 Approved £000	2012/13 Projected Out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Capital receipts	11,130	9,609	16,073	10,128	7,600
Other grants & contributions	9,903	7,194	13,130	1,147	1,783
Government Grants	28,138	27,278	15,278	35,987	6,886
Reserves / Revenue contributions	33,219	30,941	28,657	28,588	47,669
Total Financing	82,390	75,022	73,138	75,850	63,938
Borrowing	5,474	5,379	8,875	1,047	0
Total	87,864	80,400	82,013	76,897	63,938

- 3.7 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 5: Incremental Impact of Capital Investment Decisions

	2012/13 Approved £	2012/13 Projected Out-turn £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
Increase in Band D Council Tax	1.31	0.72	8.77	1.41	0.36
Increase in Average Weekly Housing Rents	0.20	0.11	0.13	0.13	0.22

- 3.8 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 6: Ratio of Financing Costs to Net Revenue Stream

	2012/13 Approved %	2012/13 Projected Out-turn %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
General Fund	2.70	2.71	2.62	2.51	2.45
HRA	15.35	13.87	12.94	12.72	11.88

4. Borrowing Strategy

- 4.1 A breakdown of the Council's current and expected external borrowing plus other long-term liabilities is shown in Annex 1. This is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.
- 4.2 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 7: Authorised Limit for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	637,803	376,702	569,256	569,409	561,982
Other Long-term Liabilities	151,114	56,687	102,037	96,068	89,888
Total	788,917	433,389	671,293	665,477	651,870

- 4.3 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow 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 8: Operational Boundary for External Debt

	2012/13 Approved £000	2012/13 Projected Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Borrowing	537,803	376,702	469,256	469,409	461,982
Other Long-term Liabilities	100,742	56,687	68,024	64,045	59,926
Total	638,545	433,389	537,280	533,454	521,908

- 4.4 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.
- 4.5 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 3 indicates that an acute difference between short and longer term interest rates is expected to continue until 2016. 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.
- 4.6 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 2013-14, there are no plans to replace this internal borrowing with external borrowing. However due to debt maturities in 2013-14, external borrowing of approximately £80m will be required.
- 4.7 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.

- 4.8 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
- 4.9 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 a review of the borrowing strategy in conjunction with the Council’s treasury management advisers to determine whether the exposure to shorter dated and variable rates is maintained or altered.
- 4.10 The Council has £125m of loans which are LOBO loans (Lender’s Options Borrower’s Option) and all of them will be in their call period during 2013/14. 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. As LOBOs currently make up 35% of the total external debt portfolio, this is a significant risk. Any LOBO called will be discussed with the Council’s 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.
- 4.11 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
 - Align long term cash flow projections and debt levels
 - 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.

- 4.12 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.
- 4.13 The Council's existing level of fixed interest rate exposure is 96.7% and variable rate exposure is 3.3%, however it is recommended that the limits in place for 2012/13 are maintained in future to retain flexibility.

Table 10: Fixed and Variable Interest Rate Exposure

	2012/13 Approved %	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	96.7	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	3.3	40	40	40

- 4.14 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 11: 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

5. Investment Policy and Strategy

- 5.1 Guidance from the Communities and Local Government Department (CLG) on Local Government Investments in England requires that an Annual Investment Strategy be set.
- 5.2 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.
- 5.3 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 4 and the list of proposed counterparties is shown in Annex 5. In keeping with the strategy of maintaining low investment balances while internally borrowing, it is proposed only to use specified investments during 2013/14. 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.
- 5.4 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 continue to limit the proposed counterparty list to UK institutions and Money Market Funds only.
- 5.5 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. It is proposed to continue to apply a minimum long term credit rating of A-, which is described as "high credit quality" by the rating agencies.
- 5.6 In addition to the minimum long term credit rating, the Council has in the past set a minimum short term rating. However, it is the long term rating that is the ultimate driver of creditworthiness of financial institutions. In the capital markets, the perceived credit standing of an institution is referenced by its long-term rating which represents an agency's view of an institution's capacity to honour its financial obligations and its vulnerability to foreseeable events. The long-term rating is the principal driver of a bank's funding costs and perceived creditworthiness internationally, and hence market sentiment towards that institution. Given the prominence of long term ratings, it is proposed to remove the reference to short term ratings in the lending list criteria.

- 5.7 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.
- 5.8 If the monitoring reveals any concern about an institution'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.)
- 5.9 The Council currently banks with Nat West, which is rated A-. Even if the credit rating of the Council's bank falls below the minimum of A-, it is proposed that the bank will continue to be used for short term liquidity arrangements (overnight and weekend investments) and business continuity arrangements.
- 5.10 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.
- 5.11 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.
- 5.12 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.

6. Use of Financial Instruments for the Management of Risks

- 6.1 The 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.

7. Housing Revenue Account Self-financing

- 7.1 Central Government completed the reform of the Housing Revenue Account (HRA) Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.
- 7.2 The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual Treasury Management Strategy Statement.
- 7.3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long term loans borrowed will be assigned in to one pool or the other. Interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 7.4 Differences between the value of the HRA loan pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured periodically and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolios of treasury investments and short term borrowing.

8. Outlook for Interest Rates

- 8.1 The interest rate forecast provided by the Council's treasury management adviser, Arlingclose Ltd, is attached at Annex 3. 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 This interest rate forecast shows that UK base rate is forecast to remain at 0.5% until 2016. This would mean that short term rates remain significantly lower than long term rates throughout 2013/14 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will be 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 2013/14: The guidance states Options 1 and 2 may be used only for capital expenditure originally incurred when government support was available. Methods of making prudent provision for self financed expenditure include Options 3 and 4. There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

- 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 continue to apply Option 1 (charge 4% per annum over 25 years) in respect of capital expenditure originally incurred when government support was available and Option 3 (charge over the life of the asset) in respect of all other capital expenditure funded through borrowing. MRP in respect of leases and PFI (Private Finance Initiative) schemes brought onto the Balance Sheet under the IFRS (International Financial Reporting Standards) based Accounting 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 & Carbon Reduction 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 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

Detail of Treasury PositionA: General Fund Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	64,947	56,844	52,520	48,944
Market loans	41,273	41,273	41,273	41,273
Local Authorities	5,000	0	0	0
Total External Borrowing	111,220	98,117	93,793	90,217
Long Term Liabilities	56,687	53,371	49,938	46,381
Total Gross External Debt	167,907	151,488	143,731	136,598
CFR	254,229	251,066	240,206	228,322
Internal Borrowing	86,322	74,022	69,022	64,022
Cumulative Borrowing requirement	0	25,556	27,453	27,702

B: HRA Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	141,755	125,316	116,545	109,289
Market loans	83,727	83,727	83,727	83,727
Local Authorities	40,000	0	0	0
Total External Borrowing	265,482	209,043	200,272	193,016
CFR	271,714	271,714	271,714	271,714
Internal Borrowing	6,232	7,500	7,500	7,500
Cumulative Borrowing requirement	0	55,171	63,942	71,198

ANNEX 2

Summary of Prudential Indicators

No.	Prudential Indicator	2013/14	2014/15	2015/16
CAPITAL INDICATORS				
1	Capital Expenditure	£000	£000	£000
	General Fund	47,811	21,079	16,619
	HRA	34,202	55,818	47,319
	TOTAL	82,013	76,897	63,938
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.62	2.54	2.45
	HRA	12.94	12.72	11.88
3	Capital Financing Requirement	£000	£000	£000
	General Fund	251,066	240,206	228,322
	HRA	271,714	271,714	271,714
	TOTAL	522,780	511,920	500,036
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	8.77	1.41	0.36
	Weekly Housing rents	0.13	0.13	0.22

No.	Prudential Indicator	2013/14	2014/15	2015/16			
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£000	£000	£000			
	Authorised Limit	671,293	665,477	651,870			
	Operational Boundary	537,280	533,454	521,908			
6	HRA Debt Cap	£000	£000	£000			
	Headroom	55,824	55,824	55,824			
7	Upper limit – fixed rate exposure	100%	100%	100%			
	Upper limit – variable rate exposure	40%	40%	40%			
8	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%
9	Sums invested for more than 364 days	0	0	0			
10	Adoption of CIPFA Treasury Management Code of Practice	√	√	√			

ANNEX 3

Arlingclose's Economic and Interest Rate Forecast

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Base Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month LIBID	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.50	0.55	0.55	0.55	0.60
1 year LIBID	0.90	0.90	0.95	0.95	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.10
5 yr gilt	0.80	0.90	0.90	0.90	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.20
10 yr gilt	1.90	1.90	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20
20 yr gilt	2.80	2.80	2.80	2.80	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.00
50 yr gilt	3.30	3.30	3.30	3.40	3.40	3.40	3.50	3.50	3.50	3.50	3.60	3.60

Specified Investments

It is proposed that the Council only uses specified investments during 2013/14. 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 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)

The Council will also take into account the range of information on investment counterparties detailed in section 5.7.

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
Treasury 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 (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 5

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 4 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 5.7 and 5.8 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

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 30th January 2013 the Director of Corporate Resources after consultation with the Cabinet Member for Finance and Carbon Reduction calculated the Council Tax Base 2013/14 for the whole Council area as 63,530.
2. The Council Tax Requirement for the Council's own purposes for 2013/14 be calculated as £75,239,849.60
3. That the following amounts be calculated for the year 2013/14 in accordance with Sections 31 to 36 of the Act:
 - a) **£931,303,178.60**
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) **£856,063,329.00**
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) **£75,239,849.60**
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 2013/14 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
£	£	£	£	£	£	£	£
202.00	235.67	269.33	303.00	370.33	437.67	505.00	606.00

AGGREGATE OF COUNCIL TAX REQUIREMENTS

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
991.56	1,156.81	1,322.06	1,487.32	1,817.72	2,148.37	2,478.87	2,974.65

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 2013/14 as set out in The Referendums relating to Council Tax Increases (Principles) (England) Report 2013/14 it is determined that the Council's relevant basic amount of Council Tax for the year is not excessive.

APPENDIX 6
REPORT TO CABINET
12 FEBRUARY 2013

This page is intentionally left blank

Report for:	Cabinet	Item Number:	
-------------	---------	--------------	--

Title:	Financial Planning 2013/14 to 2015/16
--------	---------------------------------------

Report Authorised by:	<i>J. Parker 4/2/13.</i> Julie Parker – Director of Corporate Resources
-----------------------	--

Lead Officer:	Kevin Bartle – Assistant Director of Finance
---------------	--

Ward(s) affected: All	Report for Key decisions
-----------------------	--------------------------

1 Purpose of Report

1.1 To provide a Medium Term Financial Plan (MTFP) covering the next three years to March 2016, with a revised assessment of the General Fund, Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and the Capital Programme. The report sets out:

- The financial resources available to the Council;
- The cost of providing existing services; and,
- 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 2013/14 and later years.

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

2.1 I reported in December that a huge level of uncertainty dominated the budget position for 2013/14, because the Government had not by then released the provisional Local Government Finance Settlement. This is now also the case in February, as we have not had the final settlement figures to include in this report. This is utterly unprecedented and is further evidence in my view that the Government's fiscal strategy is off the rails.

2.2 We now know from the Autumn Statement, that the period of austerity is being extended. Whereas we had been led to believe that public sector cuts to budgets would come to an end by the end of this parliamentary term, we now know we will face at least 7 continuous years of cuts. This is unprecedented and some analysis suggests that with rising demand we will, if we continue as we are, have only budgets for core children's and adult services.

2.3 This announcement in my view is nothing short of an admission that this 'hyper-austerity' has failed.

2.4 I have continuously claimed that the Government's cuts are too fast and too deep and that choking deprived areas like Haringey some thirteen times harder than places like Richmond-upon-Thames was a recipe for economic and social disaster, that would inevitably lead us into a cycle of further cuts being required as has been seen with this failed strategy.

2.5 Across the country we are starting to see authority after authority consider the unthinkable. The fate of West Somerset council is particularly alarming and indicative of what is to come for local government the length and breadth of our nation. A report by the LGA has said that in essence it is no longer 'viable' and the authority is considering making all its staff redundant.

2.6 In particular I have said that such speed and depth of cuts would choke off the economic growth which would offer up further receipts to the Treasury and would help close the deficit. This is now the slowest recovery since 1830, with GDP (i.e. the size of the economy) some 3% below its 2008 peak, meaning UK is the only G8 nation not to have returned to pre-crisis levels of economic activity. This may be embarrassing for the Chancellor but I am more concerned about the pain and unnecessary suffering that has resulted with living standards now 13% lower on average than they were pre-recession, and the loss of much valued services that are now on horizon, including the potential loss of service at Tottenham and Hornsey Police Stations.

2.7 The provisional settlement showed that our population has increased hugely since the last census, a point that we have consistently made to the Government during previous settlement consultations. However, the way that 'damping' operates within the funding system means that we have very little to show for this increase.

2.8 Analysis of the provisional settlement for Haringey shows:

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

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

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

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

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

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

Average Start-up funding for Haringey's Inner London Neighbours = **£899 per head**

Differential between Haringey and the average = **£216 per head**

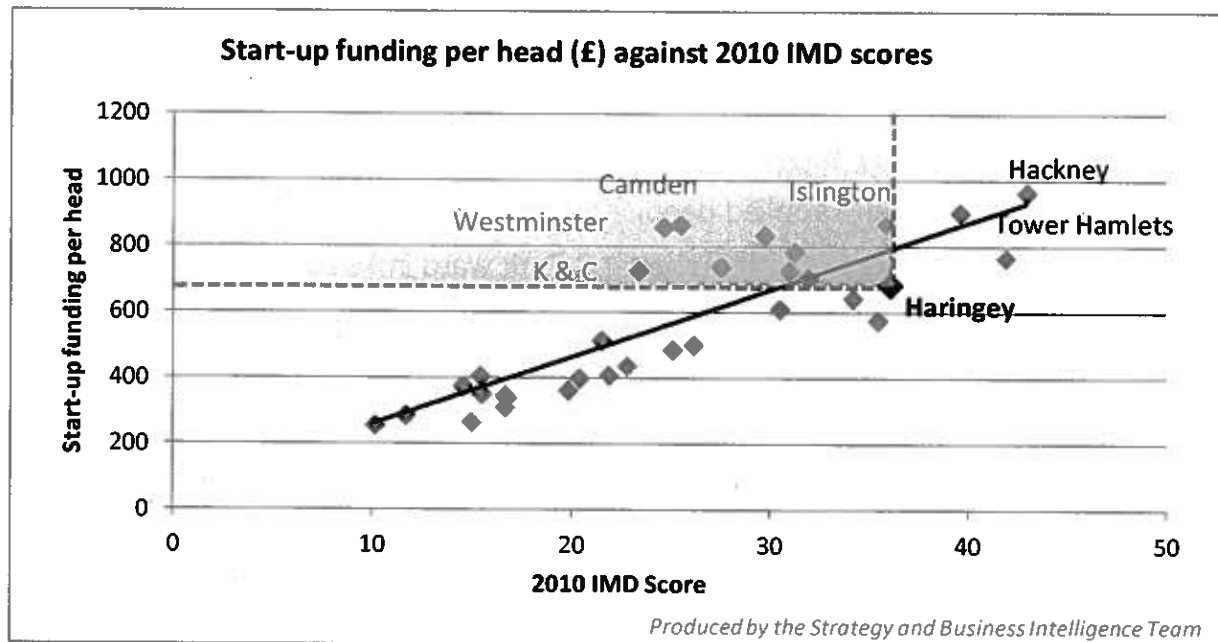
Shortfall for Haringey based on 2013 population projections = **£56.7m**

2.11 Haringey's Start-up Funding per head is the 2nd lowest of all Inner London Boroughs and 13% below the Inner London Boroughs average (£683 compared to £787).

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

London boroughs.

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



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

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

3 Recommendations

3.1 Cabinet is recommended to:

- a) propose to the Council that it approves the Council's Revenue Budget 2013/14 and MTFP 2013-2016, including savings and growth proposals provisionally approved at December Cabinet and as revised in this report, as set out in Appendix 1;
- b) propose to the Council that the General Fund budget requirement for 2013/14 is set at £288.1m, net of Dedicated Schools Grant, subject to the decisions of precepting and levying authorities, the final local government finance settlement, and grant notifications from other government departments, as set out in Appendix 1;
- c) note that significant savings still have to be identified to deliver a balanced budget in 2014/15 and 2015/16;
- d) approve the responses to the recommendations of Overview and Scrutiny Committee to the draft revenue budget proposals agreed at the Cabinet's meeting of 18 December 2012 (paragraphs 7.1 to 7.3 and Appendix 6);
- e) note the summary of the budget consultation responses received to date on the

draft revenue proposals agreed at the Cabinet's meeting on 18 December 2012 (paragraphs 7.4 to 7.8);

- f) note the latest position and approve the funding allocations within the Children and Young People's Dedicated Schools Grant (DSG) budget set out in section 13 and Appendix 3;
- g) propose to the Council that it approves the housing rent increases (average increase of £4.19 per week, 4.45%) set out in paragraph 4.7 of Appendix 4;
- h) propose to the Council that it approves the tenants' service charges set out in paragraph 5.3 of Appendix 4;
- i) propose to the Council that it approves the HRA budget 2013/14 and MTFP 2013-2016 as set out in section 6, and Annex A of Appendix 4;
- j) agree that up to £1,305k redundancy and staff exit costs arising from Homes for Haringey's first phase implementation of the New Vision for Housing Management can be funded in 2012/13 by drawing on the HRA reserve balances, subject to the Director of Corporate Resources' confirmation that this is in the financial interests of the HRA and the Council;
- k) approve the re-profiling of the Decent Homes Backlog funding grant from the GLA by bringing forward £2m of grant from 2014/15 into this financial year 2012/13, noting that this does not affect the overall amount of grant or expenditure, only the relative proportions of GLA and Haringey funding in these two financial years;
- l) approve the revision to and establishment of certain earmarked reserves as set out in this report,
- m) propose to the Council that it approves the Council's Capital Programme for the period 2013-16, comprising spending and funding of £227m, as set out in section 15 and Appendix 5;
- n) approve changes in Directorate cash limits as shown in Appendices 1 and 2;
- o) note that this report will be considered by the Council on 27 February 2013 to inform the Council's final decisions on the budget 2013/14 and Council Tax 2013/14;
- p) delegate to the Director of Corporate Resources any minor adjustments that may be required to the 2013/14 budget as a result of the final Local Government Finance Settlement being announced by the Government and/or final grant figures notified by other bodies. This would impact on the recommendations set out above.

4 Other options considered

- 4.1 In accordance with legislation and the Council's constitution, this report proposes that Cabinet should consider draft proposals to deliver a balanced and sustainable MTFP 2013-16, including the budget for 2013/14, and to make recommendations on those matters to the Council at its meeting on 27 February 2013. Accordingly, no other options have been considered.

5 Background information

- 5.1 The decisions taken by Cabinet at this meeting will inform the Council's consideration of the Budget 2013/14, MTFP 2013-16, including the Capital Programme, and the level of Council Tax for 2013/14.
- 5.2 Cabinet has progressively developed its budget proposals over several months and has made a series of decisions at its meetings in July and December.

- 5.3 It is essential that the Council is provided with a comprehensive report setting out the totality of the Cabinet's proposals and recommendations on revenue and capital spending and financing, the DSG and the HRA.
- 5.4 In order to ensure that the Council is fully and properly advised, a report will also be considered by the Council on 27 February 2013. This report therefore includes some material that has been previously reported, amended and updated as appropriate to reflect a number of recent developments and the outcomes of work undertaken since December 2012.
- 5.5 In February 2012, the Council approved its Budget 2012/13 and MTFP 2012-15. The current year's budget was balanced with the continuation of an unprecedented savings programme of some £62m over 2 years. However, the overall MTFP at that stage showed planned spending exceeding anticipated resources by £25m over the period 2012-15.
- 5.6 Cabinet undertook an intensive exercise during 2012 designed to reduce planned spending and to review all key assumptions underpinning the forecasts of spending and resources. At the same time, the Government undertook a large scale reform of Local Government Finance and state welfare. This has been one of the most uncertain planning periods in recent memory, and this huge level of uncertainty has been reflected in previous reports to Cabinet.
- 5.7 At its meeting in December 2012 Cabinet received a report and agreed a number of recommendations on the Council's 2013-16 MTFP, including the Capital Programme and HRA.
- 5.8 This report sets out the latest position in light of the provisional Local Government Finance Settlement, together with a number of other matters. The presentation is in a similar format to the report considered by Cabinet in December 2012, and proposes a budget package for the planning period to 2016, which is set out in the following paragraphs:
 - Strategic approach;
 - Consultation and Scrutiny;
 - Financial resources;
 - Revised budget proposals;
 - Budget pressures;
 - Budget and MTFP Revenue proposals;
 - Risks and opportunities;
 - Dedicated Schools Grant (DSG);
 - Housing Revenue Account (HRA);
 - Capital Programme; and,
 - Treasury Management Strategy.

6 Strategic Approach

- 6.1 As reported in December, the Council's plans for spending reductions have been framed by a need to ensure that priority services and outcomes for Haringey citizens were protected as far as possible. This has been at the core of the Council's strategic response to austerity and deficit reduction, encapsulated by the MTFP. The key element of this response is the vision for the Borough defined in "Re-thinking Haringey: Implementing One Borough One Future".
- 6.2 To reflect this approach, the Council has protected front line services and placed the largest

savings burden on administration and support services such as Finance, HR, IT and Policy.

- 6.3 A common feature of the reports in July and December was the level of uncertainty generated by Government policy. Local Government Finance has been dramatically altered; Council Tax Benefit has been abolished and replaced by a localised scheme of discounts, and welfare payments, including Housing Benefit, which are being substantially changed. The December Cabinet report did not contain the results of the provisional Local Government Finance Settlement as it was not announced until 19 December, the Autumn Statement led to a further 2% cut in funding over and above that already announced, and there will be a further Spending Review in 2013 with the possibility of further reductions and change. It is also clear that 'austerity' will last well beyond the current parliament if the current fiscal policy continues. Because of this, the 2014/15 and 2015/16 figures in particular will almost certainly be subject to further change as Government plans become clearer during 2013.

7 Consultation and Scrutiny

Scrutiny

- 7.1 The Overview and Scrutiny Protocol sets out the process of Budget Scrutiny. This revised protocol was implemented for the first time in 2012. The budget this year was therefore scrutinised by each Scrutiny Review Panel, in their respective areas. Their reports were then provided to the Overview and Scrutiny Committee (OSC) for approval. The areas of the budget which are not covered by the Scrutiny Review Panels were considered by the main OSC.
- 7.2 The panels established are as follows:-
- Adults and Health;
 - Communities;
 - Environment and Housing; and,
 - Children and Young People.
- 7.3 The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 22 January 2013, together with the responses of the Cabinet, are set out in Appendix 6.

Consultation

- 7.4 The Council informed, consulted and engaged residents and businesses between December 2012 and January 2013.
- 7.5 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 7 public meetings (including 4 Area Forums) were held, led by Councillor Goldberg, Cabinet Member for Finance and Carbon Reduction. A senior Finance Officer also 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.
- 7.6 The questionnaire sought to establish, amongst other questions, respondents' degree of support for the Council to freeze Council Tax again for Haringey residents in 2013/14. Of the total of 68 respondents to this question, 57% would support another freeze but 29% would not. 12% neither agreed or disagreed with the proposed freeze. The Cabinet proposes to freeze Council Tax in 2013/14 in line with the majority view.
- 7.7 The questionnaire also sought residents' degree of support for the Council to prioritise cuts to administrative functions such as IT, communications, finance and legal services. 77% of respondents support the Council's policy in this regard.
- 7.8 The Cabinet have also responded to the views expressed during the consultation period about the proposed increase to allotment charges. This item has now been removed from

the list of proposed savings.

- 7.9 The final consultation report, which will be made available on the Council's website to coincide with the publication of this report, sets out the responses to questions raised and also records comments made. It is pleasing to note that generally the Council is prioritising the areas that residents feel should be prioritised.

8 Financial Resources

- 8.1 The Council funds expenditure from a number of sources. The Government sets out details of its funding for Councils in the Local Government Finance Settlement, showing grant allocations. These in turn are derived from the Spending Review process and any relevant announcements in the Chancellor of the Exchequer's Autumn Statement.
- 8.2 The settlement for 2013/14 contains an unprecedented amount of changes in the way that Local Government is funded, including the new business rates scheme and localised Council Tax support. Both the Autumn Statement and the Local Government Finance Settlement were unusually late, with provisional figures not being released until 19 December 2012. At the time of writing this report, the final settlement figures are still awaited. The settlement was crucially important in that as well as grant figures, it set the baseline for the new business rates scheme.

The Autumn Statement

- 8.3 The Chancellor of the Exchequer made his annual Autumn Statement on 5 December 2012. Cabinet was advised of the key announcements affecting local government at its meeting in December, including:
- growth forecasts in previous statements and budgets had been optimistic;
 - austerity measures and public sector cuts would have to be extended into 2017/18;
 - departmental Budgets are being reduced by 1% in 2013/14 and 2% in 2014/15. Local Government will be exempt from the 1% cut in 2013/14 on the basis that budgets are being held down to deliver a Council Tax freeze, but the 2% cut in 2014/15 will apply. This means that nationally, a further £445m will be cut from Local Government Funding;
 - a Spending Review will be announced during the first half of 2013.

The Local Government Finance Settlement 2013/14 – 2014/15

- 8.4 Reports to Cabinet in July and December have set out the way in which the current formula grant regime will be replaced by a business rates retention scheme, combined with government support via Revenue Support Grant and other grants.
- 8.5 Despite promising a simpler scheme, the details have proved to be very complex, with scope for volatility and risk. The late announcement of the provisional details meant that Councils had very little time to react if original projections were adrift from Government figures.

- 8.6 The figures contained in the December Cabinet report compared to those announced in the provisional settlement are as follows:

	December	Settlement
	£000	£000
Business Rates	19,626	18,577
Top up	54,419	52,711
Total = business rates baseline	74,045	71,288
Revenue Support Grant	100,889	107,663
Total = Start up funding	174,934	178,951
Top sliced RSG returned	1,297	800
Education Services Grant	5,265	3,760
Total Funding	181,496	183,511

- 8.7 The starting point of the revised scheme was to run the Local Government control totals through the formula grant mechanism, allowing for technical changes to the factors within the formula. The biggest change for Haringey was the population figures. The Council, like many other London Boroughs, has repeatedly made the case that the population figures used in the grant calculation were understated. The 2013/14 settlement has used the 2011 census data, which shows that the 18-64 population in Haringey has increased by 14.4% compared to the 2012/13 estimates (1.2% average in England) and the 0-17 population by 17.8% (4.1% average in England). Using these figures has had the effect of moving Haringey from the 'floor' – i.e. receiving the minimum guaranteed amount – but the system has 'damped' the figures to reduce them by £1.4m. Damping is the mechanism used to scale back grant increase in order to pay for the floor. Whilst the new figures recognise pressure from the population increase, the funding has not increased in proportion to the population increase.
- 8.8 The revised formula gives a 'start-up funding assessment' of £179.3m. This figure is then split between the business rates system and Revenue Support Grant pro-rata to the national totals. Haringey's baseline funding for business rates purposes has been set at £71.6m. The government's assessment of the business rates yield based on previous returns, and split proportionate to the national aggregate is £18.9m. This has reduced from the December figure of £19.6m as the Government has 'fine-tuned' the figures, the biggest change being a reduction for the appeals backlog within the valuation process.
- 8.9 However, Haringey's own estimate of the amount of NNDR collectable for 2013/14, based on the NNDR1 return is £18.6m, £300k less than the Government baseline. This is why the start up funding in the table above is less than the Government's start up funding assessment.
- 8.10 The business rates baseline of £71.6m generates a top-up payment to the Council based on an £18.9m estimated yield. This top-up payment will be uplifted by RPI each year. The business rates amount of £18.6m in the budget will increase in line with the national multiplier each year (also uplifted by RPI) and the Council will benefit from any increases in the base, but will also assume the risk for any losses. The Government will provide safety net support for those Councils who lose over 7.5% of their baseline – for Haringey this would be £5.37m, i.e. 7.5% of £71.6m. This is equivalent to a loss of 28.9% of the collectable amount (£18.6m), meaning that the downside risk to the scheme is significant for the Council.

- 8.11 The business rates figures in the MTFP assume a static base, i.e. the number and value of properties does not change. It is proposed that resources are allocated to a reserve to deal with volatility in the revenue base of the Council in order to manage the downside risk.
- 8.12 Haringey as an area is expected to generate £62m in business rates during 2013/14. 50% of this is paid to the Government as a 'central share', the GLA receives 20%, and the remaining 30%, £18.6m, is retained by the Council.
- 8.13 When comparing figures, the new Education Services Grant has to be taken into account. As reported in December, the Government has removed Local Authority Central Services Equivalent Grant (LACSEG) from Revenue Support Grant, and has replaced it with Education Services Grant. Academies will receive their element of the grant separately, and the Council will receive an amount for its maintained schools.
- 8.14 The December figures assumed that £6.5m would be removed from RSG, with a replacement grant of £5.3m, a net loss of £1.2m. The government has lowered the quantum to be removed from RSG, and the settlement shows £5m removed from RSG, with a replacement grant of £3.8m, a net loss of £1.2m. Whilst the gross figures have changed, the net loss to the Council remains the same.
- 8.15 The Government has also continued to roll grants in to the RSG that were previously identified as separate core grants. The loss of £4m non-ring fenced Early Intervention Grant (EIG) has been confirmed by the settlement, and the comparison of the December estimates to the settlement is as follows:

	December	Settlement
	£000	£000
Early Intervention Grant	12,001	11,615
Learning Disabilities Grant	3,773	3,749
Homelessness Prevention	746	746
Local Flood Grant	207	131
Council Tax Support Grant	26,107	26,031
Total	42,834	42,272

- 8.16 The Government top-sliced more from EIG than was originally envisaged, which has led to a £386k lower than expected allocation. This will be transferred back to Councils in the form of an Adoption Grant, but the grant will be ring fenced and therefore does not replace the loss of £386k un-ring fenced grant.
- 8.17 An additional complication in modelling the impact of the new funding regime has been the way in which New Homes Bonus (NHB) will operate from 2013/14 onwards. In previous years, NHB has been a fully funded government grant. From 2013/14 onwards, the resource will be top-sliced from existing Revenue Support Grant, and any spare money returned to Local Government. Additionally, the top slice will pay for any shortfall in the business rates safety net, and any capitalisation requests from Councils. The MTFP now assumes that £600k will be returned from the general NHB pot, and £200k from the safety net and capitalisation top slice, the actual amounts will be confirmed in due course.
- 8.18 Taking all of these factors into account, the Council is circa £2m better off in 2013/14 as a result of the settlement compared to December.
- 8.19 The settlement also exemplified figures for 2014/15, although these may be amended by the spending review announced by the Chancellor. The further cuts announced in the Autumn Statement has resulted in an additional circa £4m reduction in overall funding for that year.

8.20 In line with the Cabinet's strategy to take every opportunity to influence 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 14 January 2013.

8.21 Key points put to the Government included:

- overall funding does not reflect levels of deprivation and remains lower than inner London boroughs;
- the 'damping' applied to Haringey has restricted our formula grant increase which could have brought us in line with comparator boroughs;
- High unemployment – the Northumberland Park ward in Tottenham has the 2nd highest number of JSA claimants in London (12.3%), and the 2nd highest number of unemployed 18-24 year olds in London (18.2%);
- The number of households living in temporary accommodation remains amongst the highest in the country;
- Increased levels of deprivation since 2007 (2010: 13th most deprived in England; 2007: 18th most deprived in England);
- The rate of population increase in Haringey is higher than both London and England.

8.22 The Council has requested that the Government responds to the concerns by:

- ensuring the borough's socio-demographic pressures are recognised to a greater degree in the formula funding, as they have been in the Dedicated Schools Grant;
- focussing on growth for Tottenham;
- Investing in people – exploit and expand the Troubled Families programme by investing more in it and widening to the cohort of families that are covered;
- making sure that the Council is not financially disadvantaged as a result of implementing the Benefit Cap as one of the four pilot authorities.

8.23 The Government has not published the final Grant Settlement in time for the implications to be included in this report.

Council Tax

8.24 The Council will consider the Cabinet's MTFP and Budget recommendations at its meeting on 27 February 2013, and informed by those recommendations, will determine the level of Council Tax for the financial year 2013/14 at that meeting.

8.25 In October, the Chancellor and the Secretary of State for Communities and Local Government announced that £245m was being made as a grant for Councils who commit to freezing their Council Tax levels. The Grant would be an amount equivalent to a 1% increase in the 2012/13 Council Tax, payable in both 2013/14 and 2014/15. Additionally, the threshold required to trigger a referendum in the local area on proposed Council Tax increases was lowered to 2%.

8.26 Further changes to Council Tax have also come about as a result of the local Council Tax Support Scheme. Council Tax Benefit has been replaced with a scheme approved by Council on 17 January 2013, and this means that discounts will be awarded on bills rather than benefit being paid. This reduction in the tax base means that a 1% increase in Council Tax will generate circa £750k, rather than the circa £1m generated previously.

8.27 In considering the level of its Council Tax for 2013/14, the Council should have regard to:

- The level of non-Council Tax funding resources that will be available in the next three years;
- The ongoing demand for services;
- The views of residents, trade unions, business and other stakeholders;
- The level of efficiency savings and/or service reductions that can realistically be delivered;
- The likely restrictions on any proposed Council Tax increases and the level of grant being offered to freeze Council Tax;
- The general economic climate and the additional financial burden any increase would have on Council Tax payers.

8.28 The MTFP 2013-16 cash limits presented in this report at Appendices 1 and 2 assume, for planning purposes only, no increase in Haringey's Council Tax in 2013/14, and the consequential receipt of additional Council Tax freeze grant in both 2013/14 and 2014/15.

8.29 The projected income from Council Tax in 2013/14 is £75.23m based on 63,530 Band D equivalent properties and a collection rate of 94%.

Fees and Charges

8.30 Cabinet, and Regulatory Committee where appropriate, have approved separate reports on the level of fees and charges at their respective meetings, and the approved changes are reflected in Directorate cash limits.

9 Revised Budget Proposals

9.1 Changes to the proposals approved by Cabinet in December are set out below.

Savings and Growth Proposals

9.2 The proposal relating to the increase in allotment fees, and associated reinvestment of part of the fee increase, has been removed from the budget. The Cabinet have listened carefully to representations made through the Council's budget consultation process, including from the Allotments Association, and have decided to forego this saving. The MTFP will be revised in the light of this revision. The Council will look to provide a long term solution to the allotment holders concerns.

9.3 The Cabinet have also decided to make a revision to their previously advised Capital Programme by investing an extra £1.5m in the Borough's Roads. The Capital Programme will be revised in the light of this revision.

Grant related proposals

9.4 As the Local Government Finance Settlement was not available in time for the December Cabinet report, the following proposals relating to grant funding are now recommended:

New Homes Bonus - the Government notification of New Homes Bonus (NHB) is £74k greater than the estimate included in the December MTFP. It is proposed that this increase is used to fund the general fund budget in line with previous treatment of NHB.

Housing Benefit Administration Grant – the grant is £45k more than the December estimate and it is proposed that it will be used to offset the cost of the service in line with the rest of the grant.

NHS Grant – this grant for Adult Social care is £530k more than originally anticipated. The grant is issued and monitored by the new Clinical Commissioning Groups, and certain outcomes are expected from the funding. It is proposed that the Adults and Community Services cash limit is increased by £530k, and this grant is used to offset the additional

cost. This money is to be applied to support early interventions.

Social Fund Administration Grant – as part of the government's welfare reform programme, Councils will administer a local fund that replaces community care grants and crisis loans for living expenses. This is a new £236k grant for administering the scheme, and it is proposed that the Revenues, Benefits and Customer Services cash limit is increased by £236k and the grant is used to offset the additional cost.

Community Right to Challenge - this is a new grant issued in order to help deal with the costs of any challenges to deliver Council Services as part of the Localism Act. It is proposed to increase the Chief Executive's Directorate cash limit by £8,547, and use the grant to offset the cost as an equal but opposite amount.

Community Right to Bid - this is a new grant issued in order to help deal with the costs of any bid to run council assets as part of the Localism Act. It is proposed to increase the Chief Executive's Directorate cash limit by £7,855, and use the grant to offset the cost as an equal but opposite amount.

Local Reform and Community Voices – as part of the government's NHS reforms, the Council will be receiving £201k for Local Reform and Community voices. The Council will be absorbing additional responsibilities regarding strengthening Local Healthwatch, transfer of the Independent Complaints Advisory Service and the transfer of Independent Mental Health Advocacy. It is proposed that the Adults and Community Services Directorate cash limit is increased by £201k and the grant is used to offset the extra costs.

Public Health – the Council has been notified that the Public Health Grant that it will receive in 2013/14 is £17.6m. The Council also currently has a budget within the General Fund that supports Public Health activity. In 2013/14 as the Council will receive the increased ring fenced Public Health grant, the General Fund budget can be reduced by £500k, as the grant will be able to cover some existing costs. Much of this budget is a commissioning budget attached to the achievement of specific outcomes and the Director of Public Health will be reporting to Cabinet in April on how this resource will be utilised.

Local Flood Grant – it is proposed that the grant of £75k be retained centrally. Confirmation of allocation to service budgets to be dependent on a case to be made for its use.

Other proposals

- 9.5 At the end of 2011/12 and the beginning of 2012/13, the Council underwent significant restructuring of its debt portfolio as a result of revised arrangements for financing of the Housing Revenue Account. A prudent approach was taken in budgeting for these effects in 2012/13, and as the changes have bedded in, underspends have been reported to Cabinet.
- 9.6 These structural changes, when combined with historically low interest rates, have meant that further savings will be achievable going forward. At the same time, the Council is at risk of a high level of volatility on its resource base due to the introduction of Business Rates retention and local Council Tax support. The Collection Fund operates in arrears for both Council Tax and Business Rates, i.e. a precept is set, and any surplus or deficit is accounted for a year later. It is therefore proposed that a contingency budget of £2m is created in the Non Service Revenue cash limit in 2014/15 to provide for volatility on the revenue base, to be funded from savings within the treasury management budget.

Budget pressures / savings

Impact of Government Legislation

- 9.7 The Government has a wide ranging legislative programme. Accordingly, £1m has been set aside in 2013/14 in order to mitigate the potential impact of policy changes and future legislation.

Collection Fund

- 9.8 The 2011/12 out-turn reported a deficit on the Collection Fund and transferred £3.8m to reserves to meet the council's share of that deficit. The 2012/13 position is also estimated to show a deficit. As a result, the Council needs to provide £3.57m in the budget plan, to be funded from the reserve that was set up during the outturn. This is made up of two amounts:

- 2011/12 deficit over and above the original estimate £2.43m
- 2012/13 estimated deficit £1.14m

- 9.9 A review of the Collection Fund has been undertaken, and the bad debt provision was increased in 2011/12. This is why the deficit in 2012/13 has reduced from the previous year. The review also identified that the net collectable debit was decreasing during the year due to the award of discounts and exemptions. An extra 1.25% downwards movement in the tax base has been allowed for in 2013/14 to account for this, and all other things being equal, this should eliminate the deficit in 2013/14. The introduction of localised Council Tax Support has significantly altered the tax base, and the amount of discounts awarded. A provision for volatility on the revenue base has been set up to deal with this uncertainty, and also any variations on the business rates base.

Localisation of Council Tax Benefit

- 9.10 The Council Tax reduction scheme that was agreed by council on 17th January 2013 is currently the subject of a legal challenge, the result of which may have financial implications for the Council. It is expected that the outcome will be known before the final budget is agreed and the Council Tax set on 27th February 2013.

North London Waste Authority

- 9.11 The North London Waste Authority is recommending a 2013/14 levy that is £1.1m less than the current provision within the budget proposals. However, this is not a saving in the medium to long term as costs are re-profiled. It is therefore proposed to reduce the 2013/14 figures by £1.1m, and increase the 2014/15 provision by the same amount; £1.1m.

Alexandra Park and Palace Charitable Trust

- 9.12 The Council currently subsidises the Alexandra Park and Palace Charitable Trust by £2.1m. In line with existing policy, any savings made by the trust, or any additional income, will be applied to the regeneration and development programme in the Palace (see item in capital programme, Appendix 5).

Contribution from Reserves

- 9.13 The December Cabinet proposals relied on a £1.9m contribution from reserves to present a balanced position. The improved Grant settlement means that this contribution is no longer needed to that extent, although a drawdown of £300k is still required to balance the budget based on current assumptions and estimates. This may change when the final settlement details are announced.

10 Budget and MTFP Revenue Proposals - summary

- 10.1 The latest financial position for the two years 2013-15 is summarised in the following table, and in more detail in Appendices 1 and 2.

	2013/14 £m	2014/15 £m	Total £m
MTFP Shortfall approved February 2012	6.1	19.3	25.4
Changes to the Council's resource base	-0.8	6.2	5.4
Service demand pressures	0.8	1.0	1.8
Investment proposals	4.5	0.9	5.4
Savings Proposals	-7.1	-6.1	-13.2
Re-profiling and revisions to savings	1.9	-1.3	0.6
Changes to assumptions	-4.1	-1.1	-5.2
Cabinet December 2012	1.3	18.9	20.2
Re-phasing of NLWA Levy	-1.1	1.1	0.0
Local Government Finance Settlement	-2.0	4.0	2.0
Additional grants	-0.3	-1.7	-2.0
Impact of Government legislation	1.0	0.0	1.0
Changes to assumptions	1.4	-1.9	-0.5
Transfer from reserves	-0.3	0.3	0.0
MTFP Surplus (-) / shortfall (+)	0.0	20.7	20.7

2015/16

- 10.2 The overall financial position for 2015/16 is uncertain as the Government has announced a Spending Review (SR) to be carried out in 2013. As noted elsewhere in this report, the Council is making strenuous efforts to influence the Government in order to deliver a more equitable funding regime. However, it is very likely that further cuts to funding will arise from the spending review.
- 10.3 Other material changes that could affect the Council's finances in 2015/16 are:
- Changes in core and specific grants;
 - Inflation and interest rates;
 - The general economic climate; and,
 - The impact of Government legislation.
- 10.4 At the moment, it is estimated that there will be a further gap of £22.5m in 2015/16 based on current assumptions.

11 Transformation

11.1 Based on the above analysis the combined gap for 2014/15 and 2015/16 is £43.2m. This represents the 5th and 6th years of the Government's Austerity programme, and the council will need to find additional efficiency savings towards these gaps. The Council will also need to develop a transformational programme approach to take it forward to address the financial challenges in the years to come. The following themes are being considered for the programme:

- Customer Service
- Asset Management
- Future of housing
- Support Services
- Early Intervention and Demand Management
- Procurement
- Growth of revenue base

These programme themes will need to be refined and are likely to be revised as they are shaped into a comprehensive plan.

12 Risks and Opportunities

12.1 In constructing the draft MTFP, Directors have provided their best estimates of service cost and income based on the information currently available. However, there will always be factors outside of the Council's direct control that will vary key planning assumptions underpinning these estimates.

12.2 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 inflation and interest rates that can impact on the net cost of services.

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

Risks

- Funding uncertainty due to SR13
- Reduction in service standards/performance
- Increased demographic pressure
- Impact of government legislation and welfare reform
- Delay or non-delivery of savings proposals
- Volatility on the revenue base due to economic conditions
- Uncertainty over NHS joint funding arrangements
- Further Academy transfers and loss of funding/flexibility

Opportunities

- Further synergies between Public Health and Children's and Adults Social Care
- Investment in the Housing stock as a result of business planning
- Growing the local economy through regeneration leading to increased business rate yield.

12.4 As the council faces the financial challenges going forward it will need to make investments in order to change the way it delivers services so that it can keep pace with the reducing financial envelope and increasing demands on services. For this reason it is recommended

that when the full council considers the budget, specific reserves are earmarked for these purposes as follows:-

Transformation - the current transition reserve is used to fund redundancy costs, decommissioning and the investment necessary to deliver longer term efficiencies and change. This reserve will be better classified as a transformation reserve and revised to reflect the investment needs of the Medium Term Financial Plan.

Community Infrastructure and Growth – going forward the council will need to grow its revenue base as government funding reduces, this will be achieved by increasing the Council Tax and Business Rate base. Resources are likely to be needed to support the community, infrastructure and growth in housing and business.

Both of these reserves are going to be key in helping the Council address the financial challenges ahead, which are likely to be significant and relentless.

Urban Renewal – it would be beneficial for the council to support local businesses so they can share the benefits of the growth, this could include supporting town centres and business investment districts, and maintaining retail business.

13 Dedicated Schools Grant

- 13.1 At its last meeting the Cabinet noted the significant reform of school funding being implemented for 2013/14, agreed the projected level of the Dedicated Schools Grant (DSG) 2013-14, noted other projected income supporting the Dedicated Schools Budget (DSB) and noted the proposed allocation of the Schools Block.
- 13.2 The Education Settlement for 2013/14 was announced on 19 December 2012. The key points were anticipated in the report to Cabinet on 18 December 2012 and the main points arising from the settlement are set out below.
- 13.3 The indicative Dedicated Schools Grant has now been set at £226.834m, an increase of £0.59m compared to the December projection. This increase is due to:
- £0.90m transitional relief for three year old funding (Early Years Block);
 - £0.046m transfer into DSG for newly qualified teacher induction (Schools Block);
 - £0.098m additional funding for high needs students (High Needs Block); and
 - -£0.454m lower than anticipated Schools Block (due to final pupil number count at October 2012 of 30,589 compared to an estimated 30,667).
- 13.4 The pupil premium estimate has been updated following the settlement to £13.183m (compared to £12.793m reported in December) using data from the October 2012 pupil count. Members should note that the final allocations for 2013/14 will be based on January 2013 data and announced in the summer.
- 13.5 The Schools Forum met on 17 January 2013 to consider the Dedicated Schools Budget Strategy for 2013/14 and to make decisions on the allocation of the Schools Block. A number of proposals were put to the Forum and their views and decisions have been set out below, to inform the Cabinet's consideration of these issues.
- 13.6 Appendix 3 sets out the revised projected income (£251.605m) from all sources that will be used to fund the DSB in 2013/14, across each of the three separate blocks.

Schools Block - Income

- 13.7 The projected income for the Schools Block comprises DSG, pupil premium and Education Funding Agency (EFA) post 16 funding. The DSG is final and based on the verified number

of R-16 pupils recorded through the October 2012 pupil count. The settlement confirmed that the baseline funding units have been held at the 2012/13 level, although for Haringey they do reflect the increased resources in respect of the change announced relating to Area Costs. Applying the new, baseline guaranteed unit of funding (GUF) of £5,878.37 to the final pupil numbers (30,589) generates £179.862m DSG.

13.8 In addition to this funding, schools will continue to receive the Pupil Premium of £900 for each eligible pupil in 2013/14.

13.9 The projected Schools Block income continues to assume that funding for 6th Forms in Haringey Schools (including the VI Form centre) will be maintained at £11.477m.

High Needs Block - Income

13.10 The income for the High Needs Block will all come through the DSG. The High Needs Block DSG has still not been finalised and the latest confirmed cash sum is £29.699m. Additional income is expected in respect of hospital school provision and finalisation of the transfer into the DSG in respect of those post 16 SEN students not in schools. Final confirmation is expected by March 2013.

Early Years Block - Income

13.11 The projected income for the Early Years (EY) block is all provided through the DSG. The DSG funding will be based on the new, baselined guaranteed unit of funding (£5,345.46) multiplied by actual participation in 2013-14. The indicative Early Years DSG is estimated and based on the January 2012 pupil count but will be updated retrospectively using actual pupil numbers.

13.12 In order to support increasing three year old participation in early education, authorities with actual participation levels below 90% have received funding at a 90% participation level. Haringey received £1.8m through this support in 2012-13. From 2014-15, the 90% guarantee on the number of three year olds funded will be removed. As part of the education settlement, transitional arrangements for 2013-14 were announced. Authorities will receive 50% of the former top-up in 2013-14 which will increase Early Years Block DSG by an additional £0.9m.

13.13 As previously advised, with effect from 1 September 2013 Haringey will have a legal responsibility to deliver free early education to around 20% of the most disadvantaged 2 year olds. In order to fund this responsibility, a transfer has been made from the Council's Early Intervention Grant (EIG) into DSG with effect from 1 April 2013. The value of the transfer into the DSG has been confirmed at £3.699m.

13.14 In effecting the transfer of the Early Intervention Grant from the General Fund to DSG, the DfE also retained nationally £150m. An announcement was made on 24 January that this topslice will be returned in full to local authorities in the form of a new, Adoption Reform Grant. The grant comprises two elements: £100m, not ring-fenced, to support adoption reform and £50m, ring-fenced, to address structural problems. The financial implications of this announcement will be clearer once details of the formulae and allocations are provided.

13.15 The updated Early Years Block DSG is now £17.273m.

Dedicated Schools Grant 2013-14

13.16 Cabinet is asked to agree the updated indicative level of the DSG as £226.834m, comprising £179.862m Schools Block, £29.699m High Needs Block and £17.273m Early Year Block.

Schools Block Expenditure

13.17 Under the new arrangements, the Schools Block must be delegated to mainstream schools and Academies through a compliant R-16 (Reception to 16 year olds) formula, with

the exception of three items.

- 13.18 Local authorities can continue to retain a number of historic and statutory commitments at a maximum of their 2012-13 level, subject to the approval of Schools Forum. Agreement has been sought to the retention of the budgets for Admissions (£421,400), Carbon Reduction Commitment (£220,253), Capital Expenditure Funded from Revenue (£489,100), Contribution to Combined Budgets (£2,158,300) and Miscellaneous (£302,900). Schools Forum approved these proposals for 2013-14 at their meeting on 17 January 2013.
- 13.19 Local authorities can also retain a Growth Fund to ensure the supply of school places, subject to the approval of Schools Forum. At their meeting on 17 January, Schools Forum approved the central retention of a Growth Fund to the value of £1.5m in 2013/14 with clear criteria.
- 13.20 The remaining projected Schools Block income (£199.359m) must be distributed to all schools and Academies using the R-16 compliant funding formula approved by Cabinet on 18 December 2012 or, in the case of post 16 funding and the pupil premium, must be passported directly to the relevant institutions.
- 13.21 The funding to be delegated to schools and Academies in 2013/14 includes a number of budgets that were previously centrally retained by the local authority. The new delegation supports the enhanced commissioning role of schools and Academies and includes all services previously transferred to Academies and funded through Schools Block LACSEG.
- 13.22 Maintained schools can choose to continue to have some of these services provided centrally, through a process called de-delegation. At the meeting on 17 January, Schools Forum made decisions on de-delegation (up to £1.637m) for 2013/14.
- 13.23 Maintained school members from both primary and secondary phases approved the de-delegation of support for schools in financial difficulty.
- 13.24 Maintained school members from both primary and secondary phases voted not to de-delegate the behaviour support service.
- 13.25 Maintained school members from the primary phase approved the de-delegation of both support to underperforming ethnic minority groups and bilingual learners and staff costs (time off for trade union duties). Maintained school members from the secondary phase voted not to de-delegate these services.
- 13.26 For those services where de-delegation has not been approved, officers are assessing the service and financial implications.

High Needs Block Expenditure

- 13.27 Officers are continuing to work with schools to implement the reformed funding arrangements. Budget proposals in respect of the High Needs Block will be presented to Schools Forum at their meeting on 28 February. The High Needs Block will largely fund commissioning of SEN and Alternative Provision places in schools and other providers, as well as additional support for high needs pupils. No budget pressures are anticipated on the High Needs Block in 2013/14.

Early Years Block

- 13.28 The Early Years Block will continue to fund participation in free early education for disadvantaged two year olds, and all three and four year olds, as well as centrally retained budgets for early years. Budget proposals in respect of the Early Years Block will be presented to Schools Forum at their meeting on 28 February.
- 13.29 Officers are continuing to work with the Schools Forum to develop a two year old EYSFF for implementation from 1 April 2013.

LACSEG / Education Services Grant

13.30 The DfE has now finalised arrangements for replacing Local Authority Central Services Grant (LACSEG) from 2013/14 in two ways. Schools Block LACSEG will cease to exist through delegation of all funding to maintained schools and Academies. LA Block LACSEG will be replaced by a new grant, the Education Services Grant (ESG).

13.31 The ESG will be distributed as follows:

- Retained responsibilities: £15 for every pupil will be paid to local authorities for the statutory duties that do not transfer to academies such as education welfare services and statutory and regulatory duties;
- A single national per-pupil rate: the remaining money will be divided equally among all pupils aged 3-19 in state funded schools in England with weightings applied for pupils in Pupil Referral Units (PRU's) (4.25 weighting) and special schools (3.75 weighting).

13.32 Education Services Grant rates for local authorities in 2013/14 will be:

- | | |
|--|------|
| • Basic per-pupil rate | £116 |
| • Per-pupil rate for PRUs | £435 |
| • Per-pupil rate for special schools | £493 |
| • Per-pupil rate for retained statutory duties | £15 |

13.33 The ESG will be deducted using the same rates that will be used to allocate the ESG back to local authorities. Based on academies that are open or planned to be open by 1 April 2013, the net loss of funding to Haringey will be at least £578k (4,981 pupils x £116). Local authority ESG allocations for 2013-14 will not be confirmed until early March 2013, based on the number of pupils in maintained schools and academies at that time. In the meantime, the estimated impact has been reflected in the Council's MTFP.

14 Housing Revenue Account (HRA)

- 14.1 Under the provisions of the Localism Act 2011, on 1 April 2012 the previous Housing Revenue Account subsidy system was abolished and replaced by a system of self-financing.
- 14.2 Under the new system housing authorities no longer receive HRA subsidy but are allowed to retain all rental income and make decisions on how to spend it to meet their local housing needs.
- 14.3 The Council must set a balanced HRA budget each year, using rent and other revenue collected to manage and maintain its housing stock and to pay all interest and financing costs associated with its housing debt.
- 14.4 In December 2012 Cabinet received a comprehensive report on the level of rent increases, service charges, and the overall financial planning assumptions for the HRA. Draft proposals for the overall HRA Revenue Budget 2013/14, the Capital Programme 2013-16 and MTFP 2013-16 were agreed on this basis.
- 14.5 Since December, a number of revisions to the detailed spending and funding of the HRA have been necessary. In order to ensure the Council is fully informed of the current position in the HRA when it considers Budget and MTFP decision on 27 February, a revised comprehensive report is set out at Appendix 4.

15 Capital Programme

- 15.1 The December 2012 Cabinet meeting received details of, and agreed, draft proposals for the capital programme 2013-16 to be recommended to the Council.
- 15.2 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 5.

- 15.3 Cabinet is recommended to approve these proposals for consideration by the Council at its meeting on 27 February 2013.

Improved Customer Services

- 15.4 As part of the Councils ongoing commitment to providing top quality services for residents, £2m has been included in the capital programme, £500k to be spent in 2013/14, and £1.5m in 2014/15. This will be funded from reserves.

Housing Revenue Account

- 15.5 Since the December Cabinet report the allocation of capital funding has been revised slightly. The amount of funding required for Extensive Void Works has been reduced and the funding for Estate Improvements increased. The allocation for Other Capital Works in 2014/15 has been increased by £950k. The HRA schemes are all funded from HRA reserves, and a separate narrative in HRA capital is also included in the Appendix.
- 15.6 Taking these changes into account, the revised summary is as follows:

Expenditure	Proposed Budget 2013/14	Indicative Budget 2014/15	Indicative Budget 2015/16	Total
	£'000	£'000	£'000	£'000
Place & Sustainability	24,447	10,125	7,133	41,705
Children & Young People	20,228	8,918	6,350	35,496
Adults & Housing	2,036	2,036	2,036	6,108
HRA	34,202	56,777	47,319	138,298
Other	2,100	2,500	1,100	5,700
Total Capital Programme	83,013	80,356	63,938	227,307

Draft Capital Funding				
Government Grants	8,781	8,507	6,886	24,174
Other Grants	11,484	947	1,583	14,014
Capital Receipts	16,573	11,128	7,600	35,301
Section 106	463	0	0	463
HRA	34,202	56,777	47,319	138,298
Reserves & Revenue	2,635	1,950	550	5,135
Prudential Borrowing (pre-agreed)	8,875	1,047	0	9,922
Total Capital Financing	83,013	80,356	63,938	227,307

- 15.7 Further changes to these figures may occur as grant notifications from Transport for London and the Department for Education are finalised.

16 Treasury Management Strategy

- 16.1 The Treasury Management Strategy Statement (TMSS) for 2013/14 will be brought to the meeting of the Council on 27 February 2013.
- 16.2 The TMSS has been formulated by the Corporate Committee and scrutinised by the Overview & Scrutiny Committee, who had no comments to make on the statement. The TMSS will set out the proposed strategy for the Council's borrowing, investment of cash balances and the associated monitoring arrangements.

17 Comments of the Chief Finance Officer and financial implications

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

18 Head of Legal Services and legal implications

- 18.1 The Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution set out the process which must be followed when the Council sets its Budget. It is for Cabinet to approve the proposals and submit the same to the Full Council for adoption in order to set the budget.
- 18.2 The Cabinet will need to ensure that where necessary, consultation is carried out and equalities impact assessments are undertaken and that the outcomes of these exercises inform any final decisions. The Council will need to ensure that any finalised proposals do not result in the Council being unable to comply with its statutory duties.

19 Equalities and Community Cohesion Comments

- 19.1 Equality Impact Assessments are being carried out on the budget proposals and outcomes will be included in the relevant Cabinet reports as appropriate.

20 Head of Procurement Comments

- 20.1 Not applicable

21 Policy Implication

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

22 Use of Appendices

- 22.1 Appendix 1 – Summary of the MTFP 2013/14 to 2015/16 (including Annex A; Revenue Savings, Growth and Re-profiling Requests from December 2012 Cabinet (as amended))
- 22.2 Appendix 2 – Directorate Cash Limits
- 22.3 Appendix 3 – Dedicated Schools Grant
- 22.4 Appendix 4 – Housing Revenue Account incl. Annex A: HRA MTFP 2013-16
- 22.5 Appendix 5– Capital Programme
- 22.6 Appendix 6 – Scrutiny recommendations

23 Local Government (Access to Information) Act 1985

- 23.1 The following background papers were used in the preparation of this report:
- Financial Planning 2012/13 to 2014/15 - Cabinet 7 February 2012
 - Financial Planning 2013/14 to 2015/16 - Cabinet 10 July 2012
 - Financial Planning 201/14 to 2015/16 - Cabinet 18 December 2012
- 23.2 For access to the background papers or any further information please contact Barry Scarr, Interim Head of Corporate Finance, on 0208 489 3743.

HARINGEY COUNCIL MEDIUM TERM FINANCIAL PLAN TO MARCH 2015

Appendix 1

	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	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	2015/16 Revised Base Budget £'000
Service Areas (excluding Corporate Recharges and Capital Financing Costs)																
Adults and Housing	88,048	4,888	4,888	(3,808)	(1,728)	92,066	0	650	0	(1,200)	91,549	0	950	0	(365)	92,134
Place and Sustainability	45,713	869	1,094	(3,179)	(804)	45,694	500	(962)	(800)	(950)	41,481	0	0	0	(200)	41,281
Public Health *	724	0	17,587	0	(500)	17,811	0	592	0	0	18,403	0	0	0	0	18,403
Children and Young People's Services	65,133	18	(632)	(1,042)	(3,648)	56,828	0	0	(810)	(2,975)	56,044	0	0	0	0	56,044
Sub-Total	199,618	5,575	22,949	(8,029)	(6,881)	215,482	500	280	(1,610)	(5,125)	207,477	0	950	0	(565)	207,862
Corporate Services																
Corporate Resources	26,436	44	580	(1,835)	(416)	24,808	0	(330)	(390)	(725)	23,864	0	(100)	0	0	23,264
Chief Executive	9,953	0	330	(1,030)	617	9,870	0	310	(50)	(264)	9,886	0	(440)	0	(80)	9,366
Non-Service Revenue	42,443	5,583	(1,600)	(4,687)	(3,563)	38,176	1,350	4,500	0	0	44,026	0	5,530	0	0	49,556
Inflation	0	1,800	0	0	0	1,800	5,000	0	0	0	6,800	0	5,000	0	0	11,800
Budget Shortfall	0	0	0	0	0	0	0	0	0	(20,698)	(20,698)	0	0	0	(22,501)	(43,199)
Sub-Total	78,832	7,427	(690)	(7,552)	(3,362)	74,855	6,350	4,480	(440)	(21,687)	63,356	0	9,990	0	(22,561)	50,787
Total Funding Requirement	278,450	13,002	22,259	(15,581)	(10,043)	288,087	6,850	4,760	(2,050)	(26,812)	270,835	0	10,940	0	(23,126)	258,649
Funding Sources																
Core Grants	29,703	0	0	(2,500)	(22,995)	4,208	0	(1,000)	0	0	3,208	0	(750)	0	(1,000)	1,458
Public Health Grant *	0	0	17,587	0	0	17,587	0	592	0	0	18,179	0	0	0	0	18,179
NHS Grant	2,830	0	0	(1,430)	2,710	4,110	0	0	0	0	4,110	0	0	0	0	4,110
Education Services Grant	0	0	0	0	3,760	3,760	0	(600)	0	0	3,160	0	(600)	0	0	2,560
New Homes Bonus	1,685	0	0	0	1,410	3,095	0	0	0	0	3,095	0	0	0	0	3,095
Business Rates	0	0	0	0	18,577	18,577	0	0	0	571	19,148	0	0	0	0	19,148
Top up	0	0	0	0	52,711	52,711	0	0	0	1,617	54,328	0	0	0	0	54,328
Revenue Support Grant	141,221	0	0	(3,500)	(29,258)	108,463	0	(9,013)	(10,573)	0	88,877	0	(11,366)	0	0	77,511
Council Tax	103,011	0	0	0	(27,781)	75,230	0	0	1,500	0	76,730	0	1,530	0	0	78,260
Surplus/(Deficit) on Collection Fund	0	0	(3,570)	0	0	(3,570)	0	3,570	0	0	0	0	0	0	0	0
Contribution from/(to) Reserves	0	0	3,570	0	346	3,916	0	(3,570)	0	(346)	0	0	0	0	0	0
Total Available Funding	278,450	0	17,587	(7,430)	(520)	288,087	0	(10,021)	(9,073)	1,842	270,835	0	(11,186)	0	(1,000)	258,649

Savings Proposals for consideration					
		2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000
Adults & Housing		1,447	1,200	365	3,012
Children's Services		3,025	2,975	0	6,000
Place & Sustainability		641	950	200	1,791
Chief Executive's Service		235	264	60	559
Corporate Resources		1,705	725	0	2,430
TOTAL		7,053	6,114	625	13,792

Savings Proposals - Adults & Housing						
Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	Further information/Impact on Performance (Service Delivery)
Business Unit						
A1 Adults	Staffing reduction	0	0	80	80	There is a reduction to the senior management team; a deletion of 1 senior manager post in the light of service closures and restructures.
A2 Adults	New model of service delivery for Occupational Therapy and possibly Social Work Assessment.	0	180	0	180	Proposed is to explore: (i) integration of occupational therapy and social assessment with a community health partner; or (ii) work with a partner / another council. There will achieve budget savings through improved integrated working and consequently some staffing savings.
A3 Adults	Redesign of Adult Social Work Assessment Service	300	420	0	720	There will involve a large restructure of the management of social work staff and will require significant staff consultation and changes to business processes.
A4 Adults	Process improvements within personalisation and assessment	0	0	35	35	No impact on service delivery
A5 Adults	Integrated Access Team Officers. Reduction of two posts.	65		0	65	Efficient systems management should be able to mitigate against any reduction in responsiveness.
A6 Adults	Day Centre Temporary Day Service Officers - delete 4 posts	25	85	0	110	Successful training for staff to work with people who have both mental and physical health needs means that the service has been fully integrated and the service can be managed effectively without the additional temporary posts required to assist the transition.
A7 Adults	Senior Reablement Worker - deletion of 1 post.	30	0	0	30	Low impact as this is a new post that has never been recruited to. Vacant Post.
A8 Adults	Prevention service - Service Support officer - deletion of 1 post.	0	35	0	35	There is not a front-facing post and there is no direct contact with the public. Most of the work is for the Residential Homes which have now closed and sheltered step-down. Given the closures it is now possible to manage without this post.
A9 Adults	Catering Contract Manager - deletion of one post.	40	0	0	40	Manages & monitors meals contract and home 'nutrition advisor'. Now residential homes have closed and Meals service is moving to tri-borough cost and volume contract arrangement it is now possible to manage without this post.
A10 Adults	Learning Disability Day Opportunities Restructure - delete 4.5 posts (1 currently vacant).	130	0	0	130	There is a re-structuring of Learning Disabilities Day Opportunities' management and supervisory posts with the aim of rationalising the management structure.
A11 Adults	Learning Disability Community Support Worker (Adult Placement Team) - delete 1 post.	30	0	0	30	Delete one vacant post. There is little or no impact on service delivery. This is a vacant position that service has held for over a year.
A12 Adults	Learning Disability Support Worker (Day Opportunities) delete 1 post - currently vacant.	20	0	0	20	Delete 1 vacant post.
A13 Adults	Voluntary Sector Strategy	50	200	100	350	Through the implementation of the Voluntary Sector Commissioning Framework, more focused service specifications, a greater emphasis on collaboration between agencies these savings will be achieved
A14 Adults	A Framework-i (Children & Adults client data base) system improvement (efficiency) change		10		10	No service impact. An efficiency following a systems process change.
A15 Adults	Framework-i (Children & Adults client database) contract renegotiation	50	0	0	50	No service impact. Contract cost reduction

Savings Proposals - Adults & Housing						
Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	Further information/Impact on Performance (Service Delivery)
Business Unit						
A16 Adults	Develop a Supported Living scheme to allow more young disabled adults to live in the community close to their families	0	0	150	150	Develop a Supported Housing scheme for six to seven young disabled adults. Supported Living is a model of care that promotes independence and helps clients to remain within the community. As such it is the preferred model of care and represents a better service
A17 Adults	Further Staffing Efficiencies	200	200		400	Li rely to include some front line staff although this will be minimised as far as possible. May therefore have an impact on performance.
A18 Housing	Remodel Private Sector/TA Lettings and Visiting functions	170	0	0	170	This saving involves the merger of two lettings teams and deletion of the dedicated visiting team to create a single team with a broader range of functions and responsibilities.
A19 Housing	Remodel HB Assessment/Liaison function	40	0	0	40	Review of the service in the light of Welfare Reforms and the deletion of one post. Capacity in the team will be reduced and there is a risk that performance could be affected.
A20 Housing	Remodel Technical/Service Support	40	30	0	70	This saving depends on process improvements being achieved, without which there could be a loss of responsiveness and support to the professional staff
A21 Housing	Reduce posts in the Housing Assessments Team	60	0	0	60	Increased automation of the housing register and applications has created scope for efficiencies. This assumes that demand remains at the current level.
A22 Housing	Delete Advice & Options vacancies	60	0	0	60	This involves the deletion of the specialist overcrowding officer post and a reduction in the overall size of the team.
A23 Housing	Remodel Tenancy Support and Income Recovery	80	40	0	120	May reduce levels of rent collected and support provided.
A24 Housing	Miscellaneous non-salary budget reductions	57	0	0	57	No impact on service delivery.
Total Adults & Housing		1,447	1,200	365	3,012	

Savings Proposals - Children's Services						
Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	Further information/Impact on Performance (Service Delivery)
Business Unit						
C1 Children and Families	Reduction in LAC Placements.	2,410	2,250		4,660	Achieving the target set out will bring the Council into line with the average performance of our inner London statistical neighbours.
C2 Children and Families	Review of Early Years Services.		150		150	This is an efficiency contribution to savings.
C3 Children and Families	Net reduction in staffing requirements following early intervention processes and reductions in numbers of LAC.	85	150		235	Providing that the reduction in LAC happens as planned the impact on performance should be minimal.
C4 Children and Families	Reduction in Legal Services budget as a result of fewer care proceedings.	50	50		100	Providing that the reduction in LAC happens as planned the impact on performance should be minimal.
C5 Children and Families	Reduction in the need for Contact Services following reductions in numbers of LAC.	30	50		80	Providing that the reduction in LAC happens as planned the impact on performance should be minimal.
C6 Children and Families	LAC Commissioning Savings flowing from the work of the North London Strategic Alliance	150	0		150	Reduction in price paid may result in reduction in choice of placements
C7 Children and Families	Review of the Fostering and Adoption services to achieve better value for money outcomes	50	75		125	This proposal is anticipated to improve the performance and value for money of the service.
C8 Children and Families	Reduction in SEN transport costs	100	150		250	Provision of more local places at the Brook and Riverside have reduced our costs and improved our offer to families.
C9 Prevention and Early Intervention	Consolidation of arrangements for Youth Offending, Alternative Provision and Behaviour Support services to achieve efficiencies.	150	100		250	A review is underway of management and service delivery in YOS, Alternative Provision and YCP. We intend to rationalise the offer and deliver efficiencies through a more unified approach.
Total Children's Services		9,025	2,975	0	6,000	

Savings Proposals - Place & Sustainability							
	Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	Further information/Impact on Performance (Service Delivery)
	Business Unit						
P1	Corporate Property	Efficiency savings through centralisation of Facilities Management functions for all Council occupied buildings to achieve lower costs through standardisation and maximising purchasing power.	25	75		100	No adverse impact on service delivery is anticipated.
P2	Corporate Property	Efficiency savings in senior management, project management/support and information/administrative support through merger of Corporate Property and Capital Projects to form a new business unit: Property & Major Projects	100	100		200	Majority of capital project delivery team funded by capitalisation against projects. Revenue savings predicated on more efficient use of shared resources and by maintaining fee charges at current prices.
P3	PRE	Additional income from Planning Fees	25			25	No impact
P4	PRE	Delete Team Leader Post in Service Management		80		80	Reduction in Management and Reallocation of Responsibilities across the Business Unit
P5	PRE	Reduce Management within Carbon Management Team	75			75	Reduction in Management given development of projects work under Assistant Director post
P6	Leisure and Culture	School Swimming - Increase charges to schools	70			70	No direct impact on the delivery of sessions unless schools choose to cancel sessions.
P7	Leisure and Culture	Amend Council policy to allow more events in Finsbury Park	40	45		85	This will require a change in the Council's agreed policy for events in parks. The change would need to remove the restriction at Finsbury Park and develop policy to cover the cost of hiring and using all parks.
P8	Leisure and Culture	Deletion of Mobile Library Service		100		100	Reduce access to Library Services
P9	Leisure and Culture	Further reduction in Leisure Staffing		50		50	Limited impact, as part of a reduction and reorganisation of Service Commissioning and Client functions.
P10	Single Front Line	Restructure Enforcement response (noise service) to enable the deletion of 1 post	40			40	The service will reduce its operating hours by 10%.
P11	Single Front Line	Revision to Arrangements for Area Committees / Forums	147			147	To reduce the support to Area Committees which includes not supporting Area Action Plans and maintaining distribution lists. Also reducing the available level of support for Single Frontline consultations and engagement proposals.
P12	Single Front Line	Increase in pest control charges to Homes for Haringey by 2.5%	19			19	No impact
P13	Single Front Line	Change in Penalty Charge Notice Charge band across the borough. Higher band already in operation in Wood Green and this will bring the rest of the borough in line.		400		400	Parking compliance and income may be affected.

Savings Proposals - Chief Executive								
	Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	Further information/Impact on Performance (Service Delivery)	
	Business Unit							
E1	LDMS	Reduce overtime, Member training and conference budgets	45			45	This proposal involves changing working practices to work more flexibly. It also means a reduction in Member training spend.	
E2	Communications	Reduction to central marketing budget	30	29		59	No impact.	
E3	Human Resources	As the Council's workforce reduces some further reduction in the HR service can be made.		100		100	This proposal is likely to result in a reduction in services specific to Haringey.	
E4	Secretariat	Secretariat support rationalisation	60			60	Impact will be managed.	
E5	Electoral Registration	Likely reduction in canvassing costs following introduction of Individual Voter Registration.		35		35	Once IVR is implemented cost: will shift from canvassing to initial registration.	
E6	OD&L	Centralising of all L&D, change and service improvement staff and budgets.			60	60	Impact manageable	
E7	Communications	Reduction in the size and capacity of the communications and consultation service	100	100		200	This saving will reduce the capacity of the work of the team.	
	Total Chief Executive's Service		235	264	60	559		

Savings Proposals - Corporate Resources						
Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	Further information/Impact on Performance (Service Delivery)
Business Unit						
R1 N/A - financing adjustment	Remove additional budget allocated to cover prudential borrowing for the Infrastructure Renewal Programme.	900			900	Infrastructure Renewal Programme will be delivered under budget and prudential borrowing will not be required
R2 ICT	Remove revenue for one year the budget allocated to future renewal of desktop technologies.	500	(500)		0	None
R3 ICT	On-going review of IT Contracts		100		100	None
R4 ICT	Further ICT Efficiencies		500		500	Operational service levels will be reviewed to meet this reduced budget
R5 Procurement	OneSAP efficiencies due to (a) integration of E-procurement systems and processes & (b) reduction of manual invoice payments		45		45	The reduction may impact upon performance.
R6 Procurement	Remodel Accounts Payable - reduction in staffing of 1 Senior and 1 Payment officer.		40		40	Will require changed processes across the council.
R7 Audit and Risk	Reduction in corporate revenue contributions required to the internally funded insurance reserve	150			150	Operational processes to handle insurance claims against the Council will not be affected.
R8 Audit and Risk	Reduction in internal audit days procured from the existing framework contract.	10			10	Operational processes will not be affected - audit plan will be kept under review to focus on high risk areas.
R9 Audit and Risk	Internal review to identify further efficiency savings across Audit & Risk Management.	40			40	Operational processes may be affected depending on the areas identified for savings
R10 Legal	Staff reduction, achieved by prioritising what work is required and what can be carried out without legal input by clients, and expected reduction of demand on legal advice by clients.		325		325	Turnaround time on legal work will increase. The volume of legal work has to decrease in order to deliver these savings.
R11 Corporate Finance	Corp Finance - further re-structuring and revised service offer. Will be rolled into the existing pre-agreed savings.		150		150	Will require buy in, across the organisation, to revised procedures & processes.
R12 Revenues, Benefits and Customer Services	Reduction of contractual costs for out of hours	20			20	No impact.
R13 Revenues, Benefits and Customer Services	Use resources already mobile in the borough to conduct council tax inspections and review the internal team.	35			35	Performance levels maintained
R14 Revenues, Benefits and Customer Services	Hold Assistant Head of Service vacancy		65		65	Role to be covered by other Assistant Heads in post.
R15 Legal	Registrars - increases to volumes will deliver higher income to the Council	50			50	None expected as the increased activity will be met from existing resources
Total Corporate Resources		1,705	725	0	2,430	

Investment Proposals for consideration					
	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	
Adults & Housing	4,400	650	950	6,000	
Children's Services	0	0	0	0	
Place & Sustainability	100	0	0	100	
Chief Executive's Service	0	310	(310)	0	
Corporate Resources	0	0	0	0	
TOTAL	4,500	960	640	6,100	

Investment Proposals for consideration							
	Directorate/Service Area	Proposed Use of Investment & Justification (KPIs etc)	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000	Why is this needed? / What outcomes will be achieved? (e.g. impact on P.I.)
	Adults & Housing						
A1	Adults	Care Costs for Young People in transition from Children's to Adults Services.	0	1,250	1,350	2,600	Transition - To fund the care needs of young people when they leave school or reach 18 in 2013-16. All client groups. A total of 173 children over 3 years.
A2	Adults	Care costs arising from NHS Continuing Care Reassessments	3,600	(200)		3,400	To fund the increased care costs of Learning Disabilities and Mental Health clients transferred from Continuing Health Care Funding.
A3	Housing	AST Incentives - homelessness prevention	800	(400)	(400)	0	Provision of incentives to private sector landlords for access to good quality private sector lets, allowing the Council to discharge duty to households who approach as homeless.
	Total Adults & Housing		4,400	650	950	6,000	
	Place & Sustainability						
P1	PRE	Increased cost of neighbourhood Planning related work due to Localism Bill	100			100	To meet increased statutory requirements due to Localism Act and manage the growth in demand from Planning and Regeneration projects and additional changes in planning legislation.
	Total Place and Sustainability		100			100	
	Chief Executive's Service						
E1	Elections	Funding for 14/15 Local Council Election		310	(310)	0	Statutory requirement
	Total Chief Executive's Service			310	(310)	0	

Amendments to Pre-Agreed Savings						
	Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000
	Corporate Resources					
CR1	Revenues, Benefits and Customer Services	Sharing or externalisation of call centre	100		(100)	0
						To be re-profiled from 13/14 to 15/16 and incorporated into savings derived from the review of the customer service offer.
CR2	Corporate Finance	Review finance support post Support Functions Review.	230	(230)		0
						Requirement to re-profile to 2014/15 to enable a single staffing review to be undertaken alongside other 2014/15 savings. The effects of the significant SFR restructure in 2011 are still being experienced; 2013/14 would be too early and could destabilise the service.
CR3	Corporate Finance	Increase debt collection of miscellaneous debts	150			150
						Current income collection levels have not made this saving possible as proposed.
CR4	Procurement	Reduction in accounts payable team	100	(100)		0
						Reduction in budget through staffing efficiencies will not be met in 2013-14, but will be actioned after the implementation of ONE SAP. E-invoicing solution to be implemented in 2014-15.
	Total Corporate Resources		580	(330)	(100)	150
Chief Executives						
CE1	Cross Cutting	Reduce one head of service plus two managers	200			200
						It is now proposed that this saving will be delivered by efficiencies and staff reductions across the Communications team. These are set out as new savings
CE2	OD&L	Share OD Services with WF - this is a proposal to share the Head of OD and thereafter to look for a single OD service offer. Initial work has focussed on sharing training commissioned spend.	50		(50)	0
						To date £100k of saving have been delivered through the sharing of services with Waltham Forest and by not filling vacant posts. Any further savings can only be achieved by centralising spend on change, L&D and service development spend within the council, which is proposed as a new saving.

Amendments to Pre-Agreed Savings						
	Directorate/Service Area	Efficiency & Saving proposal	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000
CE3	OD&L	Review of OD&L -The review of Organisational Development activity will aim to improve the OD Service Offer to the council in the context of the need for savings and efficiencies.	80		(80)	0
	Total Chief Executives		330	0	(130)	200

Place and Sustainability						
P1	Corporate Property	Reduction in Office Accommodation and future savings through revised accommodation plan	750	(750)		0
P2	Single Front Line	Reduce Contract Monitoring of Veolia Contract	212	(212)		0
P3	Cross-Cutting	Savings on Security Costs at Customer Service Centre's	32			32
	Total Place and Sustainability		994	(962)	0	32
	TOTAL		1,904	(1,292)	(230)	982

Saving for 2012/13 being achieved. For the remainder, savings identified to date fall short by £500K which is currently part of the property review work. Of the savings identified there is a slippage of £750K from 2013/14 into 2014/15 and future years.

Saving possible once contract has bedded in, incl. rollout of fortnightly collections. Request saving be slipped to 2014/15.

Saving will not be achieved in this way. Alternative savings have been made in the service.

Appendix 2

Business Unit Cash Limits

2013/14

	Cash Limit £000
Director of Adults & Housing	760
Adults and Community Services	74,436
Community Housing Services	16,903
Total Adults and Housing	92,099
Director of Place & Sustainability	404
Single Front Line Services	27,963
Planning, Regeneration & Economy	2,872
Single Front Line Management	146
Tottenham Team	700
Property	6,624
Leisure Services	1,628
Culture, Libraries & Learning	3,275
BSF Revenue/Direct Services	81
Total Place & Sustainability	43,693
Director of Public Health	17,811
Total Public Health	17,811
Director of Corporate Resources	201
Revenues, Benefits & Customer Services	7,032
Corporate Finance	5,402
Corporate Procurement	1,845
Legal Services	-824
Information Technology	11,153
Total Corporate Resources	24,809
Prevention and Early Intervention	10,309
Children & Families	48,905
Director's Budget	615
Total Children & Young People's Services	59,829
Chief Executive	2,168
Electoral Service	309
Human Resources	2,190
Organisational Development & Committee	865
Local Democracy	888
Policy, Intelligence & Partnerships	2,165
Communications	1,285
Total Chief Executive	9,870
Non Service Revenue	39,976
TOTAL FUNDING REQUIREMENT	288,087

Dedicated Schools Budget 2013-14

Appendix 3

Projected Income	Total £'000	Final Schools Block £'000	Latest High Needs Block £'000	Indicative Early Years Block £'000
Gross Dedicated Schools Grant (DSG) reported December Cabinet	226,244	180,270	29,601	16,373
<u>Adjustments to DSG</u>				
- NQT Funding	46	46		
- DSG protection - 3YO participation	900			900
- Adjusted pupil numbers	454	454		
- Adjustment for High Needs Students	98		98	
Indicative DSG 19 December 2012	226,834	179,862	29,699	17,273
Pupil Premium	13,183	13,183		
<u>Education Funding Agency Schools Post 16</u>				
- 6th Form	11,477	11,477		
- Teachers Pay Grant	111	111		
Estimated Dedicated Schools Budget	251,605	204,633	29,699	17,273
Allocation				
Growth Fund		1,500		
Centrally retained budgets		3,663		
Delegated to Schools		199,470		
		<u>204,633</u>		
* October 2012 Pupil Numbers		30,589		2,371
* January 2012 Participation Numbers				
* DSG Guaranteed Unist of Funding		£ 5,878	£	5,345

HOUSING REVENUE ACCOUNT 2013/14 to 2015/16

1 Summary

- 1.1 The report makes recommendations in respect of the Housing Revenue Account MTFP (set out at Annex A to this Appendix) and Capital Programme 2013-16 (set out as part of Appendix 5 to this report).
- 1.2 It also makes recommendations about HRA rent increases, service charges, and the future maintenance and improvements programme, on the basis of which overall financial assumptions for 2013-16 are recommended.

2 Other options considered

- 2.1 The Council is required to approve an HRA budget and Capital Programme for 2013-14 and to set rent and service charges for the year. The report outlines the considerations the Cabinet should take into account and the options available to them in doing so.

3 Background information

- 3.1 Under the provisions of the Localism Act 2011, on 1 April 2012 the previous Housing Revenue Account subsidy system was abolished and replaced by a system of self-financing.
- 3.2 Under the new system housing authorities no longer receive HRA subsidy but are allowed to retain all rental income and make decisions on how to spend it to meet their local housing needs.
- 3.3 The introduction of Self Financing was accomplished with a final debt settlement between Central Government and Local Authorities. Although most authorities were required to take on additional debt, Haringey had £234m of its housing debt paid off.
- 3.4 The Council must set a balanced HRA budget each year, using rent and other revenue collected to manage and maintain its housing stock and to pay all interest and financing costs associated with its housing debt

4 Rent increases

- 4.1 Under the self-financing regime rents are the main source of income for the HRA and Cabinet continue to be required to make decisions annually on the level of increases. At the February meeting, Cabinet will be asked to agree a recommendation to Council.
- 4.2 For several years it has been the Council's policy to set rent increases in accordance with government policy following the rent restructure guidance. This policy is based on gradually increasing council housing rents so that they converge with typical rent levels of other social landlords.
- 4.3 Although the Council is not required to follow rent restructuring, the calculations underpinning the self financing model assume that it will do so and it will not be possible to meet the investment needs of Haringey's stock without achieving this level of income. Setting lower rents will reduce the income available to the HRA and restrict the funding available for housing services and capital investment.

- 4.4 Conversely, although the Council has some freedom to set rent levels slightly above rent restructuring, in previous years the DWP has used the limit rent mechanism to restrict the Housing Benefit subsidy payable to councils who levy excessive rent increases. Clear guidelines of how this will work in 2013-14 have not yet been announced. However the introduction of Welfare Reform and the economic climate are likely also to make it difficult to collect large rent increases from tenants.
- 4.5 It is therefore recommended that Cabinet continues to follow their established policy with target rent increases for 2013-14 reflecting the September 2012 RPI announcement (2.6%) and convergence in April 2016.
- 4.6 The exception to this will be where a tenancy comes to an end and the property is relet to a new tenant. It is recommended that in such cases the rent should be raised immediately to the target rent thereby achieving convergence in advance of the main stock. The amount of additional income raised will be dependent on the properties that become vacant in year but is estimated to be in the region of £62k.
- 4.7 The average weekly dwelling rents with caps and limits applied according to the Government's restructuring policy will increase by **£4.19** (4.45%) from £94.04 to £98.23. There will be differing increases across dwellings as set out below:

Forecast weekly dwelling rents for 2013-14 with caps and limits applied

Number of Bedrooms	Number of Properties	Min Rent	Max Rent	Average Rent
0	144	63.49	108.86	79.40
1	5,631	53.69	131.51	84.03
2	5,437	75.64	140.91	98.19
3	4,029	71.69	146.45	112.83
4	621	83.38	155.13	127.74
5	102	98.98	162.67	147.36
6	11	128.30	171.04	155.54
7	2	130.23	166.29	148.26
8	1	168.22	168.22	168.22
Grand Total	15,978	53.69	171.04	98.23

Percentage increase in weekly dwelling rents for 2013-14 with caps and limits applied

No of bedrooms	Minimum	Maximum	Average
	%	%	%
Bedsit	1.3	6.5	4.8
1	1.0	7.1	4.4
2	2.2	5.9	4.5
3	2.1	6.1	4.4
3+	2.6	5.6	4.3
All dwellings	1.0	7.1	4.5

Range of changes

Amount	Number of properties
Less than £4.00	7092
Between £4.00 and £5.00	5920
Between £5.00 and £6.00	2741
Between £6.00 and £7.00	225
Total	15,978

- 4.8 Were the Council not to implement the full increase the loss of rent would be £810k per annum for each 1% of reduced increase. This would reduce the revenue contribution to the capital funding available for the Decent Homes programme and is not recommended for that reason.
- 4.9 Over 70% of the Council's tenants currently have at least part of their rent paid by benefits.
- 4.10 The Cabinet is **recommended** to agree the inclusion of the rent increases detailed in paragraph 4.7 above.

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 unless this would be an increase of more than the limits used in rent restructuring in which case charges are increased by RPI + 0.5%. For 2013-14 this is equal to 3.1%. Except in unusual circumstances it has not been the policy to compensate for under or over recovery in previous years. However charges will be adjusted for future years to avoid its continuance.

5.3 Based on current policy the following adjustments to charges are recommended:

Tenants' Service Charges	No of Tenants	Proposed Charge	% Change	Change £
Concierge	2,027	14.43	1.8%	55,900
Grounds Maintenance	8,221	2.95	2.8%	57,700
Caretaking	7,792	5.58	3.1%	111,100
Street Sweeping	8,231	3.55	-2.5%	-9,200
Bin & Chute Cleaning	8,231	0.15	-	64,700
Integrated Reception Service (Digital TV)	9,920	0.77	0.0%	53,000
District Heating Scheme - BWF (p/KWh)	193	0.0567	45.8%	12,000
Estates Road maintenance	9,494	0.46	2.2%	9,200
Communal Lighting	8,008	2.15	-29.5%	-353,200
Heating (Average charge)	638	12.25	8.1%	37,700
Total Tenants' Service Charges (excluding water rates)				38,900
Water	15,919	6.92	5.73%	390,800
Total Tenants' Service Charges				429,700

Forecast additional Income based on number of Tenants x increase in charge x 98% (Recovery rate- i.e. 2% void and bad debts)

- 5.4 Reductions are recommended in Street Sweeping and Light and Power where the current level of charge is resulting in an over-recovery. For other service charges increases are recommended at the lower of 3.1% or full cost recovery.
- 5.5 Service charges other than District Heating charges are eligible for Housing Benefit. (District Heating charges are for the supply of heat from a central supply to individual properties. As such they are not considered to be part of the rental cost.)
- 5.6 A new charge has been proposed for bin and chute cleaning at £0.15 per week for relevant properties.
- 5.7 It is **recommended** that the Cabinet agree the service charges set out above.

6 Revenue Budget and MTFP 2013-16

- 6.1 As part of the Council's budget 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 £1.787m.
- 6.2 In 2013-14 the bulk of this saving (£1.5m) will be made through a review of Housing Management services that is expected to increase productivity resulting in improved services, greater consistency of standards and decreased costs. The balance of savings, £255k, will be met from back office services.
- 6.3 In order to make the necessary staffing reductions, Homes for Haringey will incur transition costs, including redundancy and early retirement costs. Provision has been made in the MTFS for these costs to be met from the HRA reserve.

Approximately £1,305k costs are expected to fall in 2012-13. It is **recommended** that Cabinet agree that these costs be funded from the HRA reserve in the current financial year.

- 6.3 Homes for Haringey have identified £652k savings for 2014-15 across a range of services and are developing further proposals to meet the rest of the target.
- 6.4 The net budget for the managed account which comprises most of the HRA income sources is estimated to realise increased net income of £3.6m arising largely from rent increases discussed above and additional service charges. However this is offset by the need to make an increased provision for bad debts. The level of bad debt has been increasing over recent years and this is expected to worsen following Welfare Reform Act changes including the benefits cap, the under occupation penalty and the payment of housing support to the tenant rather than the landlord under Universal Credit.
- 6.5 The retained Account shows an expenditure reduction of £0.7m arising mainly from the reduction in the Management Fee payable to Homes for Haringey (-£1.787m). However £425k of costs for Broadwater Farm Leisure Centre and ASBAT have been transferred to the HRA from the General Fund following a review of charges between accounts.
- 6.6 There is also new investment growth for activity to support the HRA Estate Renewal work (see below.) This is made up of a contribution to the Regeneration team of £225k for HRA specific activity and £550k one off costs for feasibility studies and other development work.
- 6.7 It is **recommended** that Cabinet agree the MTFP as set out at Annex A to this Appendix.

7 HRA Capital Programme

- 7.1 In recent years the Council's programme for maintaining its estate has depended mainly on subsidy determinations and supported borrowing.
- 7.2 In addition Haringey has received Decent Homes Backlog Grant funding from the Greater London Authority. The total allocation over the three years: 2012-15 is £51m but this is not evenly phased (£17m/£6.5m/£27.5m.) The GLA has recently requested a variation to the originally agreed phasing – bringing £2m grant funding forward from 2014-15 into this financial year. This does not affect the overall total. It is **recommended** that Cabinet approve this profiling change.
- 7.3 The Housing capital programme for 2013-14 is £34.2m of which £15.1m is for a planned programme of works to maintain the stock condition and £1.2m is for Disability Adaptations HRA properties.
- 7.4 In addition there is £15.5m earmarked for Decent Homes, funded from £6.45 Decent Homes Backlog Grant from the GLA and £9m from the HRA revenue surplus.
- 7.5 A further £2.45m is for specific capital projects including loft conversions and the development of Supported Living Schemes. There is also some initial funding for Infill and new Development. Further funding is set aside in the following year under Other Capital Works to continue these schemes. This is funded from HRA internal

sources.

- 7.6 Since the December capital report the allocation of capital funding has been revised slightly. The amount of funding required for Extensive Void Works has been reduced and the funding for Estate Improvements increased. The allocation for Other Capital Works in 2014/15 has been increased by £950k. Following the introduction of Self Financing, Council Officers and Homes for Haringey are developing a 30 year business plan that will set out the proposed use of HRA borrowing capacity, Right to Buy receipts and future income streams in order to improve and enhance the condition of the housing stock and support wider Council priorities and Regeneration aims including possible new build schemes to increase the housing stock. This is a complex piece of work and is not due to be finished until after the budget is finalised. It will be reported to Cabinet in the first half of next year. For this reason the later two years of the capital programme should be regarded as indicative only.
- 7.7 In order to ensure maximum flexibility for the Council in advance of completion of the Stock Options Appraisal it is proposed that the capital programme for 2013-14 relies solely on internally generated resources. It is not planned to draw on the limited borrowing capacity nor on any capital receipts.
- 7.8 A proposed programme with commentary totalling £34.2m in 2013/14 is included within Appendix 5. Funding is proposed as follows:

Funding Source in 2013/14	£m
Decent Homes Grant	6.5
Internally generated funds	27.7
TOTAL	34.2

- 7.9 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.
- 7.10 It is **recommended** that the Cabinet approve this capital programme.

HRA Summary	2012/13		2013/14		2014/15		2015/16	
	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s
Company Income	(49,998)	1,787	(48,211)		(46,424)		(46,424)	
Chief Executive	1,330	(66)	1,264		1,264		1,264	
Housing Management	12,284	(1,532)	10,752		10,752		10,752	
Resources	2,223	(189)	2,034		2,034		2,034	
Property Services	27,344	-	27,344		27,344		27,344	
Corporate	6,817	-	6,817		5,030		5,030	
Total Company Accounts	0	0	0	0	0	0	0	0
Rental Income	(77,747)	(4,302)	(82,049)	(1,911)	(83,960)	(3,611)	(87,571)	(3,611)
Non Dwelling Rents	(2,369)	(27)	(2,396)	(50)	(2,446)	(59)	(2,505)	(59)
Leasehold Service Charge Income	(5,329)	(715)	(6,044)	(159)	(6,203)	(163)	(6,366)	(163)
Tenant Service Charge Income	(9,988)	(125)	(10,113)	(284)	(10,397)	(291)	(10,688)	(291)
Miscellaneous Income	(6,000)	(39)	(6,039)	(295)	(6,334)	(123)	(6,457)	(123)
Housing Management Costs	8,097	206	8,303	199	8,502	205	8,707	205
Repairs & Maintenance	121	3	124	4	128	3	131	3
Bad Debt Provision	713	506	1,219	(131)	1,088	27	1,115	27
Service Charge Costs	6,557	165	6,722	139	6,861	145	7,006	145
Total Managed Accounts	(85,945)	(4,328)	(90,273)	(2,488)	(92,761)	(3,867)	(96,628)	(3,867)
Temporary Accommodation	(1,302)	69	(1,233)	(41)	(1,274)	(41)	(1,315)	(41)
Community Alarm	(28)	273	245	(4)	241	(4)	237	(4)
Supported Housing	307	(93)	214	14	228	14	242	14
ASBAT	315	265	580	0	580	0	580	0
Other Property Costs	2,113	(83)	2,030	9	2,039	8	2,047	8
BWF Leisure Centre	0	160	160	0	160	0	160	0
Contribution to P&S Regeneration Team	0	225	225	0	225	0	225	0
Feasibility Studies of Estate Renewal	0	550	550	(550)	0	0	0	0
Bad Debt Provision - Hostels	62	0	62	2	64	2	66	2
Corp Democratic Core	855	(35)	820	0	820	0	820	0
Capital	35,336	(174)	35,162	334	35,496	334	35,830	334
ALMO Management Fee	40,773	(1,787)	38,986	(1,787)	37,199	0	37,199	0
Total Retained Accounts	78,431	(630)	77,801	(2,023)	75,778	313	76,091	313
TOTAL HOUSING REVENUE ACCOUNT	(7,514)	(4,958)	(12,472)	(4,511)	(16,983)	(3,554)	(20,537)	(3,554)
Planned Opening HRA Balance	(11,611)		(11,795)		(13,385)		(19,368)	
In Year Surplus	(7,514)		(12,472)		(16,983)		(20,537)	
2012-13 Forecast Overspend	790							
Capital Programme	5,235		10,667		11,000		28,000	
Funding for Staff Redundancies (if required)	1,305		215					
Planned Closing Balance	(11,795)		(13,385)		(19,368)		(11,906)	

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Appendix 5

Draft Capital Programme 2013/14 to 2015/16		Total Planned Expenditure Budget			Total Funding Source (3 yrs)							
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Grants & Contribution From Private Developers & Leaseholders £'000	Capital Grants From The National Lottery £'000	Capital Funding From GLA Bodies £'000	Use Of Capital Receipts £'000	Section 106 £'000	Use of reserves £'000	Total £'000
Place and Sustainability												
1	Growth on the High Road - Tottenham Regeneration Scheme to improve and regenerate public realm in Tottenham Green, Bruce Grove and local markets	3,013	0	0	3,013	0	0	1,975	800	238	0	3,013
2	Northumberland Park Accessibility and Parking GLA supported scheme to implement highways works and parking zones in Northumberland Park Area related to new stadium development	3,296	547	1,483	5,326	0	0	2,626	2,700	0	0	5,326
3	Green Lanes OLF GLA supported scheme in partnership with local traders to improve shop fronts and public realm along Green Lanes	1,359	0	0	1,359	0	0	1,078	0	225	56	1,359
4	Tottenham Hale Gyrotory TfL led scheme to change Gyrotory to two way traffic flow. Funding previously agreed by Cabinet to enable the Gyrotory project to proceed to Phase 2 and to mitigate the possible impact of any reductions in expected S106 contributions.	500	1,778	0	2,278	900	0	0	1,378	0	0	2,278
5	Lordship Lane Residual costs of Heritate Lottery supported scheme to upgrade Lordship Recreation Ground	160	0	0	160	0	160	0	0	0	0	160
6	TfL - Corridors/Neighbourhood/Smarter Travel Estimated TfL allocations for works on corridor highway schemes , safety schemes, walking and cycling schemes	2,123	0	0	2,123	0	0	2,123	0	0	0	2,123
7	TfL - Local Transport	100	0	0	100	0	0	100	0	0	0	100
8	TfL - Principal Road Maintenance Estimated TfL allocation for maintenance of Principal Roads	760	0	0	760	0	0	760	0	0	0	760
9	TfL - Bridges Estimated TfL allocation for structural works to bridges	446	0	0	446	0	0	446	0	0	0	446

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Appendix 5

Draft Capital Programme 2013/14 to 2015/16		Total Planned Expenditure Budget			Total Funding Source (3 yrs)								
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Grants & Contribution From Private Developers & Leaseholders £'000	Capital Grants From The National Lottery £'000	Capital Funding From GLA Bodies £'000	Use Of Capital Receipts £'000	Section 106 £'000	Use of reserves £'000	Total £'000	
10	TfL - Wood Green Town Centre Major TfL supported scheme to upgrade highways and public realm around Wood Green Centre	3,600	0	0	3,600	0	0	3,600	0	0	0	3,600	
11	Repair & Maintenance of Council Buildings To support planned condition upgrades and health and safety compliance works of property estate	750	750	750	2,250	0	0	0	2,250	0	0	2,250	
12	Accommodation Strategy To support second phase of Accommodation Strategy including further smart working, consolidation of property holdings and release of surplus property.	1,325	2,750	700	4,775	0	0	0	4,775	0	0	4,775	
13	Street Lighting Funding required for a rolling programme of investment to replace an aging stock of street lights with more efficient, lower maintenance modern alternatives.	400	400	400	1,200	0	0	0	1,200	0	0	1,200	
14	Planned Carriageway & Footway Maintenance Funding for the planned programme of footway reconstruction and carriageway resurfacing on non-principal roads, and for flood drainage works.	4,500	1,500	500	6,500	0	0	0	6,500	0	0	6,500	
15	Road Safety/Drainage/Structures Funding is required for Road safety measures, the annual programme of drainage inspection and maintenance and the maintenance of structures such as bridges, subways etc.	150	150	150	450	0	0	0	450	0	0	450	
16	Bruce Castle Funding to support a planned bid to Heritage Lottery for a major scheme to renovate and improve this heritage asset.	200	0	1,000	1,200	0	0	0	1,200	0	0	1,200	
17	Borough Parking Plan Funding for design and implementation work on new CPZs and to ensure signs and lines are compliant on existing schemes.	300	100	0	400	0	0	0	400	0	0	400	

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Appendix 5

Draft Capital Programme 2013/14 to 2015/16		Total Planned Expenditure Budget				Total Funding Source (3 yrs)						
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Grants & Contribution From Private Developers & Leaseholders £'000	Capital Grants From The National Lottery £'000	Capital Funding From GLA Bodies £'000	Use Of Capital Receipts £'000	Section 106 £'000	Use of reserves £'000	Total £'000
18	Hornsey Town Hall Funding previously agreed by Cabinet to support the renovation of Hornsey Town Hall and allow sustainable use through lease to an anchor tenant.	1,100	2,100	2,100	5,300	0	0	0	5,300	0	0	5,300
19	Tree planting programme Funding to allow completion of agreed tree planting programme.	65	0	0	65	0	0	0	65	0	0	65
20	Down Lane Park - Master Plan Implementation Match funding to enable leverage of external grants to support implementation of park improvement plan.	250	0	0	250	0	0	0	250	0	0	250
21	Capital Delivery - Programme Support Funding for the overall programme management of the council's capital programme.	50	50	50	150	0	0	0	150	0	0	150
Total Place and Sustainability		24,447	10,125	7,133	41,705	900	160	12,708	27,418	463	56	41,705
												Page 30

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Draft Capital Programme 2013/14 to 2015/16		Total Planned Expenditure Budget		Total Funding Source (3 yrs)		Use Of Capital Receipts		Prudential Borrowing		Use of reserves		Total	
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Capital Grants From Central Government Departments (inc SLE(C) £'000	Grants & Contribution From Private Developers & Leaseholders £'000	Use Of Capital Receipts £'000	Prudential Borrowing £'000	Use of reserves £'000	Total £'000		
Children & Young People's Service													
Secondary Schools													
22	ICT MSP Contract Residual funding for refresh of ICT for schools included in the managed service ICT contract, ending August 2013	400	0	0	400	400	0	0	0	0	400		
23	Lifecycle Works Funding for agreed condition upgrade schemes in the Secondary School estate	1,400	200	200	1,800	171	0	0	0	1,629	1,800		
	(A) Sub-total BSF Programme	1,800	200	200	2,200	571	0	0	0	1,629	2,200		
Primary and Pre-School Programme													
24	Broadwater Farm ILC Final year of scheme to re-provide primary and special schools in an integrated campus	2,646	0	0	2,646	1,263	0	0	1,383	0	2,646		
25	Rhodes Avenue Expansion to 3 FE Scheme to expand school to 3 Forms of Entry and address condition and suitability issues	3,479	1,177	87	4,743	1,763	0	2,033	947	0	4,743		
26	Rhodes Avenue Provision for funding of claim against parties to secure recovery of costs	500	0	0	500	500	0	0	0	0	500		
27	Mulberry Modernisation Retention on completed modernisation scheme	301	0	0	301	301	0	0	0	0	301		
28	Earlsmead - temporary expansion	4	0	0	4	4	0	0	0	0	4		
29	Alexandra - Primary Expansion Scheme to expand school by 1 Form of Entry	1,383	513	0	1,896	1,796	100	0	0	0	1,896		
30	Wellbourne - Primary Expansion Scheme to expand school by 1 Form of Entry	2,660	1,146	0	3,806	1,146	0	0	2,660	0	3,806		
31	Primary Pupil Place expansion fund Provision for future primary school expansions required to meet population growth	3,460	3,724	1,700	8,884	5,324	100	0	3,460	0	8,884		
	(B) Sub-total Primary and Pre-School Programme	14,433	6,560	1,787	22,780	12,097	200	2,033	8,450	0	22,780		

Appendix 5

Draft Capital Programme 2013/14 to 2015/16		Total Planned Expenditure Budget			Total Funding Source (3 yrs)						
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Capital Grants From Central Government Departments (inc S/E/C) £'000	Grants & Contribution From Private Developers & Leaseholders £'000	Use Of Capital Receipts £'000	Prudential Borrowing £'000	Use of reserves £'000	Total £'000
	Planned Asset Improvement										
32	Planned and reactive condition works Funding for condition works and upgrades to existing school estate	1,000	500	500	2,000	1,792	0	0	208	0	2,000
33	School Kitchen enhancements	200	200	200	600	600	0	0	0	0	600
34	Electrical infrastructure upgrades	281	8	0	289	289	0	0	0	0	289
35	Capital Delivery - Programme Support Funding for the overall programme management of the council's capital programme.	100	100	100	300	100	0	0	200	0	300
	(C) Sub-total Planned Asset Maintenance	1,581	808	800	3,189	2,781	0	0	408	0	3,189
36	Devolved Capital Capital funds devolved directly to schools	550	550	550	1,650	1,650	0	0	0	0	1,650
37	Programme Delivery Costs Costs of managing schools capital programme	800	800	800	2,400	2,400	0	0	0	0	2,400
38	Programme Contingency Contingency to cover risks on all schools projects	1,064	0	2,213	3,277	2,213	0	0	1,064	0	3,277
	(D) Sub-total	2,414	1,350	3,563	7,327	6,263	0	0	1,064	0	7,327
	Total Excluding BSF (B+C+D)	18,428	8,718	6,150	33,296	21,141	200	2,033	9,922	0	33,296
	Total Children & Young People	20,228	8,918	6,350	35,496	21,712	200	2,033	9,922	1,629	35,496

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Draft Capital Programme 2013/14 to 2015/16									
		Total Planned Expenditure Budget			Total Funding Source (3 years)				
		Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Capital Grants From Central Government Departments (inc SCE(C) £'000	Other Grants £'000	Use Of Capital Receipts £'000	Total £'000
Adults and Housing									
39	Major Adaptations in Non Council Owned Properties Adaptations to homes to support residents with disabilities or other needs.	1,536	1,536	1,536	4,608	2,508	0	2,100	4,608
40	Compulsory Purchase - empty properties Funding to bring empty properties back into use and sell on to registered providers	500	500	500	1,500	0	0	1,500	1,500
Total Adults and Housing		2,036	2,036	2,036	6,108	2,508	0	3,600	6,108

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Draft Capital Programme 2013/14 to 2015/16					Total Planned Expenditure Budget			Total Funding Source (3 yrs)			
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Capital Grants From Central Government Departments (inc SCE(')) £'00)	Capital Funding From GLA Bodies £'000	Financing From HRA £'000	Financing From Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA) £'000	Total £'000	
Housing Services (Housing Revenue Account (HRA))											
41	Mechanical and Electrical Rewiring and door entry systems	1,250	1,250	1,250	3,750	0	0	0	3,750	3,750	
42	Asbestos Removal Removal of asbestos during responsive repair works	100	100	100	300	0	0	0	300	300	
43	Boiler Replacements and Major Repairs	3,500	3,500	3,500	10,500	0	0	0	10,500	10,500	
44	Lift Improvements Replacement of life expired lifts	2,181	2,181	2,181	6,543	0	0	0	6,543	6,543	
45	Structural Works Underpinning, concrete and brickwork repairs	200	200	100	500	0	0	0	500	500	
46	Capitalised Repairs Kitchen, bathroom and heating repairs	4,400	4,150	4,150	12,700	0	0	0	12,700	12,700	
47	Extensive Void Works: Programme to bring homes back into use where major repairs/upgrades are required	920	1,091	1,150	3,161	0	0	0	3,161	3,161	
48	Decent Homes Schemes to upgrade dwellings to Decent Homes standards involving works to kitchens, bathrooms, heating and general structural repairs.	15,500	35,480	30,938	81,918	33,931	0	37,658	10,329	81,918	
49	Aids and Adaptations Adaptations for disabled residents	1,200	1,200	1,200	3,600	0	0	0	3,600	3,600	
50	Professional Fees	1,671	1,750	1,750	5,171	0	0	0	5,171	5,171	
51	Energy Efficiency Programme match funding for additional energy efficiency measures, insulation and heating controls	100	0	0	100	0	0	0	100	100	
52	Conversions/Employment Provision of new affordable housing combined with new work placements	250	0	0	250	0	46	204	0	250	
53	Development Opportunities Funding to encourage provision of new affordable homes via land agreements with Developers	300	0	0	300	0	0	300	0	300	
54	Infill Funding to encourage provision of new affordable homes on underused sites.	1,150	0	0	1,150	0	0	1,150	0	1,150	

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Draft Capital Programme 2013/14 to 2015/16		Total Planned Expenditure Budget			Total Funding Source (3 yrs)					
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Capital Grants From Central Government Department's (inc SCE(C)) £'000	Capital Funding From GLA Bodies £'000	Financing From HRA £'000	Financing From Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA) £'000	Total £'000
55	Loft Conversions To reduce overcrowding in existing Council property	250	0	0	250	0	0	250	0	250
56	Supported Living Programme to convert units to include carers accommodation	500	500	500	1,500	0	0	1,500	0	1,500
57	Estate Improvements	730	730	500	1,960	0	0	1,960	0	1,960
58	Other Capital Works	0	4,645	0	4,645	0	0	4,645	0	4,645
Total Housing Services (Housing Revenue Account)		34,202	56,777	47,319	138,298	33,931	46	47,667	56,654	138,298

Draft Haringey Council Capital Programme 2013/14 to 2015/16

Draft Capital Programme 2013/14 to 2015/16		Total Planned Expenditure Budget			Total Funding Source (3 yrs)			
Ref. No.	Name of Capital Scheme	Proposed Original Budget 2013/14 £'000	Indicative Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Total £'000	Use Of Capital Receipts £'000	Financing From General Fund Revenue Account £'000	Total £'000
Corporate Resources, Assistant Chief Executive & Cross-Directorate								
59	IT Capital Programme To invest in specific business IT projects which deliver efficiencies and improved customer service. All projects require a detailed business case to be presented and approved by Corporate IT Board to ensure they meet strategic aims and can deliver demonstrable outcomes.	250	250	250	750	750	0	750
60	Alexandra Park & Palace - maintenance Essential refurbishment of premises and plant to ensure on-going compliance, safety and operability of the site in the short to medium term. This will enable the Palace to continue trading whilst actively pursuing a longer term regeneration solution.	850	250	350	1,450	0	1,450	1,450
61	Alexandra Park & Palace - regeneration Estimated programme development costs to support a comprehensive regeneration of the whole site during the period 2013-2017 to deliver the stated vision for the Park and Palace and create a viable operating model in the long term.	500	500	500	1,500	1,500	0	1,500
62	Improved Customer Services Improvements to the Customer Services Function in line with the residents strategy	500	1,500	0	2,000	0	2,000	2,000
Total Corporate Resources, Assistant Chief Executive & Cross-Directorate		2,100	2,500	1,100	5,700	2,250	3,450	5,700

APPENDIX 6

OVERVIEW & SCRUTINY COMMITTEE – January 2013
BUDGET SCRUTINY RECOMMENDATIONS

	or growth proposal compares, in proportionate terms, to the associated base budget. (General Budget Scrutiny Process recommendation).	
--	---	--

OVERVIEW & SCRUTINY COMMITTEE -- January 2013
BUDGET SCRUTINY RECOMMENDATIONS

	have. C1/C3/C6	
2.	That the Panel recommend that, as far as is possible, no school should lose out as a result of the reduction in local discretion over the School Funding formula and noted that a maximum of four schools – Campsbourne, St. Michaels, St Thomas More's and John Loughborough have been identified as at risk of being adversely affected.	Final allocations of school budget shares have now been determined based on October 2012 data supplied by the DfE and the application of the approved Haringey formula. Following the delegation of additional resources to schools, implementation of £0.5m SEN contingency fund and application of the minimum funding guarantee, the only schools adversely affected are St Michael's N6 (-£11k) St Thomas More (-£397k) John Loughborough (-£19k). These schools are adversely affected by falling rolls (-7 pupils, -56 pupils and -12 pupils respectively, rather than changes to the funding formula.
3.	That advice given to young people on careers and further education should be aspirational to give them the best chances and that this should be monitored to improve outcomes for young people. The Council should take a lead role together with local businesses and schools to ensure the best outcomes for young people. (C9)	The responsibility for careers advice now rests with schools.
4.	That, in respect of Youth Services, the Panel request details of work commissioned and of the planning that had been made for extending the service to younger children and that these be submitted to the March meeting of the Panel, which is already scheduled to have a youth focus. (Bruce Grove Youth Centre)	A report will be presented to the CYPS Scrutiny Panel in March.
5.	That in future years, the effective scrutiny of budget proposals be assisted by Members being provided with details of how the specified saving	The Cabinet approves this recommendation and would welcome its inclusion in the proposed revised budget scrutiny protocol.

OVERVIEW & SCRUTINY COMMITTEE – January 2013
BUDGET SCRUTINY RECOMMENDATIONS

	enough is charged for the set up and break down of events at Finsbury Park, based on comparators. Any increase in revenue should be from an increase in the cost of holding events at Finsbury Park and not an increase in the number of events held. (P8)	holding events in Finsbury Park and will continue to do so - the 'market' for Concerts is very competitive and this has been increased by the availability of the Olympic Park for concerts and events.
3.	That there be an increase in the number of well designed loft conversions to help to alleviate housing pressures in the borough. (Capital programme 56)	It would be attractive to consider doing more of this if possible, but the Council needs to take into account the impact of Welfare Reform. If the number of bedrooms is increased the rent would need to go up which may have benefit cap implications for larger families. Also the "bedroom tax" – a penalty for under occupying council housing will restrict the number of suitable properties. In particular it will mean that it would not be appropriate to undertake this kind of work on a whole block or row of houses at a time since this might mean that some families amongst the row could be disadvantaged or the properties could be harder to find tenants for.
CHILDREN AND YOUNG PEOPLE SCRUTINY PANEL RECOMMENDATIONS		
1.	The Panel notes that the success of the budget proposals is very much dependent on the continued reduction in the numbers of Looked after Children and, although the projected reductions are very welcome, concern be expressed at the potential of these not being achieved and the implications that this might	The risks attached to movement in the numbers of looked after children are acknowledged. However, numbers have already been reduced from 547 (end March 2012) to 503 (end December 2012) during the current financial year. The current strategy to reduce numbers, contain unit costs and bring Haringey closer to our statistical neighbours will continue and be closely monitored so that effective corrective action can be taken if necessary.

OVERVIEW & SCRUTINY COMMITTEE -- January 2013
BUDGET SCRUTINY RECOMMENDATIONS

	communities in the Borough, the Panel is greatly concerned that the possibility has emerged of withdrawing the funding for a significant portion of the support currently available for area forums and committees. It recommends that, before any decision is made, clarity be provided on how the functions that directly support the work of forums/committees that are undertaken currently by the team to be deleted will continue to be provided. (P12)	• Supporting the monitoring of the Area Plans including managing the distribution list and sending out notifications about upcoming Area Forums • Negotiating with services to ensure services are being planned in response to area needs, and with consideration to the SFL elements of the Area Plans; • Providing the link between communities and Single Frontline (SFL); • Identifying local priorities in relation to SFL; • Supporting SFL service changes and engagement/consultation activity. The work on the creation of Area Plans is now substantially complete and the proportion of Area Committee workload that relates to SFL is much lower than originally envisaged and thus these queries are already being picked up elsewhere.
	ENVIRONMENT AND HOUSING SCRUTINY PANEL RECOMMENDATIONS	
1.	a) The allotments service should be revenue neutral and any increase should only be considered with the full consultation and involvement of all relevant stakeholders. (P6) b) Any future revenue surplus made within the allotment service should be ring fenced and reinvested in allotments.	It is not possible to make a saving from this area whilst maintaining the existing revenue neutral position. The Council will seek to engage and involve relevant stakeholders on developing and implementing the related changes. The Directorate will explore the scope to use some of the surplus to support reinvestment in allotments site infrastructure renewal.
2.	a) Consideration should be given to whether	The Council already seeks to obtain the maximum possible fee from

**OVERVIEW & SCRUTINY COMMITTEE – January 2013
BUDGET SCRUTINY RECOMMENDATIONS**

	integration in order to improve outcomes for service users and improved financial efficiency. <i>(Health and Social Care Integration)</i>	
6.	<i>Public Health</i> - The Panel understands that the Public Health budget is not yet available and looks forward to receiving the Public Health budget when it becomes available in order to allow the Panel to scrutinise the proposals as per its constitutional duty.	A report on the new Public Health budget for 2013/14 is planned to be discussed by Cabinet in March 2013. Cabinet are content that, once approved, the report is passed to Overview and Scrutiny for further consideration.
COMMUNITIES SCRUTINY PANEL RECOMMENDATIONS		
1.	That the option of obtaining external grant funding from appropriate national bodies with a role in sport promotion and, in particular, swimming, be explored. (P7)	The Cabinet approves this recommendation. The service has successfully secured a range of external grant funding to support service provision and will continue to do so.
2.	It is recommended that the following options be explored fully to enable the continuation of the mobile library service; • Sharing responsibility with other service providers and, together with them, developing an integrated service; and • Developing a joint service with a neighbouring borough. (P9)	The existing saving proposal already allows time to explore alternative service provision for the most vulnerable clients, including shared service options, although not all neighbouring boroughs provide such a service.
3.	In view of Haringey's stated commitment in the last Governance Review to devolving decision making and greater involvement of the	The Enablement Team was established as part of the Single Frontline restructure, to fulfil the following roles:

**OVERVIEW & SCRUTINY COMMITTEE -- January 2013
BUDGET SCRUTINY RECOMMENDATIONS**

	be used as a model for other supported housing schemes. (A16)	such as the Campsbourne project.
3.	The Panel raised concerns that a Principal Policy Officer post in the Adult Commissioning service is being cut at a time of transition when these skills may be needed. The Panel therefore recommends that Public Health consider picking up the full funding of the post, at least during the forthcoming transitional period. (A17)	The Public Health Grant is ringfenced and can only be spent within agreed parameters. Furthermore, work to allocate the grant in the target areas is advanced. However, the Director of Public Health is committed to working closely with colleagues over the coming year to maximise synergies and achieve the optimum outcomes for public health of the Borough
4.	The Panel welcomes the NHS Grant and recognises that the service needs an injection of funding in order to manage the demographic changes and an increase in demand. The Panel therefore recommends that the full amount of money is given to Adults in all of the remaining years of the grant. The Panel also strongly supports making a further business case to ensure that the level of the NHS grant continues to keep pace with the increased pressures on the service and an increased demand. (NHS Grant to Support Care and Benefit Health)	The Cabinet approves this recommendation and has therefore included the additional grant funding announced within the Adults and Housing cash limit from 1 April 2013. This adjustment is included within the MTFP as set out in this report. Officers from Adults and Housing will continue to make best efforts to ensure funding from the NHS keeps pace with demand.
5.	The Panel is encouraged by the number of health and social care integrated services and recommends acceleration in the move to greater	Adults and Housing are working on further integration between health and social care services and will be happy to report on this further next year.

APPENDIX 6

**OVERVIEW & SCRUTINY COMMITTEE – January 2013
BUDGET SCRUTINY RECOMMENDATIONS**

		sessions on the budget run for members and commends their future use.
5.	OSC to undertake a review of property, split into four themes – Accommodation strategy; Heritage & Regeneration; Corporate Portfolio; and Community buildings.	The Cabinet approves this recommendation.
ADULTS AND HEALTH SCRUTINY PANEL RECOMMENDATIONS:		
1.	a) Any moves which are made in relation to the redesign of Adult social work assessment relating to Occupational therapy and social work assessment should focus on the integration of health and social care. b) The Council should be the lead authority on service provision. (A2)	Closer integration between Social Care and Health services is a leading priority for Adults and Community Services and will be a key design principle in all the Directorate's service transformation work. In integrating services the Directorate will take care that the best balance of control and efficiency is achieved. In many cases the Council will be the most appropriate lead provider; however there may be services for which a health lead would be more appropriate – for example in some more specialist provision where health expertise is greater. The Directorate will provide a full justification for all service reconfigurations.
2.	a) The move to enable more people with learning disabilities to live independently in the community is welcomed and the Panel looks forward to hearing further updates on progress. The Campsbourne model, which the Panel considered at its meeting in September, should	Officers from Adults and Housing will be happy to provide updates to future meetings. Officers will continue to build on and develop previous good practice

**OVERVIEW & SCRUTINY COMMITTEE -- January 2013
BUDGET SCRUTINY RECOMMENDATIONS**

The OSC RESOLVED that the following recommendations be presented to the Cabinet on 12th February 2013 in response to the draft Medium Term Financial Plan 2013/14-2015/16.

	Recommendations	Cabinet Response
	OVERVIEW AND SCRUTINY COMMITTEE RECOMMENDATIONS:	
1.	The Council accelerate work around Community Based Budgeting with a view to improving integrated services as well as making savings for council and partner agencies.	The Cabinet is presently not minded to accelerate work around Community Based Budgeting as more evidence of the benefits would need to be understood before progressing further. It is felt generally that there is more appetite from Councils to 'sell' services rather than to 'buy' them, so this limits opportunity.
2.	The Council renew efforts into Shared Services.	The Council still has a memorandum of agreement in place with the London Borough of Waltham Forest and is continuing to pursue opportunities. The point made above regarding selling services is also pertinent to Shared Services.
3.	Consideration be given to the outsourcing of sections of Haringey People with the intention of making it into a profit centre, whilst maintaining the Council's editorial control.	Haringey People currently generates advertising income of £35.5k per year which is used to offset against the overall production costs of the magazine. Each edition of Haringey People carries six pages of advertising. The rate card is being reviewed with a view to maximising paid for advertising in the magazine.
4.	Detailed information on savings / expenditure figures over certain thresholds (to be prescribed) be provided in future reports when scrutinising the budget.	The Cabinet would welcome a review of the budget scrutiny protocol for next year's process in the general spirit of improvement; it is also content for this recommendation to be included within the revised protocol. However, Cabinet is mindful of the significant resources required to undertake detailed budget scrutiny and requests that O&S considers both breadth and depth of subject when selecting areas for review. The Cabinet recognises the importance of the education

Budget Consultation 2013 – A Summary

1. Introduction

- 1.1. The Council's Budget Consultation ran from December 3, 2012 to January 21, 2013.
- 1.2. A full Budget Consultation report, including a copy of the presentation, a breakdown of all issues raised at meetings and through the questionnaire, a copy of the questionnaire, copies of correspondence received, the presentation given at meetings, and all questions, comments and answers will be published online on the Council's website in due course.

2. Public Meetings and Area Forums

- 2.1. Four dedicated Budget 2013-14 conversations were held:
 - 12 December 2012 at Bruce Castle Museum, Tottenham;
 - 19 December 2012 at the Royal British Legion, Muswell Hill;
 - 9 January 2013 at South Harringay Junior School; and,
 - 10 January 2013 at Jacksons Lane Arts Centre, Highgate.
- 2.2. The budget was also discussed on:
 - 15 January 2013 at Tottenham Area Forum, College of Haringey, Enfield and North East London, Tottenham
- 2.3. Some planned meetings were disrupted by the winter weather. To give residents further opportunity to comment, therefore, the budget was also discussed at the following two Area Forums, which fell outside of the identified consultation period:
 - 29 January 2013, Wood Green at the Cypriot Centre, Earlham Grove; and,
 - 31 January 2013, Crouch End, Hornsey and Stroud Green at Hornsey School for Girls.
- 2.4. Issues raised at these two late meetings have not been included in data charts in this report, but were taken on board by the Council and have been summarised below.
- 2.5. Meetings were promoted in the local press; advertised on the Council's website; through the 'Have your say' consultation web pages, and in the council's 'What's on?' and Area Forum meetings calendar. Posters and fliers were used for the dedicated Budget 2013 conversations.
- 2.6. Each budget conversation meeting included a short presentation by a senior Council officer on the Council's income, expenditure and current

and future challenges. This was followed by a presentation and question and answer session hosted by Cllr Joe Goldberg, cabinet Member for Finance and Carbon Reduction.

2.7. A total of 116 people attended the Budget 2013 Conversation and Area Forum meetings:

	Budget 2013 at Bruce Castle	Budget 2013 at The Royal British Legion	Budget 2013 at South Harringay Junior School	Budget 2013 at Studio 2 Jacksons Lane	Area Forum at the College of Haringey, Enfield and North East London	TOTAL PARTICIPANTS
Number of people	26	9	27	28	26	116

People raised 172 questions at these meetings about the following issues and services:

Questions related to:	Number of responses
Adults	6
Housing	23
Health	3
Leisure	4
Children's services	14
Place and Sustainability	44
Localism	4
Service improvement	7
Better use of assets	12
Council finance	11
Business rates	9
Fees and charges	3
Council Tax	8
Radical future thinking	7
Staff costs	13
Challenge the Government	4
TOTAL	172

A range of questions were asked and issues raised at each public meeting.

A complete breakdown of issues raised and responses given will be

published on the council website as part of the full Budget Consultation report in due course.

3. Tottenham (Bruce Castle Museum and the College of Haringey, Enfield and North East London):

- 3.1. The main issues raised at the meetings in Tottenham were the Spurs stadium development; jobs creation, and investment in parks and open spaces.**
- 3.2. The Spurs stadium-led regeneration of Tottenham is key to our plans to transform Tottenham and 'build back better' following the riots of the summer 2011. The stadium will bring around £400million investment into the area and forms part of the council's Plan for Tottenham, which will see the High Road, Seven Sisters, West Green Road, Tottenham Hale and Northumberland Park regenerated. The regeneration of Tottenham will bring new jobs, new homes and a stronger local economy.**
- 3.3. The Council is committed to supporting the local economy and helping to create local jobs for local people. Regeneration of key sites will help generate more employment. Through the Jobs for Haringey programme and Haringey Jobs Fund, we are creating hundreds of sustainable jobs and training opportunities for local residents.**
- 3.4. The Council is committed to maintaining the green flag status of our parks and open spaces, and have invested in a number of improvements. We will continue to explore options for investment in the borough's parks.**

4. Muswell Hill (Royal British Legion):

- 4.1. The main issue raised at Muswell Hill was general funding of council services in the future against a climate of ongoing budget cuts.**
- 4.2. Government funding cuts continue have had a major impact on the Council's budget and we anticipate further cuts to our budget in the coming years. Core services and frontline support for the most vulnerable in our communities remain our priority. Wherever possible, we are making cuts to back office functions and we are constantly exploring new ways of working to increase efficiency, deliver more for less and protect services for residents.**

5. St Ann's & Haringay (South Haringay Primary School):

- 5.1. The main issues raised in St Ann's and Haringay were HMOs and housing concerns and the potential impact of the Spurs stadium development.**
- 5.2. The Council has introduced additional licensing requirements for HMOs and will be increasing enforcement across the borough. We are also**

exploring the possibility of a good landlord scheme to target rogue landlords.

5.3. The Council believes that the Spurs stadium development is key to the future regeneration and transformation of Tottenham.

6. Highgate (Jacksons Lane)

6.1. **The main issues raised in Highgate were youth provision; school funding and Council Tax benefit.**

6.2. The council is committed to supporting young people, especially the most vulnerable in the borough. As well as safeguarding, the Council's spending on youth services includes after-school and holiday activities, and schemes to reduce youth unemployment.

6.3. Schools' budgets are set in agreement with the Schools' Forum, which has members representing all of the borough's schools so that together they can agree the fairest way to distribute funding.

6.4. The government has abolished Council Tax benefit. Haringey's new Council Tax reduction scheme has been approved by full Council.

7. Hornsey & Crouch End Area Forum

7.1. **The main issues raised at Hornsey and Crouch End were making the best use of public spaces such as libraries and parks, and early years services for children and young people.**

7.2. We are committed to maintaining the green flag status of our parks and open spaces and have invested in a number of improvements. We will continue to explore options for investment in the borough's parks.

7.3. All of Haringey's nine public libraries remain open, and we have no plans to close any of them. We are looking into expanding what's on offer at libraries, so that we can make the best use of them as a community resource.

7.4. We are committed to ensuring that all of our young people have the best possible start in life through excellent early years support and schools.

8. Wood Green Area Forum

8.1. **The main issues raised at Wood Green were inequality of funding for Haringey compared to inner London boroughs and planning issues – in particular around the site at Pinkham Way.**

8.2. We meet regularly with government ministers, civil servants and the Mayor of London to discuss issues affecting Haringey and to press for

fairer funding.

8.3. The North London Waste Authority (NLWA) has withdrawn its planning application for a waste processing plant at Pinkham Way. The NLWA is in the process of developing a new waste plan for North London.

9. General issues raised across meetings

9.1. In addition to specific issues raised at individual meetings, Haringey Council Tax – including Council Tax levels and the Council Tax reduction scheme – were a common theme across the meetings. The majority of those who attended the meetings agreed with the Council's proposal to freeze Council Tax for the fourth consecutive year in 2013/14.

9.2. A number of residents also raised concerns about the impact of welfare reform, the benefits cap and the introduction of Universal Credit.

9.3. We want to do all we can to support those affected by the benefits cap and are working in close partnership with the Citizens Advice Bureau to make sure people have the right advice and information to help them cope with the changes.

9.4. Government funding cuts have a major impact on the Council's budget. We are constantly exploring new ways of working to increase efficiency, deliver more for less and protect services for residents.

10. Online consultation

10.1. The Council created three web pages containing the following:

- An introduction to the Budget by Cllr Joe Goldberg, Cabinet Member for Finance and carbon Reduction;
- Information about how the Council spends the money it gets across four service areas and its Council Tax plans for the coming year;
- Adults, Public Health, Children's Services and Place and Sustainability priorities; and,
- Information about budget conversations and other ways people could have their say.

10.2. An online questionnaire, accessible from these pages, asked people what they thought should be prioritised in the areas of Adults Services, Public Health, Children and Young People's Services and Place and Sustainability.

10.3. It also asked people whether or not they agreed with plans to freeze Council Tax for 2013/14, and their views about cutting support services to protect the frontline.

10.4. 68 questionnaires were completed: 56 online and 12 paper copies.

The following tables summarise the results.

A full breakdown of comments made on the online and paper questionnaire will be included in the Budget Consultation report, which will be published online on the council's website in due course.

Paper Questionnaire results

Question 1

Do you agree that it is right for us to freeze council tax for all Haringey residents for 2013/14?	%
Agree	57
Neither	12
Do not agree	29
No reply	2
TOTAL	100

Question 2

Do you agree that it is right for us to prioritise cuts to administrative functions such as IT, communications, finance and legal services?	%
Agree	77
Neither	16
Do not agree	6
No reply	1
TOTAL	100

Question 3: Which areas of Adults and Housing Services and Public Health do you think we should prioritise?

The following comments were made – the most cited are shaded:

Service area	No.	%
Services for vulnerable people	20	37
Housing	9	17
Public Health Services	9	17
Homelessness	8	15
Protect all Adults and Public Health Services	4	7
Do not spend money on housing	2	4
Other	2	4
TOTAL	54	100

Question 4: Which areas of Children and Young People's services do you think we should priorities?

The following comments were made – the most cited are shaded:

	No.	%
Schools and children's centres (inc. early years)	19	22
Children's safeguarding	17	20
Services for young people	14	16
Services for children	7	8
Fostering	5	6
School places	5	6
Special education services	5	6
Do not prioritise services for children and young people	5	6
Protect all services for children and young people	4	5
Children's health services	1	1
Other	3	4
TOTAL	85	100

Question 5: Which areas of Place and Sustainability do you think we should prioritise?

The following comments were made – the most cited are shaded:

	No.	%
Waste and recycling services	23	26
Prioritise regeneration and economic development	18	20
Do not prioritise	11	12
Parks and open spaces	10	11
Libraries and leisure centres	10	11
Highways	3	3
Protect services provided by Place and Sustainability	3	3
Job Creation	3	3
Traffic calming	1	1
Other	8	9
TOTAL	90	100

Two Scrutiny Committees considered the 2013/14 Budget:

December 11, 2012

December 17, 2012

Details of these meetings were available online and in the printed questionnaire. Minutes of all scrutiny meetings are available at:

<http://www.minutes.haringey.gov.uk/mgCommitteeDetails.aspx?ID=128>

Emails, letters, notes and website feedback
We received the following:

Format	Number received
Emails	10
Letters	1
Note at public meeting	1
Website feedback	15
