Haringey Council

Summons to Attend

Full Council

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To: The Mayor and Councillors of Haringey Council.

Dear Sir/Madam,

A meeting of the Council of the London Borough of Haringey will be held at the Civic Centre, High Road, Wood Green, N22 8LE on WEDNESDAY, 26TH FEBRUARY, 2014 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 5-7 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.

5. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COUNCIL HELD ON 18 NOVEMBER 2013 (PAGES 1 - 12)

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

7. TO RECEIVE THE REPORT OF THE CHIEF EXECUTIVE (PAGES 13 - 24)

(i) Record of decisions taken under urgency procedures or delegated authority
(ii) Designation of the Council's Chief Financial Officer, Monitoring Officer, and Scrutiny Officer

8. TO RECEIVE THE REPORT OF THE ASSISTANT DIRECTOR - CORPORATE GOVERNANCE AND MONITORING OFFICER (PAGES 25 - 28)

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 29 - 58)

a) Corporate Committee – Report No.3 - 2013/14

11. MEDIUM TERM FINANCIAL PLANNING FOR 2014/15 - 2016/17 (PAGES 59 - 158)

To consider the report in respect of Medium Term Financial Planning for 2014/15 - 2016/17 and to agree the Council Tax for 2014/15

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

Tuesday, 18 February 2014

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MINUTES OF THE FULL COUNCIL
MONDAY, 18 NOVEMBER 2013

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

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CNCL64.	**TO RECEIVE APOLOGIES FOR ABSENCE** Apologies for absence were received from Councillors Bloch, Brabazon, Bull, Erskine, and Stewart, and for lateness from Councillor Cooke, and Reid. The Mayor sought the meeting's agreement to the variation of agenda business as follows : to consider Item 10 – The Children and Young Peoples Plan in conjunction with Item 9 C - Reports of Committees – report of the Cabinet – 12/11/13. The Mayor hoped that Members would appreciate that her attempts to vary the agenda were in order to ensure that maximum time was given to items. The variation was agreed nemine contradicente. **NOTED**	
CNCL65.	**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 Chief Executive advised that there were two late items of business, which could not be available earlier, and which would need to be dealt with at the meeting. <u>Item 9 – To receive reports from the following Bodies</u> <u>Report No 2 2013/14 of the Cabinet 12 November 2013</u> The Chief Executive advised that the report was late for consideration and could not be forwarded to Full Council until Cabinet had met on 12 November 2013 and agreed recommendations for full Council in	

	respect of the Armed Forces Covenant, The Children's and Young Peoples Plan, and the Social Housing Fraud Act 2013. 14 – Questions and Written Answers The Chief Executive 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 **MOVED** and it was agreed nemine contradicente that both Items 9c and 14 be admitted. **NOTED**	
CNCL66.	**DECLARATIONS OF INTEREST** The Chief Executive advised that he had received two advance notices of declarations of interest. Councillor Canver gave advance notice of a personal interest as a member of the car club (zipcar) in the borough. Councillor Adje gave advance notice of a personal interest in Item 11 as an LFB employee on the CT scheme as a precept organisation. **NOTED**	
CNCL67.	**TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COUNCIL HELD ON 15 JULY 2013** **RESOLVED:** That the minutes of the meeting of the Council held on 15 July 2013 be signed as a true record.	
CNCL68.	**TO RECEIVE SUCH COMMUNICATIONS AS THE MAYOR MAY LAY BEFORE THE COUNCIL** **i.** The Mayor announced that she was very pleased to welcome and congratulate Anoria Simmons of Devonshire Hill Primary School on winning the Pearson Teaching award 2013 "Teacher of the Year in a Primary School Award". The Mayor also welcomed Julie D'Abreu, Head Teacher of Devonshire Hill Primary School who nominated Anoria for the award. The Mayor advised that Anoria has dedicated her career, her enthusiasm and her boundless energy to improving the life chances of the pupils who attend Devonshire Hill School. Her focus was teaching maths, but she sets	

challenging targets across the whole curriculum and then supported the children to achieve and exceed their own personal best.

Councillor Waters – Cabinet Member for Children also spoke of the achievements of Anoria Simmons in her excellent work.

The Mayor presented the Award to Anoria Simmons and the Council gave a round of applause.

ii. Armed Forces Community Covenant Event

The Mayor reported that on 7 November 2013 she had been pleased to sign the Act of Covenant of the national Armed Forces Community Covenant, and advised that the community covenant was a voluntary statement of mutual support between a civilian community and its local Armed Forces Community. The covenant was designed as a statement of intent, and it was not a legal contract**.** The Mayor advised that the covenant aimed to:

- encourage local communities to support the armed forces in their areas and to nurture public understanding and awareness among the public of issues affecting the armed forces community
- recognise and remember the sacrifices made by the armed forces community
- encourage activities which help to integrate the armed forces into local life
- encourage the armed forces community to help and support the wider community, whether through participation in events and joint projects, or other forms of engagement.

iii. Remembrance

The Mayor advised that on 8 November 2013 she had attended together with her consort, the Remembrance Day service at City Hall.

The Mayor also advised that on 9 November 2013 she attended with her consort, and family, The Chief Executive of Haringey, DL Rosemary Warne, Lynne Featherstone MP, Joanne McCartney and fellow councillors the Jewish Civic Service at Muswell Hill Synagogue.

The Mayor reported that on 10 November 2013 **,** she had been pleased to attend the Remembrance Day Service in Tottenham, along with many fellow Councillors, the Borough Commander of the Police - Victor Olisa, and members of other Faiths, who took part in the service. The Mayor informed the meeting that Cllr Amin took the service in Wood Green and Cllr Griffith in Hornsey.

The Mayor reported that on 11 November 2013, she had held a Remembrance Service in Tottenham Cemetery, where 300 hundred children were present, plus many pensioners, together with the DL Rosemary Warne.

iv. The Mayor advised that she was saddened to report the deaths of Blair Greaves, Ralph Straker and Len Snow ,

The Death of Blaire Greaves

The Mayor informed the meeting of the death of Ex Councillor Blair Greaves, and advised that Blair had been an active and effective Councillor as well as being, she believed, the first black Conservative Cllr in Haringey.

The Mayor invited Councillor Stennett wished to speak in memory of Blaire.

Councillor Stennett spoke of both personal family, and civic memories of former Councillor Blaire Greaves.

The Mayor invited Peter Forrest - Chairman Hornsey & Wood Green Conservatives, who then addressed the meeting for a few moments in memory of former Councillor Blaire Greaves.

Councillor Winskill also paid tribute to former Councillor Blaire Greaves and his work as a Councillor.

The Mayor gave details of the Funeral service which would be at 10.45 (for 11.00) at the Union Church, 143 Ferme Park Road N8 9SG (junc of Weston Park), on November 22, 2013 .

On behalf of the Council the Mayor passed the meeting's condolences to the family of Blaire Greaves.

The Death of Ralph Straker

The Mayor reported death of Ralph Straker OBE, BSM, JP (77) who had passed away on 12th October 2013 after a four year illness, from Parkinson's Disease.

The Mayor asked Councillor Griffith to say a few words in memory of Ralph.

Councillor Griffith informed the meeting that who came from Barbados at the age of 21 was a powerful and influential figure in the Caribbean Community, and had started life in Britain as a bus conductor at Finchley Bus Garage and then went on to make significant contributions in Race Relations in Southwark, Hackney and Haringey (Race Relations Advisor). Councillor Griffith reported that Ralph also served as a Verger at St Paul's in Finchley for 45 years, a Justice of the Peace Westminster and an outstanding Toastmaster, nationally. Amongst the accolades received by Ralph were: The OBE for Services to the Community, The Barbados Service Medal for his work amongst Barbadians in London and the St Mellitus Medal in 2011 in recognition of his substantial contribution to the Christian Life of London. Councillor Griffith advised that Memorial Services had been held for Ralph at St Paul's Finchley on Tuesday 5th and Saturday 9th November 2013 at St Mark's Dalston, respectively, where hundreds of people attended to pay their respects. The body was flown to Barbados for burial. Ralph left a wife (Monica) and three daughters, Carol, Diana and Jean.

On behalf of the Council the Mayor passed the meeting's condolences to the family of Ralph Straker. .

The Death of Len Snow

The Mayor, with sadness reported death of Len Snow, the previous Mayor of Camden, long time friend of many Haringey Mayors.

The Mayor asked and Full Council stood for 1 minutes silence in memory of Blair Greaves, Ralph Straker, and Len Snow.

NOTED

CNCL69. TO RECEIVE THE REPORT OF THE CHIEF EXECUTIVE

The Chief Executive advised that in respect of his reports before the meeting for consideration, the report marked A reported to Full Council decisions taken under urgency procedures and delegated authority and was for noting, and the report marked B reports to Full Council amendments to the Constitution and the Officer Scheme of delegation and seeks approval of these amendments.

The Chief Whip moved and it was:

RESOLVED

	That the circulated report marked A reporting to Full Council decisions taken under urgency procedures and delegated authority be noted , and the circulated report marked B reporting to Full Council amendments to the Constitution and the Officer Scheme of delegation be agreed.	
CNCL70.	**TO RECEIVE THE REPORT OF THE MONITORING OFFICER AND HEAD OF LEGAL SERVICES** There were no matters to report.	
CNCL71.	**TO MAKE APPOINTMENTS TO OUTSIDE BODIES** There were no appointments to outside bodies.	
CNCL72.	**TO RECEIVE REPORTS FROM THE FOLLOWING BODIES** At this point in the proceedings the Mayor advised of her earlier advice of a variation in the order of proceedings to consider Item 9c – Reports of Committees in conjunction with Item 10 – The Children and Young People's Plan. **a. Corporate Committee Report No 2 2013/14** Councillor Meehan – Chair of the Corporate Committee briefly introduced the report of the Corporate Committee of 19 September 2013 in respect of the Treasury Management 2013/14 Mid Year Activity & Performance Update and **MOVED** the adoption of the recommendations contained therein. **RESOLVED** That the Treasury Management activity undertaken during the first part of 2013/14 and the performance achieved be noted. **b. Overview and Scrutiny Committee Report No 1 2013/14** Councillor Winskill – Vice-Chair of the Overview and Scrutiny Committee moved the report of the Overview and Scrutiny Committee of 4 November 2013 recommending the appointment or entering into a Joint Health Overview & Scrutiny Committee that included the London Borough of Haringey and the other boroughs for the purpose of responding to the consultation by NHS England on proposals to reconfigure cancer and cardial services across North Central and North East London. **RESOLVED**	

i. That Full Council appoint or enter into a Joint Health Overview & Scrutiny Committee that includes the London Borough of Haringey and the other boroughs for the purpose of responding to the consultation by NHS England on proposals to reconfigure cancer and cardial services across North Central and North East London; and .

ii. That the Terms of Reference and Functions of Overview & Scrutiny Committee in the Constitution be amended (as detailed in appendix 1 of the report), to include the power to enter into or appoint such Joint Overview & Scrutiny Committees that include the London Borough of Haringey and other boroughs for the purpose of responding to consultation by NHS bodies on proposals for substantial variations or developments in the provision of health services, and that this shall apply to future proposals that require the appointment of such Joint Overview & Scrutiny Committees.

c. Cabinet – Report No 2 - 2013-14 – reference – (i) Armed Forces Covenant (ii) Prevention of Social Housing Fraud Act 2013;RIPA 200 and Benefit Fraud – Delegation of Functions (iii) The Children and Young people's Plan

Councillor Kober, MOVED the part of the Cabinet report in respect of Armed Forces Covenant and Social Housing Fraud Act 2013.

The MOTION was carried nemine contradicente.

The Mayor advised that 10 in conjunction would now be taken with the part of the Cabinet report relating to the Children and Young Peoples Plan, and asked that Councillor Waters speak on this part of the report and agenda item 10*.*

Councillor Waters briefly introduced and spoke in respect of Item 10 – The Children and Young people's Plan, and MOVED the recommendations as contained therein.

Councillor Reece asked and Councillor Waters responded to questions pertaining to the plan.

The MOTION was carried nemine contradicente.

RESOLVED

i. That the Armed Forces Community Covenant, as considered and agreed by Cabinet on 12 November 2103, be endorsed;

ii. That in respect of the Prevention of Social Housing Fraud

	Act 2013;RIPA 200 and Benefit Fraud – Delegation of Functions – the changes to the delegation to officers and consequent changes to the Constitution as agreed by Cabinet on 12 November 2013 be noted; and iii. That in respect of the recommendation from Cabinet on 12 November 2013 in respect of the Children and Young People's Plan to consider its adoption, approval be given to the adoption of the Children and Young People's Plan.	
CNCL73.	**THE CHILDREN AND YOUNG PEOPLE'S PLAN** **SEE ITEM 9 ABOVE**	
CNCL74.	**COUNCIL TAX REDUCTION SCHEME 2014/15** The Chief Whip **MOVED** the recommendations in the report. Councillor Strang spoke on the item and Councillor Goldberg responded. On a vote there being 30 for and 19 against it was: **RESOLVED** i. That having taken into account the Equalities Impact Assessment as detailed in Appendix B of the report, that the Council Tax Reduction Scheme agreed for 2013/14, be not revised for 2014/15; ii. That the Scheme as set out in Appendix C of the report be continued to be implemented for 2014/15 and that the principles of the Council Tax Reduction Scheme, as summarised in Section 6 of the report continue in respect of all working claimants, meaning an overall reduction of Council Tax support of 19.8%, which would remain at the same level of support as 2013/14; and iii. That authority be given to the Assistant Chief Executive, and Head of Revenue, Benefits & Customer Services to take all appropriate steps to implement and administer the Scheme.	
CNCL75.	**THIRD ANNUAL CARBON REPORT 2013** Following a brief introduction of the circulated report and a power point presentation by Councillor Goldberg – Cabinet Member for Finance, Employment and Carbon Reduction, and comments from Members, it was	

	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; and ii. that the issues and comments raised by the Third Annual Carbon report be noted and the Council's full support be given to implementing the recommendations of the Carbon Commission and that all Members provide their full support to leading action in their community.	
CNCL76.	**TO CONSIDER REQUESTS TO RECEIVE DEPUTATIONS AND/OR PETITIONS AND, IF APPROVED, TO RECEIVE THEM** **There were two deputations to address the meeting.** The first deputation was received from Mr Mario Petrou regarding St Ann's future. Members asked questions of the deputation and received responses thereto. The Cabinet Member for Regeneration and Housing responded to the deputation. The second deputation was received from Ms Theodosia Stylianou from the Greek Cypriot Women's Organisation regarding the current issue concerning the occupancy of the Haringey Grove Community Centre based at Denmark Road, N8 ONL. Members asked questions of the deputation and received responses thereto. The Cabinet Member for Finance, Employment and Carbon Reduction responded to the deputation. The Mayor thanked the two deputees for their attendance. **NOTED**	
CNCL77.	**TO ANSWER QUESTIONS, IF ANY, IN ACCORDANCE WITH COUNCIL RULES OF PROCEDURE NOS. 9 & 10** There were two deputations to address the meeting. The first deputation was received from Mr Mario Petrou regarding St Ann's future. Members asked questions of the deputation and received responses	

	thereto. The Cabinet Member for Regeneration and Housing responded to the deputation. The second deputation was received from Ms Theodosia Stylianou from the Greek Cypriot Women's Organisation regarding the current issue concerning the occupancy of the Haringey Grove Community Centre based at Denmark Road, N8 ONL. Members asked questions of the deputation and received responses thereto. The Cabinet Member for Finance, Employment and Carbon Reduction responded to the deputation. The Mayor thanked the two deputees for their attendance. **NOTED**	
CNCL78.	**HARINGEY DEBATE - THE URGENT NEED TO IMPROVE PLANNING, PLANNING ENFORCEMENT AND BUILDING CONTROL IN HARINGEY** The Chief Executive outlined the procedure for the seventh occasion where the Council had a Haringey Debate. The Opposition spokesperson – Cllr Jenks introduced the debate topic. The Mayor welcomed Chris Mason- Chair of Crouch End and Hornsey Conservation Area Advisory Committee, and Rachella Sinclair - Secretary of the Noel Park Conservation Area Advisory Committee to the Council meeting . Chris Mason, and Rachella Sinclair each then addressed the meeting for a period of 5 minutes. Following their personal addresses, the Mayor thanked Chris Mason, and Rachella Sinclair for their addresses and they received a round of applause. The Mayor then advised (at 21.33hrs) that give the lateness of the evening the debate time would be for approx 30/40 minutes and not the usual 45 minutes allowed for debates, with a maximum of 3 minutes speaking time for each speaker. A debate then took place, with contributions from Cllr McNamara, Cllr Solomon, and Cllr Demirci. Following concerns expressed by Cllr Kober, with regard to the debate finishing after 22.00hrs, and advice given by the Monitoring Officer in respect of the Mayor's prerogative in ruling on an extension of the debate beyond 22.00hrs the Mayor advised that in	

	accordance with Part Four Section A –Council procedure rules – point 8.1 (i) she would extend the debate for a further 10 minutes after 22.00hrs. The Mayor also advised that she would allow the two remaining speakers to speak for 2 minutes only, followed by a 2 minute response by the Cabinet member for Planning and Enforcement – Councillor Ejiofor, with a summing up for 2 minutes by Cllr Jenks. Councillor Schmitz spoke for 2 minutes, and Cllr Meehan declined to speak. Councillor Ejiofor then briefly commented on the detail/issues for a 2 minute period. The Mayor asked that Councillor Jenks give his closing comments. Councillor Jenks advised that he would forego his right to speak in favour of Councillor Wilson. The Mayor advised that there had been no notice of this intention on Councillor Jenks behalf therefore Councillor Wilson would not be allowed to speak. The Mayor then closed the debate and thanked members for their contributions.	
CNCL79.	**TO CONSIDER THE FOLLOWING MOTIONS IN ACCORDANCE WITH COUNCIL RULES OF PROCEDURE NO. 13** Due to the late hour Motions B &C were not considered.	

The meeting ended at 22.05hrs.

COUNCILLOR SHEILA PEACOCK

Mayor

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Agenda Item 7

Haringey Council

Report for:	Council 26 FEBRUARY 2014	Item number	7(i)

Title:	RECORD OF DECISIONS TAKEN UNDER URGENCY PROCEDURES OR DELEGATED AUTHORITY

Report authorised by :	Chief Executive

Lead Officer:	Clifford Hart, Democratic Services Manager Tel: 0208 489 2920

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

1. Describe the issue under consideration

To note decisions taken by the Chief Executive in concurrence with the Mayor, and Deputy Mayor, in accordance with Part 3 Section E paragraph 4.03 of the Constitution during December 2013.

2. Cabinet Member Introduction

N/A

3. Recommendations

3.1 That Full Council note the attached reports marked A in relation to decisions taken by the Chief Executive in concurrence with the Mayor, in accordance with Part 3 Section E paragraph 4.03 of the Constitution since the last meeting of Full Council on 18 November 2013.

Haringey Council

4. Background information

4.1 The Annual General Meeting of the Full Council appoints Committees of the Council in accordance with Articles 4.02 and 11.08 of the Constitution.

4.2 Changes to appointments can be made at any stage during the Municipal Year with the changes being reported to the Council as appropriate. Following the resignation of Cllr Gibson from the Standards Committee,in early December 2013, a proposed appointment to the vacancy was reported to the Chief Executive for confirmation in consultation with the Mayor, in accordance with Part 3 Section E paragraph 4.03 of the Constitution, and is now reported to the Council for noting.

5. Comments of the Assistant Director of Corporate Governance , and Monitoring Officer and Legal Implications

5.1 The legal and constitutional implications are set out in the body of this and the appended reports.

6. Comments of the Chief Financial Officer and Financial Implications

6.1 The Chief Finance Officer has been consulted on the contents of this report and has no additional comments to add.

7. Local Government (Access to Information) Act 1985

Background papers

Local Government and Housing Act 1989.
Local Government (Committees and Political Groups) Regulations 1990
Local Government Act 2000.
Report to Annual Council on Committee Appointments – 21/05/12

The background papers are located at River Park House, 225 High Road, Wood Green, London N22 8HQ.

To inspect them or to discuss this report further, please contact Clifford Hart on 0208 489 2920.

8. Equalities and Community Cohesion Comments

Haringey Council

8.1 The Council has a public sector equality duty under S149 of the Equality Act 2010 to have due regard to need to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who those characteristics and people who do not.

8.2 Policy and Equalities Team have been consulted in the preparation of this report and they comment that the proposals outlined in this report carry no apparent implications for the any aspect of duty outlined above.

'A'

RECORD OF DECISION TAKEN UNDER URGENCY PROCEDURES OR DELEGATED AUTHORITY

All requests for action to be taken in accordance with established urgency procedures or delegated authority must be accompanied by an appropriate report setting out all relevant considerations, in particular legal and financial considerations, and with a clear recommendation[s] for action, in order for an appropriate decision to be taken in accordance with the provisions of current legislation.

Log No.

Ward(s) affected: N/A

Title of Report:
Changes to the Cabinet and appointments to outside bodies

Reason for urgency or
relevant paragraph for authority under scheme of delegation:

In accordance with Part 3 Section E paragraph 4.03 of the Constitution, these changes can be confirmed by the Chief Executive in consultation with the Mayor, and reported up to Full Council at the next opportunity.

Decision of Chief Executive

I approve the recommendation as set out in the attached report.

Signature N. Walker **Date** 19/12/13

Concurrence of the Mayor

I concur with the above decision.

Signature S S Peacock **Date** 20/12/13

Once signed by the Chief Officer this cover sheet together with the substantive report must be forwarded to the Cabinet Committees Team - Level 7, River Park House - for processing. All requests for action to be taken in accordance with urgency procedures must be dealt with in this way to ensure that the Council complies with the necessary legal requirements. Thank you for your co-operation.

Haringey Council

Report for:	THE CHIEF EXECUTIVE 19 December 2013	Item number	N/A

Title:	Appointment to the Standards Committee

Report authorised by :	Bernie Ryan, Head of Legal Services and Monitoring Officer Bernie Ryan

Lead Officer:	Victoria Wyatt, Senior Corporate Lawyer Tel: 0208 489 4636

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

1. Describe the issue under consideration

1.1 To advise the Chief Executive of changes to the Standards Committee and to seek confirmation of the appointment.

2. Cabinet Member Introduction

N/A

3. Recommendations

3.1 That Councillor Gibson's resignation from the Standards Committee be noted;

3.2 That, in consultation with the Mayor, the appointment of Councillor Amin to the Standards Committee be confirmed;

Haringey Council

3.3 That the appointment to the Standards Committee be reported to the next meeting of the Full Council.

4. Background information

4.1 The Annual General Meeting of the Full Council appoints Committees of the Council, in accordance with Articles 4.02 and 11.08 of the Constitution.

4.2 Changes to appointments can be made at any stage during the Municipal Year with the changes being reported to the Council as appropriate. Pending the next meeting of the Full Council these changes are being reported to the Chief Executive for confirmation in consultation with the Mayor, in accordance with Part 3 Section E paragraph 4.03 of the Constitution.

4.3 Councillor Gibson has resigned from the Standards Committee. It has been confirmed by the Labour party whip, Councillor Egan, that her successor is Councillor Amin, until the end of the Municipal Year 2013/14.

4.4 Accordingly, the Chief Executive in consultation with the Mayor is asked to confirm the following changes:

(a) **Standards Committee** – politically proportionate appointment:

Councillor Gibson is retired and Councillor Amin is appointed

5. Comments of the Chief Financial Officer and Financial Implications

N/A

6. Head of Legal Services and Legal Implications

6.1 The legal and constitutional implications are set out in the body of the report.

7. Local Government (Access to Information) Act 1985

N/A

8. Equalities and Community Cohesion Comments

N/A

Haringey Council

Report for:	Full Council 26th February 2014	Item Number:	7 (ii)

Title:	Designation of the Council's Chief Financial Officer, Monitoring Officer and Scrutiny Officer

Report Authorised by:	Nick Walkley – Chief Executive and Head of Paid Service

Lead Officer:	Paul Smith - Human Resources

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

1. Describe the issue under consideration

1.1 The purpose of this report is to designate the following statutory officers as required by legislation:

- The Monitoring Officer
- The Section 151 / Chief Finance Officer

1.2 As provided for at Article 12.01(c) of the Council's Constitution , Full Council is requried to designate officer posts with these responsibilities.

1.3 In accordance with the Localism Act 2011 the Council is also requried to designate one of its officers as the Council's Scrutiny Officer.

2. Cabinet Member introduction

N/A

3. Recommendations

It is recommended that the Council:

Haringey Council

3.1 Designate the post of Assistant Director of Corporate Governance as the Council's Monitoring Officer as required under Section 5 of the Local Government & Housing Act 1989

3.2 Designate the post of Assistant Director Finance as the Chief Finance Officer as required under Section 151 of the Local Government Act 1972

3.3 Designate the Deputy Chief Executive as the Council's Scrutiny Officer as required under Section 9FB of the Localism Act 2011.

4. Alternative options considered

4.1 This is a statutory requirement upon the Council.

5. Background information

5.1. Following a review of the senior management structure the Council needs to designate specific posts as statutory officers as follows:

Monitoring Officer

5.2. The Council is required by section 5 of the Local Government and Housing Act 1989 to designate one of its officers to be known as the Monitoring Officer, to be the officer responsible for performing the duties imposed by section 5 of that Act. Further functions are allocated to the Monitoring Officer by other legislation and by delegation by the Authority, primarily in relation to member conduct and corporate governance.

5.3. Under the 1989 Act the officer designated cannot also be the authority's Head of the Paid Service or Chief Finance Officer. Section 5A (10) provides that "the duties of an authority's Monitoring Officer under this section shall be performed by him personally or, where he is unable to act owing to absence or illness, personally by such member of his staff as he has for the time being nominated as his deputy for the purposes of this section".

5.4. Previously the post of Head of Legal Services was the Council's Monitoring Officer. This post was deleted in the restructure and replaced by the post of Assistant Director of Corporate Governance. Therefore, it is proposed that this post be designated as the Council's Monitoring Officer. The previous Head of Legal Services, Bernie Ryan, has been appointed to the post of Assistant Director of Corporate Governance with effect from 7th January 2014

Chief Finance Officer

Haringey Council

5.5. Section 151 Local Government Act 1972 states that the Council is required to 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. In accordance with section 114 Local Government Finance Act 1988, this officer is to be known as the Chief Finance Officer and is responsible for performing the duties imposed by that section. Section 113 of the Local Government Finance Act 1988 requires the person to be a member of a specified accounting body, namely a professionally qualified accountant.

5.6. The post of Director of Corporate Resources was previously designated with the statutory responsibilities of section 151 of the 1972 Act. Following deletion of this post as part of the senior management restructure, in November 2013 the Chief Executive and Head of the Paid Service acting in consultation with the Mayor under Part 3 of the Council's Constitution designated the post of Assistant Director Finance as the Council's Chief Finance Officer on a temporary basis, until this meeting. It is therefore proposed that this post be formally designated by members as the Chief Finance Officer. Kevin Bartle is appointed as Assistant Director Finance. This designation of this post as Chief Finance Officer will be reviewed once the Chief Operating Officer has been appointed to.

5.7. In accordance with section 114 Local Government Finance Act 1988, the Chief Finance Officer is also able to nominate a suitably financially qualified person to act on their behalf, as Deputy, when the Chief Finance Officer is unable to act due to absence or illness.

Scrutiny Officer

5.8. Under Section 9FB of the Localism Act 2011, the Council is required to designate one of its officers, to be known as its Scrutiny Officer, responsible for the following functions—

(a) to promote the role of the authority's overview and scrutiny committee or committees,
(b) to provide support to the authority's overview and scrutiny committee or committees and the members of that committee or those committees,
(c) to provide support and guidance to—
  (i) members of the authority,
  (ii) members of the executive of the authority, and
  (iii) officers of the authority,

in relation to the functions of the authority's overview and scrutiny committee or committees.

5.9. Under the above Act this post cannot be the Head of the Paid Service, Chief Finance Officer or Monitoring Officer. The Assistant Chief Executive was previously the Scrutiny Officer. However this post has been deleted in the senior management restructure.

Haringey Council

5.10. Accordingly it is now proposed that the post of Deputy Chief Executive be formally designated as the Scrutiny Officer.

6. Comments of the Chief Finance Officer and financial implications

There are no financial implications arising from this report.

7. Assistant Director of Corporate Governance Comments and legal implications

The legal and constitutional implications are set out in the body of the report.

8. Equalities and Community Cohesion Comments

N/A

9. Head of Procurement Comments

N/A

10. Policy Implication

N/A

11. Reasons for Decision

11.1. The Council is obliged to designate these Statutory Posts under the legislation set out in section 5 of this report.

12. Use of Appendices

N/A

13. Local Government (Access to Information) Act 1985

N/A

Haringey Council

Report for:	Full Council on 26 February 2014	**Item Number:**	

Title:	Report on the outcome of the Standards Committee Hearing Sub-Committee 22nd January 2014 – Complaint SC001/1213

Report Authorised by:	Bernie Ryan, Assistant Director Corporate Governance and Monitoring Officer

Lead Officer:	Bernie Ryan, Assistant Director Corporate Governance and Monitoring Officer Bernie Ryan

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

1. **Describe the issue under consideration**

1.1 To inform the Council Meeting of the decision taken by the Standards Committee Hearing Sub-Committee on 22 January 2014 in response to a complaint made against an elected Member of the Council.

2. **Cabinet Member introduction**

N/A

3. **Recommendations**

3.1 That the Council note the decision taken by the Standards Committee Hearing Sub-Committee on 22nd January 2014 as part of the Standards Committee's responsibility to determine complaints of breach of the Code of Conduct made against Members of this Council.

Haringey Council

4. Other options considered

N/A

5. Background information

5.1 On 22 January 2014 the Standards Committee hearing sub-committee met to consider complaints that Councillor Pauline Gibson had breached the Member Code of Conduct.

5.2 The sub-committee found that Councillor Gibson had subjected three members of the public (who subsequently made complaints about her) to unfair, unreasonable and demeaning treatment by making widely disseminated accusations of racism and discrimination against them in e-mails, when neither the content of those accusations, nor the choice of audience for them could be reasonably justified.

5.3 The sub-committee determined that the claims about the conduct of the complainants set out in e-mails by Councillor Gibson could not be objectively substantiated despite Councillor Gibson's strongly held belief to the contrary, and that she was reckless about the accuracy of some of the allegations that she made about the complainants.

5.4 By so doing the sub-committee concluded she had breached Paragraphs 3.1 (failure to treat the complainants with respect) and paragraph 3.4 (bringing her office of Councillor into disrepute) of the Code of Conduct for Councillors.

SANCTION

5.5 The sub-committee took into account a number of mitigating and aggravating factors and decided to censure Councillor Gibson for her conduct. They also referred the matter to the Labour Group chief whip with a recommendation that he review Councillor Gibson's Council appointments, particularly those where she is appointed to outside bodies.

6. Comments of the Chief Finance Officer and financial implications

6.1 There are no financial implications arising from this report.

7. Assistant Director of Corporate Governance and Monitoring Officer

7.1 The hearing sub-committee is responsible for determining complaints made against elected Members of Haringey Council that they have breached the Haringey Code of Conduct for Councillors. The decisions taken by the hearing sub-committee were within the powers set out in law.

Haringey Council

8. Equalities and Community Cohesion Comments

N/A

9. Head of Procurement Comments

N/A

10. Policy Implication

N/A

11. Use of Appendices

N/A

12. Local Government (Access to Information) Act 1985

12.1 Background papers
Decision of Hearing Panel 22 January 2014 and complaint reference SC01/1213

REPORT OF THE CORPORATE COMMITTEE No. 03/2013-14
COUNCIL 26 February 2014

Chair:	Deputy Chair:
Councillor George Meehan	Councillor Kaushika Amin

INTRODUCTION

1.1 This report to full Council arises from the report entitled "Treasury Management Strategy Statement 2014/15 – 2016/17"

ITEMS FOR NOTING

2.1 Treasury Management Strategy Statement 2014/15 – 2016/17 (Appendix 1)

2.1.1 We considered the report on the proposed Treasury Management Strategy Statement and Prudential Indicators for 2014/15 to 2016/17 (TMSS). The TMSS had been updated since the draft version presented to us in November 2013, and now included the prudential indicators – this document had been considered by the Council's Overview and Scrutiny Committee, and we were asked to recommend the final version of the Strategy to Full Council for final approval.

2.1.2 We asked about the possibility of prematurely repaying loans taken out at higher interest rates, as set out in paragraph 4.11 of the Strategy. Officers advised that there was now a significant premium payable for early repayment; we noted that the Council and its treasury management advisors carried out regular calculations as to whether early repayment would be financially beneficial to the Council, comparing the interest saved with the repayment premium payable, and took action accordingly.

2.1.3 In response to a question regarding the authorised debt limit and operational boundary as indicated in annex 2 of the TMSS, and why these were so high compared with the capital budget, officers advised that this was a precautionary measure, and that in reality expenditure would never come close to this limit. We acknowledged the need for some headroom, but asked whether it was necessary for this limit to be set so far above what would conceivably be required. It was agreed that these figures would be revised downward for the final TMSS that went to Full Council for approval as part of the Financial Planning report.

2.1.4 Following the Corporate Committee meeting the proposed operational debt boundary for 2014-15 has been reduced by £135.2 million to £425.8 million and the authorised limit by £115.4 million to £561.1 million. Reductions have also been made to the debt limits for the following two years. These are reflected in sections 4.2, 4.3 and annex 2 (table 5) of the revised TMSS.

WE RECOMMEND

The approval of the proposed Treasury Management Statement and Prudential Indicators for 2014/15 to 2016/17 at Appendix 4 of the Financial Planning report to Council.

Haringey Council

Report for:	Corporate Committee 28th January 2014	**Item number**	

Title:	Treasury Management Strategy Statement 2014/15 – 2016/17

Report authorised by :	Assistant Director - Finance (CFO)

Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@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 2014/15 to 2016/17 to this Committee 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 2014/15 to 2016/17 at Appendix 1 is 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 ("The Code") requires all local authorities to agree a Treasury Management Strategy Statement ("TMSS") 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. The Code also requires that the TMSS is subject to scrutiny before being approved by full Council.

5.2 An initial draft of the TMSS for 2014-15 to 2016-17 was considered and agreed by the Corporate Committee on 26th November 2013. This was in advance of Cabinet agreeing the capital programme and so the Committee approved the TMSS subject to the figures being updated, including the Prudential Indicators.

5.3 Cabinet meet on 17 December 2013 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.

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 2013. 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 26th November 2013.

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.

Haringey Council

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.

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 2014/15 – 2016/17.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

Appendix 1

Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17

Contents

Annexes

1. Background

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

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

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

1.4 The strategy takes into account the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates. Subsequent changes to the revenue budget and capital programme will require adjustments to the TMSS and Prudential Indicators.

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 Actual £'000	31/03/2014 Estimate £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000
General Fund CFR	277,726	276,252	281,727	269,122	256,227
Less: Share of existing External Debt & Other Long Term Liabilities	167,493	155,467	148,521	142,339	133,599
Internal Borrowing	110,233	120,785	115,785	110,785	105,785
Cumulative Net Borrowing Requirement	0	0	17,421	15,998	16,843

Table 1b: Treasury Position – HRA

	31/03/2013 Actual £'000	31/03/2014 Estimate £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000
HRA CFR	271,096	271,096	271,096	299,066	314,407
Less: Share of Existing External Debt & Other Long Term Liabilities	252,887	226,646	199,903	194,657	184,405
Internal Borrowing	18,209	44,450	44,450	44,450	44,450
Cumulative Net Borrowing Requirement	0	0	26,743	59,959	85,552

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 short term interest rates are not expected to rise over the next two years, it is anticipated that a significant level of internal borrowing will continue, with the only reduction expected reflecting the planned movement in reserves.

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 2013-14 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 DCLG 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 Actual £'000	31/03/2014 Estimate £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000
HRA CFR	271,096	271,096	271,096	299,066	314,407
HRA Debt cap	327,538	327,538	327,538	327,538	327,538
Headroom	56,442	56,442	56,442	28,472	13,131

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 housing rent levels.

Table 3: Capital Expenditure

	2012/13 Actual £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
General	41,317	47,811	52,824	46,563	34,307	31,140
HRA	40,673	34,202	34,269	63,310	67,728	51,660
Total	81,990	82,013	87,093	109,873	102,035	82,800

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

Table 4: Capital Financing

	2012/13 Actual £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital receipts	9,608	16,073	16,947	9,269	13,679	14,757
Other grants & contributions	7,194	13,130	8,536	9,896	9,589	8,478
Government Grants	27,278	15,278	16,180	32,307	9,726	10,464
Reserves / Revenue contributions	30,941	28,657	30,779	40,044	39,271	32,413
Total Financing	75,021	73,138	72,442	91,516	72,265	66,112
Borrowing	6,969	8,875	14,652	18,357	29,770	16,688
Total	81,990	82,013	87,093	109,873	102,035	82,800

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 Actual £	2013/14 Approved £	2013/14 Projected Out-turn £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Increase in Band D Council Tax	0.41	8.77	14.22	17.19	3.34	4.11
Increase in Average Weekly Housing Rents	0.09	0.13	0.12	0.17	1.85	1.60

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 Actual %	2013/14 Approved %	2013/14 Projected Out-turn %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
General Fund	2.78	2.62	2.10	2.16	2.32	2.34
HRA	13.18	12.94	11.83	11.13	11.19	11.27

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 Actual Debt £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Authorised Boundary £'000	2015/16 Authorised Boundary £'000	2016/17 Authorised Boundary £'000
Borrowing	361,702	569,256	327,159	599,334	618,442	624,754
Other Long-term Liabilities	32,270	102,037	54,954	77,181	71,931	66,681
Total	393,972	671,293	382,113	676,515	690,373	691,435

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. The Operational Boundary and Authorised Limit apply at the total level. The breakdown between borrowing and other long term liabilities is for information only.

Table 8: Operational Boundary for External Debt

	2012/13 Actual Debt £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Authorised Boundary £'000	2015/16 Authorised Boundary £'000	2016/17 Authorised Boundary £'000
Borrowing	361,702	469,256	327,159	499,334	518,442	524,754
Other Long-term Liabilities	32,270	68,024	54,954	61,745	57,545	53,345
Total	393,972	537,280	382,113	561,079	575,987	578,099

4.4 The Chief Financial Officer 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 the 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 beyond 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 2014-15, there are no plans to replace this internal borrowing with external borrowing. When the 2013-14 strategy was prepared it was projected that new external borrowing of approximately £80 million was required in the year to refinance maturing debt. Currently, new debt is forecast at £20 million and will comprise relatively short duration local authority borrowing to minimize interest costs. Debt maturities of £30 million in 2014-15 (including £20 million of under one year debt taken out in 2013-14) will require refinancing.

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. In recent months this spread has widened rather than shortened.

4.10 The Council has £125m of loans which are LOBO loans (Lender’s Options Borrower’s Option) and all of them are in their call periods. 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. However, at the present time the interest rates on LOBO loans of 4.7% to 4.75% are above PWLB rates making any opportunities to repay both unlikely and financially beneficial. 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.

In the short term gains would accrue from replacing long term debt with shorter maturities, but from a longer term perspective this would not add value. 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 98% and variable rate exposure is 2%, however it is recommended that the limits in place for 2013/14 are maintained in future to retain flexibility. At present variable rates from the PWLB compare unfavourably with short term loans from local authorities due to the additional margin charged over gilts. If LOBO loans are treated as variable, the current variable allocation is 40%.

Table 9: Fixed and Variable Interest Rate Exposure

	2013/14 Approved %	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	98	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	2	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 10: Maturity Structure of fixed rate borrowing

	Lower Limit	Upper Limit	31-Mar-14
	%	%	%
under 12 months	0%	40%	9%
12 months & within 24 months	0%	35%	2%
24 months & within 5 years	0%	35%	12%
5 years & within 10 years	0%	35%	10%
10 years & within 20 years	0%	35%	6%
20 years & within 30 years	0%	35%	4%
30 years & within 40 years	0%	35%	19%
40 years & within 50 years	0%	50%	15%
50 years & above	0%	50%	23%

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 that 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 that all investments will have a maturity of less than one year during 2014/15. The Chief Financial Officer, 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 Economies and money markets have improved in the recent months although confidence remains fragile and markets are prone to over react to negative news. Stronger commitments to protect the Eurozone have helped to stabilise the European banking sector. Although this backdrop supports a return to a more diversified counterparty structure, the investment strategy has to be consistent with the borrowing strategy, which is to repay debt and maximise the use of internal resources. Thus investment balances are anticipated to be of relatively low value. Given this backdrop, it is proposed to continue to limit the proposed counterparty list to UK institutions, Money Market Funds and Enhanced Cash Funds. The latter is a new class of investments, more fully discussed in annex 5. No investments will have duration of more than 12 months and in practice durations of more than 3 months are unlikely.

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 The Council treasury advisor recommends maximum maturities for individual counterparties and these will be considered when investing for periods longer than overnight.

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 (long and short term 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 normal circumstances a credit rating downgrade below the minimum criteria will not result in existing term deposits being recalled prior to contractual maturity. 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). Current conditions are not considered to be “significant stress”.

5.9 The Council currently has residual banking arrangements 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 if other arrangements are not available.

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) and Enhanced Cash Funds (ECFs) provide good diversification of underlying counterparty but may themselves be subject to withdrawal restriction. The Council will therefore seek to diversify any exposure by utilising more than one MMF or ECF unless there are significant instant access funds from other sources. The Council will also restrict its exposure to MMFs and ECFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF or ECFs.

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 at least 2016. This would mean that short term rates remain significantly lower than long term rates throughout 2014/15 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will kept at a minimum throughout the financial year as the "cost of carry" will be significant for any borrowing taken before capital expenditure is incurred.

9. Balanced Budget Requirement

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

10. MRP Statement

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

10.2 The four MRP options available are:

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

10.3 MRP in 2014/15: 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 Chief Financial Officer 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.

Treasury Advisor

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 as their treasury advisor, to provide information and advice about the types of investment and borrowing 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 Position

A: General Fund Pool

	31-Mar-14 Projected £'000	31-Mar-15 Estimate £'000	31-Mar-16 Estimate £'000	31-Mar-17 Estimate £'000
Existing External Borrowing commitments:				
PWLB	58,232	54,786	52,104	46,864
Market loans	42,281	42,281	42,281	42,281
Local Authorities				
Total External Borrowing	100,513	97,067	94,385	89,145
Long Term Liabilities	54,954	51,454	47,954	44,454
Total Gross External Debt	155,467	148,521	142,399	133,599
CFR	276,252	281,727	269,122	256,227
Internal Borrowing	120,785	115,785	110,785	105,785
Cumulative Borrowing requirement	0	17,421	15,998	16,843

B: HRA Pool

	31-Mar-14 Projected £'000	31-Mar-15 Estimate £'000	31-Mar-16 Estimate £'000	31-Mar-17 Estimate £'000
Existing External Borrowing commitments:				
PWLB	123,927	117,184	111,938	101,686
Market loans	82,719	82,719	82,719	82,719
Local Authorities	20,000	0	0	0
Total External Borrowing	226,646	199,903	194,657	184,405
CFR	271,096	271,096	299,066	314,407
Internal Borrowing	44,450	44,450	44,450	44,450
Cumulative Borrowing requirement	0	26,743	59,959	85,552

ANNEX 2

Summary of Prudential Indicators

No.	Prudential Indicator	2014/15	2015/16	2016/17
CAPITAL INDICATORS				
1	Capital Expenditure	£'000	£'000	£'000
	General Fund	46,563	34,307	31,140
	HRA	63,310	67,728	51,660
	TOTAL	109,873	102,035	82,800
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.16	2.32	2.34
	HRA	11.13	11.19	11.27
3	Capital Financing Requirement	£'000	£'000	£'000
	General Fund	281,727	269,122	256,227
	HRA	271,096	299,066	314,407
	TOTAL	552,823	568,188	570,634
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	17.19	3.34	4.11
	Weekly Housing rents	0.17	1.84	1.60

No.	Prudential Indicator	2014/15		2015/16		2016/17	
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£'000		£'000		£'000	
	Authorised Limit	676,515		690,373		691,435	
	Operational Boundary	561,079		575,987		578,099	
6	HRA Debt Cap	£'000		£'000		£'000	
	Headroom	56,442		28,472		13,131	
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 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
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	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.75	0.80	0.80
1 year LIBID	0.90	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
5 yr gilt	1.45	1.50	1.55	1.60	1.76	1.70	1.75	1.85	1.95	2.10	2.30	2.50
10 yr gilt	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50
20 yr gilt	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15
50 yr gilt	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15

Underlying assumptions:

- An improvement in consumer and business sentiment has seen Q1 and Q2 2013 GDP register 0.4% and 0.7%. Growth is likely to continue to strengthen with estimates for Q3 growth close to 1%. Consumer spending remains the key driver, although this may not be sustainable given the reduction in the savings ratio.
- The unemployment rate has fallen to 7.7%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI rate was 2.2% in October. Regulated and administered prices are likely to keep CPI above target in the near term. In the medium term inflation is expected to come back towards the target 2%.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%. It currently forecasts this level to emerge in Q3/2016.
- With improving growth statistics, the appetite for further Quantitative Easing (QE) is likely to remain small.
- House price inflation is likely to rise due to the government's Help to buy scheme, where it will guarantee up to 15% of purchasers' 95% mortgages. This could lead to a housing bubble, which in turn could come under pressure if rates were to rise quickly.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. The Fed did not taper in September and has talked down potential tapering in the near term and it now looks more likely to occur in early 2014.

➢The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.

➢The US economic recovery appears to remain on course, but the unresolved political deadlock over the debt ceiling represents a risk to activity.

➢China data has seen an improvement, easing markets fears.

➢On-going regulatory reform and a focus on bail-in debt restructuring are likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.

➢Geopolitical tensions, notably surrounding Syria, make for a less than conducive backdrop while global economies remain fragile.

➢ Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, upside risks now weight more heavily at the end of our forecast horizon.

➢We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US. Yields are slowly drifting lower after the Fed stated that tapering was not going to occur, but volatility will continue.

ANNEX 4

Counterparty Policy

The investment instruments identified for use in 2014-15 are listed below under the 'Specified' and 'Non – Specified' investment categories. Specified investments are considered low risk and relate to funds invested for up to one year. Non-specified investments normally offer the prospect of higher returns but carry higher risk and may have a maturity beyond one year. All investments are sterling denominated.

Specified Investments

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	364 days
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
Treasury Bills	UK	Debt Management Office (DMO)	No limit	364 days
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK or AAA	Counterparties rated at least AA- Long Term (or equivalent)	£20m per bank or banking group	364 days
Constant Net Asset Value Money Market Funds (MMFs)	UK/Ireland/Luxembourg domiciled	AAA rated Money Market Funds	£20m per MMF*; Group limit £100m	Instant Access

Investments do not include capital expenditure as defined 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). Investment in gilts 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.

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.

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

<u>Non- Specified Investments</u>

Instrument	**Country/ Domicile**	**Counterparty**	**Maximum Counterparty Limits £m**	**Maximum period of investment**
Gilts	UK	Debt Management Office (DMO)	£10 million	36 Months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	36 Months
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A- Long Term (or equivalent) and NatWest Bank.	£20m per bank or banking group	364 days
Variable NAV Enhanced Cash Funds	UK/Ireland/Luxembourg domiciled	AAA - rated Funds	£5m per ECF*; Group limit £15m	Minimum Weekly Redemption

Non specified investments generally have either longer maturities than one year or weaker credit ratings than AA-, but not both.

<u>Enhanced Cash Funds</u>

The potential investment universe is wide and there are many types that Haringey does not currently utilise. One category that we would like to introduce into the portfolio is enhanced cash funds (also known as short dated bond funds). These share many of the characteristics of money market funds, which are already in use:

a) Stand alone fund, mainly a Dublin plc, that invests in bank and corporate bonds, bank deposits and other financial instruments.
b) An appointed fund manager determines which investments to hold.
c) Investment is through the purchase of units.
d) Most have an AAA credit rating.

The key difference between money market funds (MMF) and enhanced cash funds (ECF) is the latter are permitted longer maximum average maturities. A rated MMF has a maximum weighted average maturity (WAM) of 60 days, while ECF typically have 360 days WAMs and some longer. This allows them to generate a higher return from buying longer dated securities. As a consequence of the longer WAM, there are a number of differences between MMF and ECF:

a) The value of investments in ECF can vary being based on the underlying value of the investments. In a MMF, any change in value is relatively small and is reflected in the declared income.
b) MMF are dealt daily with cash moving in and out on trade date. With ECF the notice and settlement period can be up to 5 days and the funds are not suitable for intra day liquidity.
c) ECF employ a wider range of instruments and some use derivatives.

ECFs are attractive in that they offer a higher return than MMF and compared with direct investments in bonds offer high levels of diversity while maintaining an overall high quality credit exposure.

As mentioned above, most ECF have a credit rating, usually AAA. There is also a separate volatility rating that measures the sensitivity of the value of the fund to changes in interest rates. When market interest rates increase, the impact on the value of longer term investments is higher than short term investments. Despite the longer WAM, many have the lowest volatility ratings because they have strict policies on selling investments when prices change.

The attraction of ECF is the higher returns. MMF generally have net returns at present of between 0.3% and 0.5%, where as an ECF with a WAM of 360 days is currently in the range 0.75% to 1.25%.

The use of such funds has been discussed with the Council’s treasury advisor who are supportive provided the exposure is limited to 20-25% of the total deposits and we invest with higher security / lower volatility funds. We will avoid funds that use derivatives as the legality of these for local authorities is unclear. Implementation will involve both a switch from MMF and DMO deposits. A maximum of £5 million invested with a single fund is proposed.

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

The counterparty list excludes MMF and ECF's as the name of the fund reflects the fund manager not the quality of the underlying holdings. Selection of MMFs and ECFs will be based on the criteria set of in Annex 4. The limit for any single MMF is £20 million and each ECF is £5 million.

Agenda Item 11

Haringey Council

Report for:	Council 26 February 2014	Item Number:	

Title:	Medium Term Financial Planning 2014/15 to 2016/17

Report Authorised by:	Kevin Bartle – Assistant Director of Finance (CFO)

Lead Officers:	Neville Murton – Head of Finance (Budgets, Accounting and Systems Team) Barry Scarr – Interim Head of Corporate Finance

Ward(s) affected: All	Report for Key decisions

Haringey Council

1 Purpose of Report

1.1 To approve the final budget and Council Tax for 2014/15 and the Medium Term Financial Plan 2014-17 including the Capital Programme.

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

2.1 We were told in 2010 that this year's budget would see the last of the cuts handed to the residents of Haringey and this Council, but we are now told now that the funding reductions made by this Government are set to continue at least until 2020, with a further £60-70m probably needing to be found over that horizon.

2.2 I believe these cuts have gone too far and come too fast and the fact that the 10 poorest boroughs have faced 10 times the cuts as the 10 richest is simply iniquitous and unjust.

2.3 Far from delivering clarity over how local authorities are funded and certainty with which to plan their use of resources, the new Business Rate Retention Scheme, has in my view introduced more complexity that makes the system impenetrable for all but a few.

2.4 What I do know is that by implementing their cuts through the Revenue Support Grant (RSG) authorities with high deprivation indices, like Haringey, have suffered. At the beginning of the new system all authorities started with the same proportionate share of RSG yet barely 3 years into the system, by the end of 2015/16 Haringey will have suffered a 14.8% loss of RSG in comparison to Sutton and Richmond who have only lost 10.5% and 10.4% of their RSG respectively. That represents £4.7m Haringey residents can ill afford to lose.

2.5 However, I have always said that our job is to move this borough forward, to champion the needs of its people, to listen to their concerns and to work with them to sustain Haringey as one of the greatest places in London to live and work.

2.6 That is why 2014/15 will see for the 5th year in succession a proposed freeze to Council Tax, saving £125 for the average household over that period. This policy is supported by the majority of respondents to our consultation and will put money into our residents' pockets and help them with a cost of living crisis, which has seen the value of average wages in Haringey drop nearly £3,000.

2.7 Last year we significantly increased our investment in roads and pavements. We can see the difference this is making, not just to the look and feel of our communities, but making them safer for pedestrians and cyclists. This is why we continue to invest in our roads and street infrastructure, which we know is key to keeping business in the borough on the move, by maintaining the increased resources we put in this year, for a further year.

2.8 Creating One Borough continues to be a priority for us as we invest in the future of all of Haringey for the benefit of everyone that lives and works here, East and West. We have recognised the need to invest in strategically important sites to ensure that our regeneration plans come to fruition. We will target sustainable investment so that

Haringey Council

Haringey can grow and flourish in the future and ensure we secure a dividend for the people of our Borough from the growth we seek to create.

2.9 The top priority identified in our consultation was Tackling Crime (including domestic Violence) with 85% saying that this was either very important or important to them. We have listened and we share concerns about cuts to our police force which is why we are setting aside resources to participate in a scheme to match fund police officers and deploy them in key areas to support our neighbourhood policing teams.

2.10 Finally we share the belief that we tackle the scandal of the legal loan shark industry by ensuring we support the alternative – namely the credit union. Since my predecessor launched the Credit Union in Haringey just five years ago it has grown from strength to strength. Our subordinated loan to help them serve a greater proportion of our residents has seen Haringey's members become the fastest growing contingent within the London Capital Credit Union. This budget goes further. I am extremely proud that from September 2014, every secondary school starter will have a credit union account opened in their name with a deposit of £20 each. This will not only help the credit union, but also help our schools incorporate work on financial management into their curriculum.

2.11 I commend the budget package to Council for approval.

3 Recommendations

a) To note the proposed Budget package agreed by Cabinet on 11 February 2014, as updated, included as Appendix 6 to this report;

b) To approve the Medium Term Financial Plan to March 2017 as set out in Appendix 1 and Cash Limits 2014/15 as set out in Appendix 2;

c) To approve the General Fund budget requirement for 2014/15 of £281.7m, net of Dedicated Schools Grant, as set out in Appendix 1;

d) To approve the Capital Programme to March 2017, comprising spending and funding of £294.4m as set out in Appendix 6 to the Cabinet report of 11 February 2014 (attached as Appendix 6 to this report);

e) To approve the Housing Revenue Account Budget 2014/15 and Medium Term Financial Plan to March 2017 as set out in Appendix 5 to the Cabinet report of 11 February 2014 (attached as Appendix 6 to this report);

f) To note the Greater London Authority precept (paragraph 6.17);

g) To approve the reserves policy and to note the revision to and creation of new reserves, as set out in Appendix 3;

h) To approve the estimated level of un-earmarked General Fund reserves as at 31 March 2014 of c£20m and specific and other reserves as set out in Appendix 3;

i) To note the Budget Scrutiny recommendations made by the Overview and Scrutiny Committee and the response of the Cabinet set out in Appendix 7

Haringey Council

to the Cabinet report of 11 February 2014 (attached as Appendix 6 to this report);

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

k) To approve the Treasury Management Strategy Statement 2013/14 set out in Appendix 4;

l) To pass the Budget resolution in the specified format set out in Appendix 5;

m) 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 11 February 2014, approve the 2014/15 budget and Medium Term Financial Plan to March 2017, and approve the Council Tax for 2014/15. Accordingly no other options have been considered.

5 Background information

5.1 On 11 February 2014 Cabinet agreed a proposed Budget package for submission to this meeting of the Council, including a revenue budget for 2014/15 of £281.7m, with an additional indicative budget of £228.8m in respect of the Dedicated Schools Grant and a Capital Programme to March 2017 of £294.4m. 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 2015/16 and 2016/17. The Cabinet report of 11 February 2014 (attached as Appendix 6 to this report), and the proposed 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 2014/15;
- 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 2014/15.

5.4 The report concludes by presenting the budget resolution to set the Council Tax for 2014/15.

Haringey Council

6 Key Developments

Final Local Government Finance Settlement 2014/15 and other changes

6.1 Details of the final Local Government Finance settlement 2014/15 were announced on 5 February 2014, too late to be included in the Cabinet report of 11 February 2014.

6.2 The Government has introduced a new Retail Relief Scheme which has had the effect of reducing the estimated yield from Business Rates and introducing an additional Section 31 grant to offset this loss; this has no overall effect on the 2014/15 Budget presented to Cabinet but has been reflected in the MTFP figures attached to this report.

6.3 In addition the level at which a referendum would be triggered following an increase in an authority's 2014/15 Council Tax was recently announced at 2%; this is the same level as for 2013/14.

6.4 There have been no other funding announcements or the provision of other information by the government that would change the key assumptions underpinning Cabinet's proposals to Council regarding the MTFP 2014-17, the HRA, the DSB, the Capital Programme and the Revenue Budget 2014/15.

6.5 After agreeing its Council Tax Reduction Scheme on 17th January 2013 a legal challenge was received. Although both the challenge and subsequent appeal were dismissed, a further appeal to the Supreme Court has been lodged. At this stage it is unclear when this appeal might be heard and so Members are reminded that this is currently outstanding and is reflected in the Chief Financial Officer's consideration of risk.

6.6 Any such changes that do occur following Council's approval of the 2014/15 Budget will be reported to Cabinet as part of the normal budget monitoring and financial planning processes.

Budget consultation

6.7 The Council consulted on its budget proposals between December 2013 and January 2014 through an online questionnaire where key financial details were presented and comments were invited.

6.8 The online consultation sought views on freezing Council Tax for 2014/15 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, Housing and Education.

6.9 The final consultation report, which is available on the Council's website, sets out the responses to the questions raised.

6.10 Overall, the Council's Medium Term Financial Plan broadly reflects residents' priorities and areas of concern.

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Levying bodies

6.11 The Board of the North London Waste Authority (NLWA) met on 13 February 2014 and agreed an overall levy of £46.5m for 2014/15 (£41.8m in 2013/14), of which £7.375m is the levy to this Council (£6.452m in 2013/14). This reflects an increase of 14.3%.

6.12 The same meeting also estimated income due to the Council from the Commingled Income Payments Scheme (CIPS) will be £512k and the cost for Chargeable Household Waste will be £275k.

6.13 As a result, the budget provision required for the NLWA levy has increased by £923k, the CIPS income has increased by £45k, and the estimated cost for Chargeable Household Waste has risen by £69k – an overall increase of £947k. Based on estimated figures these changes had already been substantially reflected in the budget report to the December Cabinet meeting and no additional changes are now being proposed as a result.

6.14 Over the medium term the latest planning assumptions of the NLWA suggest an increase in the overall levy of 21.23% from 2014/15 to 2015/16; based on the estimated tonnages for Haringey the projected increase for the Council in 2015/16 is 14.9%. Further increases of 3.5% are estimated for both 2016/17 and 2017/18.

6.15 These estimates should be viewed with some caution, particularly as the NLWA will need to renew a number of its waste service contracts in 2014/15, following the cancellation of the procurement project in September 2013 and a possible move to 'menu pricing' in 2016/17.

6.16 Haringey's proposed MTFP 2014 - 2017 shown in Appendix 1 reflects the overall budget implications of these assumptions.

The Greater London Authority Precept

6.17 The Mayor's consolidated budget requirement for the Greater London Authority (GLA) was agreed by the London Assembly on 14 February 2014. 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 2014/15. The Band D Council Tax proposed by the GLA is £299.00 in 2014/15, a reduction of £4.00 on the 2013/14 level of £303.00.

Consequential and other changes

6.18 The cash limits set out in Appendix 2 have been re-allocated in accordance with the Chief Executive's restructure of the Council.

6.19 The proposed net Revenue Budget for 2014/15 is £281.699m, representing a reduction of £6.377m compared to 2013/14. Additionally, the budget consists of £228.755m indicative Dedicated Schools Grant and a Capital Programme to March 2017 of £294.393m.

6.20 The Haringey element of the Band D Council Tax for 2014/15 is **£1,184.32** (no increase compared to the 2013/14 level).

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6.21 The overall Band D Council Tax, including the GLA precept, is **£1,483.32** (a reduction of £4.00 compared to the 2013/14 level as a result of the reduction in the GLA precept from £303.00 to £299.00).

6.22 The MTFP to March 2017, including the Budget 2014/15, is shown in Appendices 1 and 2.

6.23 The draft Budget for 2014/15 is balanced, however savings of £31.3m will be required in 2015/16. At its meeting on 11 February 2014, Cabinet was advised that current projections for 2016/17 were also highlighting a budget shortfall of £22.8m. This gives a total budget gap of **£54.1**m over the two years and will be subject to regular review. Unless Government policy changes, austerity in public finances is now expected to continue until at least 2020.

6.24 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

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

6.26 The Government announced the Council Tax referendum thresholds alongside the final Local Government Finance settlement on 5 February 2014; for 2014/15 it has remained at 2% of its relevant basic amount.

6.27 The Government has changed the way in which the relevant basic amount of Council Tax is calculated for 2014/15 such that it now includes amounts, which were previously attributable to levies. This means that for the London Borough of Haringey the relevant basic amount is now the same as the Band D Council Tax.

6.28 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 2014/15 if the increase in the 'relevant basic amount of Council Tax' over 2013/14 is greater than 2%. 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. Council is, therefore, recommended to resolve the relevant basic amount as not excessive at paragraph 6 of the Formal Budget Resolution (Appendix 5).

6.29 Accordingly, on the basis of the Cabinet's proposals for no change in Haringey's part of the Council Tax, a referendum will not be required.

6.30 The Government has previously announced that where Council Tax is frozen (or reduced) in 2014/15, additional funding equivalent to a 1% increase in the Band D Council Tax amount will be payable in both 2014/15 and 2015/16 and, in addition, they have now confirmed that these 'freeze grants' will be built into the Council's funding baseline from 2016/17.

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6.31 In considering the level of its Council Tax for 2014/15 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 a Council Tax referendum determined by the government;
- The conditions relating to, and the level of grant being offered to, councils who freeze their Council Tax increase in 2014/15;
- The general economic climate and the additional financial burden any increase would have on Council Tax payers.

6.32 The Cabinet's Budget package proposes no increase in Haringey's Council Tax in 2014/15, and recognises the consequential receipt of additional Council Tax Freeze Grant in 2014/15 and 2015/16.

6.33 The projected income from Council Tax in 2014/15 is £79.457m based on 67,091 Band D equivalent properties and a collection rate of 94% (2013/14 94%). The 2013/14 Tax Base was 63,530 Band D equivalent properties.

6.34 These changes result in total available funding (the 'Budget Requirement') for 2014/15 shown in Appendix 1 of £281.699m, as shown in paragraph 3, recommendation c), above. This is unchanged from the position presented to Cabinet on 11 February 2014.

7 Robustness of the budget process

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

7.2 The government has established a programme of public spending reductions, set out in its Spending Review of 2010 which included 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 such as the transfer of Public Health responsibilities to Councils and the implementation of a range of welfare reforms.

7.3 2013/14 was both the first year of the new Business Rate Retention Scheme which allows Councils to retain a proportion (30%) of net growth in the Business Rates in its area and the localisation of Council Tax support. As such there has been significant risk and uncertainty transferred from central to local government and a need to develop ways of projecting the effects of these changes.

7.4 Authorities such as Haringey with high levels of deprivation are disproportionately affected by the continuation of austerity measures as the Government continues to

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transact them through the Revenue Support Grant mechanism.

7.5 For Haringey, the financial consequence of the 2010 Spending Review was the need to identify reductions in planned spending of some £84m by 2014. The current MTFP identifies a further funding shortfall over its life to 2017 of some £54.1m and the Government has additionally indicated that it expects austerity to continue until at least 2020.

7.6 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. The Cabinet's proposals are consistent with the overall strategic approach the Council previously agreed.

7.7 The Cabinet has previously agreed a number of proposals at its meetings in June and December 2013 and February 2014 which result in a proposed balanced budget for 2014/15, a budget shortfall of £31.3m for 2015/16, and a potential shortfall of £22.8m in 2016/17, that future estimations being based on the best assessment that can be made at this time.

7.8 The 2013/14 Budget required the delivery of significant 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 2017 and beyond. The latest formal letter from the Council's external auditor expresses the view that the Council is well placed in terms of financial resilience.

7.9 As in previous years, the budget proposals for 2014/15 include a designated £2m contingency sum.

7.10 The budget proposals have been subject to detailed scrutiny and the Cabinet has also undertaken consultation with residents and businesses.

7.11 The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 23 January 2014, together with the responses of the Cabinet, are set out in Appendix 7 to the Cabinet report of 11 February 2014 (attached as Appendix 6 to this report).

7.12 The Council's Budget Consultation with residents and businesses ran during December 2013 and January 2014; the key issues were highlighted to the Cabinet and a full summary of the outcomes is also available on the Council's website.

7.13 The Budget process is complemented by a 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.

7.14 The report to the Cabinet in February 2014, previous budget management reports and the Chief Financial Officer's comments, included on key reports during 2013 and 2014, specifically identified the major financial risk areas which needed to be taken into account in developing budget proposals.

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7.15 Accordingly, the Chief Financial Officer is satisfied the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the 2014/15 Budget.

7.16 It is, however, imperative that the Cabinet and Council continue to pursue the identification, and subsequent delivery, of the additional savings required from 2015/16 onwards as set out on this report.

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 c£20m as at 31st March 2014, being an increase on the 31st March 2013 level. The final position will be dependent however on the Council's financial outturn 2013/14 to be reported to Cabinet in June 2014.

8.3 Given the scale of the spending reductions the Council has to deliver over the period 2014-17 (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' accumulated balances.

Appendix 3b also shows the projected movement on the reserves for both the current year 2013/14 and for 2014/15. These reserves have been reviewed and their level 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 11th February 2014 and any further areas identified in this report. These risks have been assessed as c£19m, 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 to the Council's Reserves Policy is, therefore, recommended.

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9 Treasury Management

9.1 The Treasury Management Strategy Statement (TMSS) for 2014/15 (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 26th November 2013. They then considered an updated version of the TMSS on 28nd January 2014 and recommended it for approval by full Council. Overview and Scrutiny Committee also considered it on 23rd January 2014 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 2014/15. 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.

9.4 The proposed prudential indicators are based on the capital programme as reported to Cabinet on 11th February 2014. 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 process and proposes no increase to Council Tax for 2014/15.

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 2014/15 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 fourth 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 the Government has indicated that financial austerity will continue until at least 2020.

10.6 Over this period of funding reductions, the demand for the Council's services will continue to increase and, in the medium term, it is also likely that interest rates and social care related spending will increase.

10.7 The Medium Term Financial Plan 2014-17 recognises these drivers and risks, but it remains essential the Cabinet and Council keep the key assumptions under close

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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 Financial Officer and financial implications

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

12 Assistant Director of Corporate Governance Comments and legal implications

12.1 In accordance with section 67 of the Local Government Finance Act 1992 (the '1992 Act'), the functions of agreeing the budget and the calculation of Council Tax are to be discharged by the Full Council.

12.2 The Local Authorities (Standing Orders) (England) (Regulations) 2001 set out the process of approving the budget and provide that the adoption of the budget and calculation of the Council Tax by Full Council is to be on the recommendation of the Cabinet.

12.3 Under section 25 Local Government Act 2003, in considering decisions on the budget, and the level of Council Tax, the Council must take into account this report from the Council's Chief Finance Officer, 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.

12.4 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.

12.5 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.

12.6 In accordance with section 31A of the 1992 Act, the Council is 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.

12.7 Under section 52ZB of the 1992 Act 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. It has been confirmed that for 2014/15 an increase in excess of 2% above the relevant basic amount will be regarded as excessive and automatically trigger a referendum in the borough. The 'relevant basic amount' of Council Tax has recently been redefined by section 41 of the Local Audit and Accountability Act 2014, and accordingly section 52ZX of the 1992 Act has been updated. Essentially an authority's relevant basic amount of Council Tax is the authority's own level of band D Council Tax. With the proposal for a nil increase in the level of Council Tax, the Council is entitled to conclude in accordance with the

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Direction issued by the Secretary of State, that the relevant basic amount of Council Tax is not excessive.

12.8 In accordance with section 30 of the 1992 Act, the Council is required to set the Council Tax for the next financial year on or before 11 March. Under section 106 of the 1992 Act, 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 people who share any of the characteristics protected by sections 4 – 12 of the Equality Act 2010. These include race, sex (formerly gender), disability, age, religion or belief, sexual orientation, marriage and civil partnership and gender re-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

Appendix 1 – Summary of the MTFP 2013/14 to 2015/16

Appendix 2 – Directorate Cash Limits

Appendix 3 – Reserves
- 3a: Reserves Policy
- 3b: Reserves and their adequacy
- 3c: Risk evaluation

Appendix 4 – The Treasury Management Strategy Statement

Appendix 5– The Formal Budget Resolution

Appendix 6 – Cabinet report of 11 February 2014: Financial Planning 2014/15 to 2016/17

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17 Local Government (Access to Information) Act 1985

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

- Financial Planning 2013/14 to 2015/16 - Cabinet 12 February 2013
- Financial Planning 2014/15 to 2016/17 - Cabinet 18 June 2013
- Financial Planning 2014/15 to 2016/17 - Cabinet 17 December 2013
- Financial Planning 2014/15 to 2016/17 - Cabinet 11 February 2014

17.2 For access to the background papers or any further information please contact Neville Murton Head of Finance (Budgets, Accounting and Systems Team) on 0208 489 3176.

HARINGEY COUNCIL MEDIUM TERM FINANCIAL PLAN TO MARCH 2017

Appendix 1

	2013/14 Revised Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	Slippage £'000	2014/15 Revised Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	Slippage £'000	2015/16 Revised Base Budget £'000	New Growth £'000	Slippage £'000	2016/17 Revised Base Budget £'000
Service Areas (excluding Corporate Recharges and Capital Financing Costs)															
Leader and Chief Executive's Office	4,920	307	0	(430)	(825)	91	4,064	(310)	0	0	(91)	3,663	0	0	3,663
Chief Operating Officer	86,071	(1,168)	4,205	(2,539)	(5,863)	1,070	81,776	(630)	(2,610)	(410)	0	78,126	0	0	78,126
Deputy Chief Executive	154,480	1,624	520	(5,045)	(3,604)	1,190	149,165	1,350	12,842	(215)	(1,190)	161,952	1,598	0	163,550
Director of Regeneration, Planning & Development	4,104	0	1,900	(151)	(398)	0	5,455	0	400	0	(130)	5,725	(700)	(940)	4,085
Sub-total					(10,690)	2,351	240,460	410	10,632	(625)	(1,411)	249,466	898	(940)	249,424
Non Service Revenue	18,059	4,847	1,900	0	(6,510)	0	18,296	5,530	1,023	(5,530)	0	19,319	2,800	0	22,119
Contingencies and Provisions	20,442	6,000	4,000	0	(7,500)	0	22,943	5,000	500	0	0	28,443	5,500	0	33,943
Total Funding Requirement	**288,076**	**11,610**	**12,525**	**(8,164)**	**(24,700)**	**2,351**	**281,699**	**10,940**	**12,155**	**(6,155)**	**(1,411)**	**297,228**	**9,198**	**(940)**	**305,486**
				Funding Sources					**Funding Sources**				**Funding Sources**		
Core Grants	29,992	0	0	0	2,915	0	32,907	0	16,473	(6,938)	0	42,442	(2,286)	0	40,156
New Homes Bonus	3,095	0	0	0	1,986	0	5,081	0	0	(722)	0	4,359	1,084	0	5,443
Revenue Support Grant	107,662	0	0	0	(19,675)	0	87,987	0	0	(25,927)	0	62,060	(16,049)	0	46,011
Returned New Homes Bonus	800	0	0	0	(356)	0	444	0	0	194	0	638	389	0	1,027
Council Tax	75,240	0	0	0	4,217	0	79,457	0	0	1,180	0	80,637	1,180	0	81,817
Retained Business Rates	18,577	0	0	0	947	0	19,524	0	0	994	0	20,518	666	0	21,184
Top Up	52,710	0	0	0	1,027	0	53,737	0	0	1,510	0	55,247	1,552	0	56,799
Surplus/(Deficit) on Collection Fund	(3,570)	3,570	0	0	7,519	0	7,519	0	0	(7,519)	0	0	0	0	0
Contribution from/(to) Reserves	3,570	(3,570)	400	0	(5,357)	0	(4,957)	0	286	4,671	0	0	(1,084)	0	(1,084)
Total Available Funding	**288,076**	**0**	**400**	**0**	**(6,777)**	**0**	**281,699**	**0**	**16,759**	**(32,557)**	**0**	**265,901**	**(14,548)**	**0**	**251,353**
Budget Gap	**(0)**						**(0)**					**31,327**			**54,133**

Appendix 2

Business Unit Cash Limits	2014/15
	Cash Limit
	£000
Leader and Chief Executive's Office	
Chief Executive	2,168
Assistant Director - Corporate Governance	1,110
Head of Office	786
Leader and Chief Executive's Office - Total	**4,064**
Chief Operating Officer	
Chief Operating Officer	802
Assistant Director - Finance	5,670
Assistant Director - Customer Service	9,889
Assistant Director - Human Resources	2,639
Assistant Director - Environmental Services & Community Safety	35,399
Assistant Director - Housing	16,610
Assistant Director - Corporate Programmes & Chief Information Officer	10,769
Chief Operating Officer - Total	**81,776**
Deputy Chief Executive	
Assistant Director - Commissioning	20,823
Director of Children's Services	36,035
Director of Adult Social Services	70,880
Director of Public Health	17,592
Assistant Director - Schools & Learning	2,497
Assistant Director - Communication	1,338
Deputy Chief Executive - Total	**149,165**
Director of Regeneration, Planning and Development	
Director of Regeneration, Planning and Development	322
Assistant Director - Planning	1,670
Assistant Director - Regeneration	1,004
Assistant Director - Corporate Property Projects	196
Programme Director for Tottenham	2,262
Director of Regeneration, Planning & Development - Total	**5,455**
Non Service Revenue	**41,239**
TOTAL FUNDING REQUIREMENT	**281,699**

Appendix 3a

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 the 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:

    i. Services reserve: includes 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;
    ii. Insurance reserve: funds set aside to meet internally-insured liabilities where the creation of a provision is not required;
    iii. PFI Lifecycle 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;
    iv. 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;
    v. Transformation reserve: will 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;
    vi. Financing reserve: a reserve to enable multiple-year medium-term financial strategies in the context of the annual budgeting and accounting cycle;
    vii. 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;
    viii. 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;

ix. Schools' reserve: the net unspent balance of delegated funds managed by schools;

x. Community Infrastructure and Growth reserve – 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;

xi. 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.

New Reserves to be established from 31 March 2014 :

xii. Labour Market Growth and Resilience – this will be used to support initiatives which assist people with returning to and remaining in work.

xiii. Council Tax and Business Rates Equalisation Reserve – this reserve is to be established to deal with the volatility around the collection of Council Tax and Business Rates leading to annual surpluses and deficits in the Collection Fund. This reserve is designed to equalise these fluctuations.

<u>Management and control</u>

11. The schools reserve, the insurance reserve, and the PFI Lifecycle reserve are clearly defined and require no further authority for the financing of relevant expenditure.
12. The use of all other reserves requires budgetary approval in the normal way.
13. All reserves are reviewed as part of the budget preparation, financial management and closing processes.

<u>Reporting and review</u>

14. The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The 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.

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Appendix 3b

RESERVES AND THEIR ADEQUACY

1. General Fund General Reserve

1.1. 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.

1.2. The calculation of the potential financial impact of these assessed risks has been undertaken and in the light of this, it is now regarded that £20m is an appropriate level for the general fund general reserve over the three-year financial planning period. The risks set out in Appendix 3c assess a potential financial impact at £18.7m; the Chief Financial Officer therefore regards the £20m figure as a prudent level to set aside.

1.3. The £20m figure for general balances represents 7% of the Council's net budget requirement for 2014-15.

2. Services Reserve

2.1. 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

3.1. 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 Chief Financial Officer 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

4.1. 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

5.1. 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.

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

6. Transformation Reserve

6.1. The Transformation Reserve will be used to fund redundancy and decommissioning costs and any investment necessary to deliver longer term efficiencies and change.

7. Financing Reserve

7.1. 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.

8. Debt Repayment / Capital Reserve

8.1. 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

9.1. 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 move to self-financing.

9.2. The HRA will need to generate additional and substantial contributions to the reserve to fund Housing capital expenditure in the future. The Chief Financial Officer 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

10.1. 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

11.1. 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 2014 of £9.4m represents 5% of the schools core funding.

11.2. 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.

12. Community Infrastructure and Growth Reserve

12.1. The Council will need to grow its revenue base as government funding continues to reduce, 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

13.1. 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.

The following new reserves are proposed for establishment as at 31 March 2014:-

14. Labour Market Growth and Resilience Reserve

14.1. It is beneficial for the Council to support people into work and this reserve will support activities which achieve that aim.

15. Council Tax and Business Rates Equalisation Reserve

15.1. This reserve will deal with the volatility around the collection of Council Tax and Business Rates leading to annual surpluses and deficits in the Collection Fund; this reserve is designed to equalise these fluctuations.

16. Overall

16.1. 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.

Usable Reserves	Position at 31 March 2013 £000	Estimated Position at 31 March 2014 £000	Estimated Position at 31 March 2015 £000
General Fund	15,347	20,347	20,347
PFI Lifecycle	9,347	8,896	5,846
Insurance	8,420	8,421	8,421
Financing	15,285	7,623	4,521
Transformation	8,015	2,872	2,472
Schools	6,929	9,430	10,930
Service Balances	10,476	9,582	9,582
Infrastructure	2,155	2,175	434
Capital Financing	7,236	7,236	4,056
Debt Repayment	1,143	1,066	1,066
Community Infrastructure & Growth	3,000	3,000	3,000
Urban Renewal	2,500	2,500	2,500
	89,853	83,148	73,175
New Reserves			
Labour Market Growth & Resilience	0	2,000	2,000
Council Tax and Business Rate Equalisation	0	0	7,519
	89,853	85,148	82,694
Other Reserves			
HRA	19,001	17,807	13,163
Major Repairs (HRA)	82	85	85
Total All Usable Reserves	**108,936**	**103,040**	**95,942**

Appendix 3c

Adequacy of Reserves - Risk Assessment 2014/15

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	70	A medium level risk assessment (10%) has been applied to the budget amount potentially at risk	
Children's Services	36		
Housing	16		12.2
2. Savings Proposals			
- Delivery Programme	30	Medium risk (10%) on savings proposals for 2014-15	3.0
- Transformation costs (e.g. redundancies)	10	Medium risk (10%) of financial impact	1.0
3.Corporate Risk Register	30	Low risk (5%) assessment on variety of risks within the corporate risk register	1.5
4. Unidentified Risks			1.0
Total Risks			**18.7**
Less un-earmarked reserves and contingencies for the above			20.0
Grand Total			**-1.3**

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Appendix 4

Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17

Contents

Annexes

1. Background

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

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

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

1.4 The strategy takes into account the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates. Subsequent changes to the revenue budget and capital programme will require adjustments to the TMSS and Prudential Indicators.

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 Actual £'000	31/03/2014 Estimate £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000
General Fund CFR	277,726	276,252	281,727	269,122	256,227
Less: Share of existing External Debt & Other Long Term Liabilities	167,493	155,467	148,521	142,339	133,599
Internal Borrowing	110,233	120,785	115,785	110,785	105,785
Cumulative Net Borrowing Requirement	0	0	17,421	15,998	16,843

Table 1b: Treasury Position – HRA

	31/03/2013 Actual £'000	31/03/2014 Estimate £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000
HRA CFR	271,096	271,096	271,096	299,066	314,407
Less: Share of Existing External Debt & Other Long Term Liabilities	252,887	226,646	199,903	194,657	184,405
Internal Borrowing	18,209	44,450	44,450	44,450	44,450
Cumulative Net Borrowing Requirement	0	0	26,743	59,959	85,552

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 short term interest rates are not expected to rise over the next two years, it is anticipated that a significant level of internal borrowing will continue, with the only reduction expected reflecting the planned movement in reserves.

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 2013-14 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 DCLG 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 Actual £'000	31/03/2014 Estimate £'000	31/03/2015 Estimate £'000	31/03/2016 Estimate £'000	31/03/2017 Estimate £'000
HRA CFR	271,096	271,096	271,096	299,066	314,407
HRA Debt cap	327,538	327,538	327,538	327,538	327,538
Headroom	56,442	56,442	56,442	28,472	13,131

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 housing rent levels.

Table 3: Capital Expenditure

	2012/13 Actual £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
General	41,317	47,811	52,824	46,563	34,307	31,140
HRA	40,673	34,202	34,269	63,310	67,728	51,660
Total	81,990	82,013	87,093	109,873	102,035	82,800

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

Table 4: Capital Financing

	2012/13 Actual £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital receipts	9,608	16,073	16,947	9,269	13,679	14,757
Other grants & contributions	7,194	13,130	8,536	9,896	9,589	8,478
Government Grants	27,278	15,278	16,180	32,307	9,726	10,464
Reserves / Revenue contributions	30,941	28,657	30,779	40,044	39,271	32,413
Total Financing	75,021	73,138	72,442	91,516	72,265	66,112
Borrowing	6,969	8,875	14,652	18,357	29,770	16,688
Total	81,990	82,013	87,093	109,873	102,035	82,800

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 Actual £	2013/14 Approved £	2013/14 Projected Out-turn £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Increase in Band D Council Tax	0.41	8.77	14.22	17.19	3.34	4.11
Increase in Average Weekly Housing Rents	0.09	0.13	0.12	0.17	1.85	1.60

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 Actual %	2013/14 Approved %	2013/14 Projected Out-turn %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
General Fund	2.78	2.62	2.10	2.16	2.32	2.34
HRA	13.18	12.94	11.83	11.13	11.19	11.27

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 Actual Debt £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Authorised Limit £'000	2015/16 Authorised Limit £'000	2016/17 Authorised Limit £'000
Borrowing	361,702	569,256	327,159	489,334	508,442	514,754
Other Long-term Liabilities	32,270	102,037	54,954	71,745	67,545	63,345
Total	393,972	671,293	382,113	561,079	575,987	578,099

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. The Operational Boundary and Authorised Limit apply at the total level.

Table 8: Operational Boundary for External Debt

	2012/13 Actual Debt £'000	2013/14 Approved £'000	2013/14 Projected Out-turn £'000	2014/15 Operational Boundary £'000	2015/16 Operational Boundary £'000	2016/17 Operational Boundary £'000
Borrowing	361,702	469,256	327,159	359,099	408,207	444,519
Other Long-term Liabilities	32,270	68,024	54,954	66,745	62,545	58,345
Total	393,972	537,280	382,113	425,844	470,752	502,864

4.4 The Chief Financial Officer 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 the 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 beyond 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 2014-15, there are no plans to replace this internal borrowing with external borrowing. When the 2013-14 strategy was prepared it was projected that new external borrowing of approximately £80 million was required in the year to refinance maturing debt. Currently, new debt is forecast at £20 million and will comprise relatively short duration local authority borrowing to minimize interest costs. Debt maturities of £30 million in 2014-15 (including £20 million of under one year debt taken out in 2013-14) will require refinancing.

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. In recent months this spread has widened rather than shortened.

4.10 The Council has £125m of loans which are LOBO loans (Lender's Options Borrower's Option) and all of them are in their call periods. 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. However, at the present time the interest rates on LOBO loans of 4.7% to 4.75% are above PWLB rates making any opportunities to repay both unlikely and financially beneficial. 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.

In the short term gains would accrue from replacing long term debt with shorter maturities, but from a longer term perspective this would not add value. 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 98% and variable rate exposure is 2%, however it is recommended that the limits in place for 2013/14 are maintained in future to retain flexibility. At present variable rates from the PWLB compare unfavourably with short term loans from local authorities due to the additional margin charged over gilts. If LOBO loans are treated as variable, the current variable allocation is 40%.

Table 9: Fixed and Variable Interest Rate Exposure

	2013/14 Approved %	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	98	100	100	100
Upper Limit for Variable Interest Rate Exposure	40	2	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 10: Maturity Structure of fixed rate borrowing

	Lower Limit	Upper Limit	31-Mar-14
	%	%	%
under 12 months	0%	40%	9%
12 months & within 24 months	0%	35%	2%
24 months & within 5 years	0%	35%	12%
5 years & within 10 years	0%	35%	10%
10 years & within 20 years	0%	35%	6%
20 years & within 30 years	0%	35%	4%
30 years & within 40 years	0%	35%	19%
40 years & within 50 years	0%	50%	15%
50 years & above	0%	50%	23%

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 that 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 that all investments will have a maturity of less than one year during 2014/15. The Chief Financial Officer, 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 Economies and money markets have improved in the recent months although confidence remains fragile and markets are prone to over react to negative news. Stronger commitments to protect the Eurozone have helped to stabilise the European banking sector. Although this backdrop supports a return to a more diversified counterparty structure, the investment strategy has to be consistent with the borrowing strategy, which is to repay debt and maximise the use of internal resources. Thus investment balances are anticipated to be of relatively low value. Given this backdrop, it is proposed to continue to limit the proposed counterparty list to UK institutions, Money Market Funds and Enhanced Cash Funds. The latter is a new class of investments, more fully discussed in annex 5. No investments will have duration of more than 12 months and in practice durations of more than 3 months are unlikely.

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 The Council treasury advisor recommends maximum maturities for individual counterparties and these will be considered when investing for periods longer than overnight.

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 (long and short term 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 normal circumstances a credit rating downgrade below the minimum criteria will not result in existing term deposits being recalled prior to contractual maturity. 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). Current conditions are not considered to be "significant stress".

5.9 The Council currently has residual banking arrangements 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 if other arrangements are not available.

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) and Enhanced Cash Funds (ECFs) provide good diversification of underlying counterparty but may themselves be subject to withdrawal restriction. The Council will therefore seek to diversify any exposure by utilising more than one MMF or ECF unless there are significant instant access funds from other sources. The Council will also restrict its exposure to MMFs and ECFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF or ECFs.

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 at least 2016. This would mean that short term rates remain significantly lower than long term rates throughout 2014/15 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will kept at a minimum throughout the financial year as the "cost of carry" will be significant for any borrowing taken before capital expenditure is incurred.

9. Balanced Budget Requirement

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

10. MRP Statement

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

10.2 The four MRP options available are:

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

10.3 MRP in 2014/15: 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 Chief Financial Officer 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.

Treasury Advisor

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 as their treasury advisor, to provide information and advice about the types of investment and borrowing 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 Position

A: General Fund Pool

	31-Mar-14 Projected £'000	31-Mar-15 Estimate £'000	31-Mar-16 Estimate £'000	31-Mar-17 Estimate £'000
Existing External Borrowing commitments:				
PWLB	58,232	54,786	52,104	46,864
Market loans	42,281	42,281	42,281	42,281
Local Authorities				
Total External Borrowing	100,513	97,067	94,385	89,145
Long Term Liabilities	54,954	51,454	47,954	44,454
Total Gross External Debt	155,467	148,521	142,399	133,599
CFR	276,252	281,727	269,122	256,227
Internal Borrowing	120,785	115,785	110,785	105,785
Cumulative Borrowing requirement	0	17,421	15,998	16,843

B: HRA Pool

	31-Mar-14 Projected £'000	31-Mar-15 Estimate £'000	31-Mar-16 Estimate £'000	31-Mar-17 Estimate £'000
Existing External Borrowing commitments:				
PWLB	123,927	117,184	111,938	101,686
Market loans	82,719	82,719	82,719	82,719
Local Authorities	20,000	0	0	0
Total External Borrowing	226,646	199,903	194,657	184,405
CFR	271,096	271,096	299,066	314,407
Internal Borrowing	44,450	44,450	44,450	44,450
Cumulative Borrowing requirement	0	26,743	59,959	85,552

ANNEX 2

Summary of Prudential Indicators

No.	Prudential Indicator	2014/15	2015/16	2016/17
CAPITAL INDICATORS				
1	Capital Expenditure	£'000	£'000	£'000
	General Fund	46,563	34,307	31,140
	HRA	63,310	67,728	51,660
	TOTAL	109,873	102,035	82,800
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.16	2.32	2.34
	HRA	11.13	11.19	11.27
3	Capital Financing Requirement	£'000	£'000	£'000
	General Fund	281,727	269,122	256,227
	HRA	271,096	299,066	314,407
	TOTAL	552,823	568,188	570,634
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	17.19	3.34	4.11
	Weekly Housing rents	0.17	1.84	1.60

No.	Prudential Indicator	2014/15		2015/16		2016/17	
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£'000		£'000		£'000	
	Authorised Limit	561,079		575,987		578,099	
	Operational Boundary	425,844		470,752		502,864	
6	HRA Debt Cap	£'000		£'000		£'000	
	Headroom	56,442		28,472		13,131	
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 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
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	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.75	0.80	0.80
1 year LIBID	0.90	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
5 yr gilt	1.45	1.50	1.55	1.60	1.76	1.70	1.75	1.85	1.95	2.10	2.30	2.50
10 yr gilt	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50
20 yr gilt	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15
50 yr gilt	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15

Underlying assumptions:

- An improvement in consumer and business sentiment has seen Q1 and Q2 2013 GDP register 0.4% and 0.7%. Growth is likely to continue to strengthen with estimates for Q3 growth close to 1%. Consumer spending remains the key driver, although this may not be sustainable given the reduction in the savings ratio.
- The unemployment rate has fallen to 7.7%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI rate was 2.2% in October. Regulated and administered prices are likely to keep CPI above target in the near term. In the medium term inflation is expected to come back towards the target 2%.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%. It currently forecasts this level to emerge in Q3/2016.
- With improving growth statistics, the appetite for further Quantitative Easing (QE) is likely to remain small.
- House price inflation is likely to rise due to the government's Help to buy scheme, where it will guarantee up to 15% of purchasers' 95% mortgages. This could lead to a housing bubble, which in turn could come under pressure if rates were to rise quickly.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. The Fed did not taper in September and has talked down potential tapering in the near term and it now looks more likely to occur in early 2014.

- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.
- The US economic recovery appears to remain on course, but the unresolved political deadlock over the debt ceiling represents a risk to activity.
- China data has seen an improvement, easing markets fears.
- On-going regulatory reform and a focus on bail-in debt restructuring are likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.
- Geopolitical tensions, notably surrounding Syria, make for a less than conducive backdrop while global economies remain fragile.
- Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, upside risks now weight more heavily at the end of our forecast horizon.
- We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US. Yields are slowly drifting lower after the Fed stated that tapering was not going to occur, but volatility will continue.

ANNEX 4

Counterparty Policy

The investment instruments identified for use in 2014-15 are listed below under the 'Specified' and 'Non – Specified' investment categories. Specified investments are considered low risk and relate to funds invested for up to one year. Non-specified investments normally offer the prospect of higher returns but carry higher risk and may have a maturity beyond one year. All investments are sterling denominated.

Specified Investments

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	364 days
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
Treasury Bills	UK	Debt Management Office (DMO)	No limit	364 days
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK or AAA	Counterparties rated at least AA- Long Term (or equivalent)	£20m per bank or banking group	364 days
Constant Net Asset Value Money Market Funds (MMFs)	UK/Ireland/Luxembourg domiciled	AAA rated Money Market Funds	£20m per MMF*; Group limit £100m	Instant Access

Investments do not include capital expenditure as defined 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). Investment in gilts 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.

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.

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

Non- Specified Investments

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment
Gilts	UK	Debt Management Office (DMO)	£10 million	36 Months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	36 Months
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A- Long Term (or equivalent) and NatWest Bank.	£20m per bank or banking group	364 days
Variable NAV Enhanced Cash Funds	UK/Ireland/Luxembourg domiciled	AAA - rated Funds	£5m per ECF*; Group limit £15m	Minimum Weekly Redemption

Non specified investments generally have either longer maturities than one year or weaker credit ratings than AA-, but not both.

Enhanced Cash Funds

The potential investment universe is wide and there are many types that Haringey does not currently utilise. One category that we would like to introduce into the portfolio is enhanced cash funds (also known as short dated bond funds). These share many of the characteristics of money market funds, which are already in use:

a) Stand alone fund, mainly a Dublin plc, that invests in bank and corporate bonds, bank deposits and other financial instruments.
b) An appointed fund manager determines which investments to hold.
c) Investment is through the purchase of units.
d) Most have an AAA credit rating.

The key difference between money market funds (MMF) and enhanced cash funds (ECF) is the latter are permitted longer maximum average maturities. A rated MMF has a maximum weighted average maturity (WAM) of 60 days, while ECF typically have 360 days WAMs and some longer. This allows them to generate a higher return from buying longer dated securities. As a consequence of the longer WAM, there are a number of differences between MMF and ECF:

a) The value of investments in ECF can vary being based on the underlying value of the investments. In a MMF, any change in value is relatively small and is reflected in the declared income.
b) MMF are dealt daily with cash moving in and out on trade date. With ECF the notice and settlement period can be up to 5 days and the funds are not suitable for intra day liquidity.
c) ECF employ a wider range of instruments and some use derivatives.

ECFs are attractive in that they offer a higher return than MMF and compared with direct investments in bonds offer high levels of diversity while maintaining an overall high quality credit exposure.

As mentioned above, most ECF have a credit rating, usually AAA. There is also a separate volatility rating that measures the sensitivity of the value of the fund to changes in interest rates. When market interest rates increase, the impact on the value of longer term investments is higher than short term investments. Despite the longer WAM, many have the lowest volatility ratings because they have strict policies on selling investments when prices change.

The attraction of ECF is the higher returns. MMF generally have net returns at present of between 0.3% and 0.5%, where as an ECF with a WAM of 360 days is currently in the range 0.75% to 1.25%.

The use of such funds has been discussed with the Council's treasury advisor who are supportive provided the exposure is limited to 20-25% of the total deposits and we invest with higher security / lower volatility funds. We will avoid funds that use derivatives as the legality of these for local authorities is unclear. Implementation will involve both a switch from MMF and DMO deposits. A maximum of £5 million invested with a single fund is proposed.

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

The counterparty list excludes MMF and ECF’s as the name of the fund reflects the fund manager not the quality of the underlying holdings. Selection of MMFs and ECFs will be based on the criteria set of in Annex 4. The limit for any single MMF is £20 million and each ECF is £5 million.

Appendix 5

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 23rd January 2014 the Chief Financial Officer after consultation with the Cabinet Member for Finance, Employment and Carbon Reduction calculated the Council Tax Base 2014/15 for the whole Council area as 67,091.

2. The Council Tax Requirement for the Council's own purposes for 2014/15 be calculated as £79,457,213.12

3. That the following amounts be calculated for the year 2014/15 in accordance with Sections 31 to 36 of the Act:

   a) £929,118,371.00
   being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;

   b) £849,661,157.88
   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) £79,457,213.12
   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, 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 2014/15 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
£	£	£	£	£	£	£	£
199.33	232.56	265.78	299.00	365.44	431.89	498.33	598.00

AGGREGATE OF COUNCIL TAX REQUIREMENTS

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
988.89	1,153.70	1,318.51	1,483.32	1,812.83	2,142.59	2,472.20	2,966.65

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 2014/15 as set out in The Referendums relating to Council Tax Increases (Principles) (England) Report 2014/15 it is determined that the Council's relevant basic amount of Council Tax for the year is not excessive.

APPENDIX 6

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Haringey Council

Report for:	**Cabinet -11 February 2014**	**Item Number:**	

Title:	**Financial Planning 2014/15 to 2016/17**

Report Authorised by:	**Kevin Bartle, Assistant Director – Finance (CFO)**

Lead Officers:	**Neville Murton, Head of Finance** **Barry Scarr, Interim Head of Corporate Finance**

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

1 Describe the issue under consideration

1.1 To provide a Medium Tem Financial Plan (MTFP) covering the next three years to March 2017, with a revised assessment of the General Fund, Dedicated Schools Grant (DSG), the Housing Revenue Account (HRA) including the need to set rent levels and the Capital Programmes for both the General Fund and the HRA. 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 2014/15 and later years.

Haringey Council

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

2.1 We were told in 2010 that this year's budget would see the last of the cuts handed to the residents of Haringey and this Council, but we are now told now that the funding reductions made by this Government are set to continue at least until 2018, with a further £60-70m probably needing to be found over that horizon.

2.2 I believe these cuts have gone too far and come too fast and the fact that the 10 poorest boroughs have faced 10 times the cuts as the 10 richest is simply iniquitous and unjust.

2.3 Far from delivering clarity over how local authorities are funded and certainty with which to plan their use of resources, the new Business Rate Retention Scheme, has in my view introduced more complexity that makes the system impenetrable for all but a few.

2.4 What I do know is that by implementing their cuts through the Revenue Support Grant (RSG) authorities with high deprivation indices, like Haringey, have suffered. At the beginning of the new system all authorities started with the same proportionate share of RSG yet barely 3 years into the system, by the end of 2015/16 Haringey will have suffered a 14.8% loss of RSG in comparison to Sutton and Richmond who have only lost 10.5% and 10.4% of their RSG respectively. That represents £4.7m Haringey residents can ill afford to lose.

2.5 However, I have always said that our job is to move this borough forward, to champion the needs of its people, to listen to their concerns and to work with them to sustain Haringey as one of the greatest places in London to live and work.

2.6 That is why 2014/15 will see for the 5th year in succession a proposed freeze to Council Tax, saving £125 for the average household over that period. This policy is supported by the majority of respondents to our consultation and will put money into our residents' pockets and help them with a cost of living crisis, which has seen the value of average wages in Haringey drop nearly £3,000.

2.7 Last year we significantly increased our investment in roads and pavements. We can see the difference this is making, not just to the look and feel of our communities, but making them safer for pedestrians and cyclists. This is why we continue to invest in our roads and street infrastructure, which we know is key to keeping business in the borough on the move, by maintaining the increased resources we put in this year, for a further year.

2.8 Creating One Borough continues to be a priority for us as we invest in the future of all of Haringey for the benefit of everyone that lives and works here, East and West. We have recognised the need to invest in strategically important sites to ensure that our regeneration plans come to fruition. We will target sustainable investment so that Haringey can grow and flourish in the future and ensure we secure a dividend for the people of our Borough from the growth we seek to create.

Haringey Council

2.9 The top priority identified in our consultation was Tackling Crime (including domestic Violence) with 85% saying that this was either very important or important to them. We have listened and we share concerns about cuts to our police force which is why we are setting aside resources to participate in a scheme to match fund police officers and deploy them in key areas to support our neighbourhood policing teams.

2.10 Finally we share the belief that we tackle the scandal of the legal loan shark industry by ensuring we support the alternative – namely the credit union. Since my predecessor launched the Credit Union in Haringey just five years ago it has grown from strength to strength. Our subordinated loan to help them serve a greater proportion of our residents has seen Haringey's members become the fastest growing contingent within the London Capital Credit Union. This budget goes further. I am extremely proud that from September 2014, every secondary school starter will have a credit union account opened in their name with a deposit of £20 each. This will not only help the credit union, but also help our schools incorporate work on financial management into their curriculum.

2.11 I commend the budget package to Cabinet for approval.

3 Recommendations

3.1 Cabinet is recommended to:

a) propose approval to the Council of the 2014/15 revenue budget and the Medium Term Financial Plan 2014 – 2017 including the consequent cash limits as set out in this report (Appendices 1 and 2);

b) propose approval to the Council of the new budget proposals set out in Section 9 and Appendix 3;

c) propose a General Fund budget requirement of £281.699m as set out in Appendix 1 but subject to the final decisions of the levying and precepting bodies and the final local government finance settlement;

d) propose a Dedicated Schools Budget at the level of the estimated Dedicated Schools Grant (DSG) of £228.755m (Appendix 4);

e) note the need for significant additional savings to be delivered in order to deliver a balanced budget in the years 2015/16 and 2016/17;

f) approve the responses made to the Overview and Scrutiny committee recommendations following their consideration of the draft budget proposals for 2014/15 (Appendix 7);

g) note the summary of the budget consultation responses (section 7 and separate report);

h) agree the proposed fee increase in relation to Commercial Waste collection services as set out in paragraph 8.25;

i) note the creation of a new earmarked reserve; the Labour Market Growth and Resilience Reserve, as set out in paragraph 9.10;

Haringey Council

j) agree the housing rent increases, of on average £4.90 (4.89%), as set out in paragraph 14.6 and Table 4;

k) agree the housing tenants' service charges set out in Table 7;

l) propose approval to the Council of the HRA budget for 2014/15 and the MTFP for 2014 -2017 as set out in section 16 and Appendix 5;

m) propose approval to the Council of the General Fund and HRA capital programme 2014 – 2017 of £294.393m summarised in Table 8 and detailed in Appendix 6;

n) note that this report will be considered by the Council at its meeting on 26 February 2014 to inform their final decisions on the 2014/15 budget and the associated Council Tax for that year; and,

o) delegate to the Chief Financial Officer any minor adjustments, up to £250k, that may be necessary to the 2014/15 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 2014-2017, including the budget for 2014/15, and to make recommendations on those matters to the Council at its meeting on 26 February 2014. Accordingly, no other options have been considered.

4.2 Responses received to the Council's public consultation process together with the comments of the Overview and Scrutiny Committee are reflected in the proposals set out in this report.

5 Background information

5.1 The decisions taken by Cabinet at this meeting will inform the Council's consideration of the Budget 2014/15, MTFP 2014 - 2017, including the Capital Programme, and the level of Council Tax for 2014/15. In addition the Cabinet are being asked to agree the housing rent levels without further recourse to Council.

5.2 Cabinet has progressively developed its budget proposals over several months and has made a series of decisions at its meetings in June and December 2013. It should be noted that the majority of the proposals to balance the 2014/15 budget were approved by the Cabinet in June 2013 and that changes made since have not substantially altered the overall balanced position.

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 26 February 2014. This report therefore includes some

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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 2013.

5.5 In February 2013, the Council approved its Budget for 2013/14 and MTFP 2013-2016. However, the overall MTFP at that stage showed planned spending exceeding anticipated resources by £42.8m over the period 2014 - 2016.

5.6 Cabinet has continued to take action during 2013 designed to reduce planned spending and to review all key assumptions underpinning the forecasts of spending and resources. From April 2013 the government's localisation of Business Rates took effect which, together with the continuation of unprecedented reductions in central government support to Councils, has introduced a number of variables not present in previous financial settlements.

5.7 At its meeting in December 2013 Cabinet received a report and agreed a number of recommendations on the Council's 2014-2017 MTFP, including those elements of the Capital Programme not supported externally and the HRA.

5.8 This report sets out the latest position in relation to the Council's revenue and capital budgets for the period 2014 – 2017 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 2013, and proposes a budget package for the planning period to 2017, 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); and,
- Capital Programme.

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 and reflecting the vision set out in the Council Plan.

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6.2 To reflect this approach, the Council has once again weighted savings plans so that front line services are protected as far as possible, and back office functions such as Finance, HR and IT have provided a proportionately larger share.

6.3 The government made the announcement of both the Autumn Statement and the provisional Local Government Finance Settlement in December. The lack of certainty over funding levels until this very late date means that adopting a strategic approach without an overall resource envelope as a reference point becomes more difficult. Differences between previous funding assumptions reported to December Cabinet and the results of the provisional settlement are set out in this report.

7 Consultation and Scrutiny

Consultation

7.1 The Council informed, consulted and engaged residents and businesses during December 2013 and January 2014.

7.2 The consultation asked questions about our plans and priorities, the services we provide and how we should be providing them. The outcome from the consultation has been reflected in the Council's proposed budget strategy.

7.3 We received strong support from 57% of respondents both to providing high quality education, safeguarding and support to families and also to deliver a strong local economy, high quality housing, excellent public services and confident communities. In priority order respondents ranked the following services most highly:

- Social care for vulnerable people (15.8%);
- Housing (12.8%); and,
- Education (11.8%).

7.4 Funding for Adult social care is increasingly being delivered in partnership with the Health Service, with the government indicating that it will be providing significant resources through the Better Care Fund in the future. The Council is proposing to allocate these resources in full together with its own investment to meet the costs of an increasing ageing population and the Health and Wellbeing Board will have a strategic oversight role in order to maximise efficiencies with our NHS partners.

7.5 The Council's Housing strategy is an integral part of this budget report and re-affirms the policy of rent convergence to support investment in our housing stock.

7.6 The Council has also recognised the benefits for pupils in areas as diverse as financial management and music by making specific investment proposals.

7.7 Respondents were asked to identify services or initiatives which are important to them regardless of whether or not the Council has to provide them by law; this identified Tackling Crime and Clean Streets (both with 84.6% support) as a high priority. The Council has reflected this through its proposed participation in the London wide scheme to increase the numbers of police officers on Haringey streets.

7.8 As in previous years, the consultation also sought views about the level of Council Tax; a majority of around a third of respondents agreed with the assertion that

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Council Tax should again be frozen.

7.9 Almost all respondents (91%) felt that the Council should be negotiating better with suppliers to improve value for money and we have therefore introduced a series of key targets to set benchmarks for efficient supplier management.

7.10 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 the questions raised and also records any comments made which managers will be specifically asked to consider where they have relevance for their area.

Scrutiny

7.11 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.

7.12 The panels established are as follows:-

- Adults and Health;
- Children and Young People;
- Environment and Housing; and
- Communities.

7.13 The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 23 January 2014, together with the responses of the Cabinet, are included at Appendix 7.

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.

The Autumn Statement

8.2 The Chancellor of the Exchequer made his annual Autumn Statement on 5 December 2013; this highlighted the following main points relating to Local Government funding:

- No further resource cuts for 2014/15 and 2015/16, over and above those previously announced for Local Government were made;
- A number of changes were proposed to the newly implemented Business Rates Retention Scheme including a 2% cap on the business rate multiplier, the

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extension of the Small Business Rate Relief Scheme and a commitment to resolving the majority of business rate appeals by July 2015; and

- Although elsewhere in the country the Chancellor removed the proposal to 'top-slice' the New Homes Bonus this was not the case for London where a £70m deduction will apply.

The Local Government Finance Settlement 2014/15 – 2015/16

8.3 2013/14 was the first year of the new Business Rates Retention Scheme and also saw the introduction of a number of Welfare Reforms including the localisation of Council Tax Benefit requiring Councils to design their own Council Tax Reduction Schemes.

8.4 The Provisional Local Government Finance Settlement for 2014/15 was announced on the 18 December 2013 with the Final Settlement, which generally only reflects the correction of any technical errors, scheduled for the end of January/ beginning of February.

8.5 A period of 2 – 3 weeks is required following the Autumn Statement announcement for the Department for Communities and Local Government to finalise the grant figures which significantly influences the ability of Councils to understand and propose final budget proposals to Members in good time.

8.6 In 2014/15 the core funding for the Council has been renamed as the 'Settlement Funding Assessment' (SFA) from the 'Start Up Funding Assessment' (SUFA) used last year and comprises Revenue Support Grant (RSG) and Baseline Funding.

8.7 The baseline funding is the Government's estimate of the Council's share of Business Rates. The Council's estimated business rates were calculated when the system was set up in 2013/14, and as this was considerably less than the baseline funding requirement, the Council is subject to a 'top-up' payment. The baseline funding is split between retained business rates and top up as follows:

Retained Business rates	£19.283m
Top up	£53.737m
Total	**£73.020m**

8.8 The Council's own estimate of business rates yield for 2014/15 is £19.816m, and this has been included in the MTFP. The difference is due to a drop in the estimated amount of backdated valuation appeals yet to be cleared. As a result, the 2013/14 business rates figures will also be slightly in excess of the original estimate, contributing £251k to the Collection Fund surplus.

8.9 The SFA for Haringey shows a **10.6%** reduction in 2014/15 compared to a 10% reduction for other Outer London Boroughs and an average 9.4% reduction in England. However, SFA is only partially (55% in 2014/15) funded by Revenue Support Grant with the remainder (45%) coming from assumed amounts of retained business rates and the top up. The extent to which business rates will match the levels assumed by the government will depend both on changes to the business

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rates taxbase and the associated collection rate.

8.10 In future the ratio of RSG to Baseline Funding will continue to rebalance both as government funding reductions fall wholly on the RSG element and as growth in business rates is assumed; for 2015/16 the ratio changes to 45:55 (RSG: Business rates) from the 55:45 set out above. It is important to note that Haringey is proportionately more dependent on RSG than other Councils due to high levels of deprivation.

8.11 Each year, the national multiplier for business rates (and the top-up) is increased by RPI, and SFA is reduced by an equivalent amount, meaning that Councils only benefit from growth in the base (i.e. new properties) and not rises in the rate. The Chancellor announced a 2% cap on the multiplier increase, compared to previous RPI projections of 3.2%. In order that the Council is not financially penalised by this decision, a Section 31 Grant of £775k has been awarded to the Council.

Council Tax

8.12 The Council will consider the Cabinet's MTFP and Budget recommendations at its meeting on 26 February 2014 and, informed by those recommendations, will determine the level of Council Tax for the financial year 2014/15 at that meeting.

8.13 The government has previously announced that a Council Tax Freeze Grant, equivalent to 1%, would be available for councils that do not increase their Council Tax in 2014/15 and 2015/16; additionally it has now also been confirmed that the Council Tax Freeze Grants, including those for 2014/15 and 2015/16 will be transferred into the baseline funding (RSG) from 2016/17. This removes a concern that they might have ceased at some future date resulting in a cliff edge funding loss for those councils whom previously benefitted.

8.14 For councils that decide to increase their Council Tax the government has the power to require a binding referendum where the rise proposed is above the level of a threshold set by them. For 2014/15 the level of the threshold has yet to be announced; the threshold for 2013/14 was 2% although professional commentators believe that the threshold is most likely to be reduced for 2014/15.

8.15 In considering the level of its Council Tax for 2014/15, 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;

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- The general economic climate and the additional financial burden any increase would have on Council Tax payers.

8.16 The MTFP 2014-2017 cash limits presented in this report at Appendices 1 and 2 assume, for planning purposes, no increase in Haringey's Council Tax in 2014/15, and the consequential receipt of Council Tax Freeze Grant in 2014/15 and 2015/16.

8.17 However, the tax base has grown during the year as a result of:

- new properties being built; and
- empty properties being brought back into use.

8.18 The reduction in empty properties has in the main been brought about by reducing discounts as part of the technical changes implemented by the localised support scheme reported to Full Council in January 2013.

8.19 The projected income from Council Tax in 2014/15 is £79.457m based on 67,091 Band D equivalent properties and a collection rate of 94%. This represents an increase of £4.2m over the 2013/14 figures.

8.20 It is unlikely that the reduction in empty properties will be repeated as the technical changes have now all been made, but there is a level of property development that will increase that tax base year on year. Therefore the 2015/16 and 2016/17 Council Tax yields have increased by £1.18m, representing an estimated increase of 1,000 properties per year.

Fees and Charges

8.21 Cabinet have agreed previously not to increase Fees and Charges generally in 2014/15, although there are a small number which are set by other bodies and, if changed, statutorily have to be ratified by the Council's Regulatory Committee.

8.22 The next meeting of the Regulatory Committee is scheduled for 3 March 2014 where those decisions will be made if required.

8.23 The Council is required to provide commercial waste collection services when requested to do so by a business in the borough. The service is provided in partnership with Veolia and a charge is made for the service.

8.24 Charges for commercial waste collection services have been held steady by the Council during the last two years. During this time the component costs involved in providing the service have increased; the most significant of these is waste disposal which, due to the Landfill Tax Escalator, has continued to rise at a much faster rate than general inflation. For this reason and in order to ensure that the costs of providing commercial waste collection services are recovered it is recommended that Cabinet agree an increase in the charges made for these services.

8.25 A number of options have been considered ranging from no increase to a variable increase for the different service types. If charges were not to be increased the estimated additional cost that the Council would have to bear would be £17.4k. The option which matches most closely a cost neutral position is **a 10% increase across all service types and this approach is recommended**. Tables 1 and 2 below set

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out the current and proposed charges based on this approach.

Table 1 - Commercial Refuse Collection Service, current and proposed charges

Container Type	Current charges	Proposed Charges
Sack – refuse	£0.99	£1.09
1100 litre bin – refuse	£14.00	£15.40
660 litre bin – refuse	£8.40	£9.24
360 litre bin – refuse	£4.80	£5.28

Table 2 - Commercial Recycling Collection Service, current and proposed charges

Container Type	Current charges	Proposed Charges
Sack – recycling	£0.75	£0.83
Cardboard bundle tape	£0.75	£0.83
1100 litre bin – recycling	£7.50	£8.25
660 litre bin – recycling	£4.50	£4.95
360 litre bin – recycling	£2.50	£2.75

9 Revised Budget Proposals

9.1 An update on the proposals approved by Cabinet in December is set out below.

Savings and Growth Proposals

9.2 A number of additional growth/investment proposals are included in the proposed budget for 2014/15 reflecting the Council's strategic priorities:

- Strategic Land Acquisition Fund – the council is committed to major regeneration and as such has identified a need to be in a position to acquire properties on sites which allow the council to facilitate future regeneration schemes to take place.
- Tottenham Regeneration– costs associated with the transformation of Tottenham have now been established and require funding.
- Planning – there is a small increase in the budget required to embed improvement to the quality and speed of the Development Management Service and ensure continued improvement. Performance has improved significantly in determining planning applications and the Council is on course to meet all corporate targets for the first time in many years. In particular, the service was

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well in excess of the threshold set by DCLG at which authorities would be at risk of being put into special measures.

- Financial Literacy – the Council is committed to improving the practical understanding of personal finance issues in secondary school pupils, starting in 2014/15 with year 7 pupils.
- Opportunities for Music – the Council wishes to make resources available to extend to pupils the range of musical opportunities.
- Additional resources, both in the revenue budget and the Capital Programme, have been made available to continue the investment made in 2013/14 to meet the need for enhancements to the borough's roads.
- The Mayor of London Office for Policing and Crime (MOPAC) has confirmed the offer to match resources provided by boroughs for additional policing which will enable more visible policing to be provided in those wards with the highest crime and anti-social behaviour.

9.3 These proposals are summarised in Appendix 3.

9.4 The Cabinet have also decided to make some revisions to their previously advised Capital Programme:

- Following a review, the proposed Alexandra Palace regeneration scheme (£950k over 2014 – 2017) has been removed from the proposed Capital Programme as the expenditure is not considered to be capital in nature. The scheme will continue as originally planned but will now be charged to revenue; the funding position is unchanged as revenue resources had been earmarked to fund the project initially.
- A new scheme has been added in respect of Parks Infrastructure (£400k) which is funded through revenue contributions generated from additional parks events. The works will include the demolition of two redundant buildings in Finsbury Park and Chestnuts Park and the improvement works at four parks depots.
- The Smart Working Programme aims to optimise the use of Council office space and reduce total costs of occupancy across the Council's office building portfolio via a reduction in the desk to employee ratio and through the establishment of flexible or SMART working practices. It also supports the Customer Services Transformation project by improving facilities for customers, service users and visitors.

  A revised scheme is proposed as part of the 2014/15 capital programme which aims both to accelerate the consolidation of staff into River Park House and Alexandra House, and to provide suitable spaces within those buildings to support wider organisational change by creating flexible work environments.

  The current smart working programme supports the overall Accommodation Strategy, which assumes the future release of other sites to achieve revenue savings and to support area regeneration.

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- The additional capital resources of £2.5m referred to above for investment in the borough's roads.
- An additional £2.5m expenditure on the school estate following confirmation of a revised schools' capital allocation from the Department for Education (DfE).

Grant related proposals

9.5 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 £917k greater than the estimate included in the December MTFP due to the reduction in empty properties referred to in section 8. It is proposed that this increase is used to fund the estimated cost of support for Tottenham Regeneration referred to above. This proposal amounts to £1.3m in 2014/15, and the increased NHB is £1.9m, therefore it is proposed to transfer the balance to a specific reserve in order to fund the programme in future years.

NHS Grant – this grant for Adult Social care is £1.1m more than the 2013/14 amount, due to an extra £200m being transferred to Local Government from the NHS. 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 Adult Social Care cash limit is increased by £1.1m, and this grant is used to offset the additional costs. This money is to be applied to support early interventions.

Local Welfare Reform Grant – as part of the government's 2013/14 welfare reform programme, Councils were given responsibility, and grant funding, for administering a local fund that replaced community care grants and crisis loans for living expenses. It was announced in the provisional Local Government Finance settlement that the grant funding provided in 2013/14 and 2014/15 is to cease in 2015/16, despite no indication from the Department of Work and Pensions that this funding would not be provided on an ongoing basis. If the Council wants to continue this support at the same level, resources of c£1.3m a year will need to be found from 2015/16 onwards.

Better Care Fund – this is a pooled budget for adult social care made up of a national funding stream of £3.8bn. The provisional Local Government Finance Settlement identified that the Haringey share of this in 2015/16 would be £16.4m, however the following needs to be taken into account:

- This is not new money – the £16.4m includes the previous NHS grant transferred to the Council, and the rest of the money is already being commissioned by the NHS and CCGs.
- The way in which the resource will be allocated via a formula is being changed, consequently the £16.4m figure is likely to change.
- £1bn of the £3.8bn nationally (26%) will be performance related, 50% based on 2014/15 performance metrics. This represents a significant proportion of the grant and there is a clear risk that resources will be reduced if performance

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targets are not met.

As well as presenting risks, the fund represents opportunities to improve outcomes for local people. The full £16.4m grant has been included in 2015/16, and an equivalent expenditure budget has provisionally been added to the Adult Social Care cash limits.

Budget pressures / savings

Collection Fund

9.6 Previous budget and out-turn reports have identified that the collection fund has been generating a deficit since 2011/12 and action has been taken to move the fund into a surplus position. As a result, £2m was included in the December MTFP as a contribution from the Collection Fund.

9.7 Revised estimates of the Fund balance have shown that the surplus is greater than expected, mainly due to the changes in properties referred to in Section 8 above.

9.8 Given the recent fluctuations in the Collection Fund, and the increased risk of volatility with Business Rates, a specific reserve will be set up as a resource to equalise any future deficits.

Contributions to/from Reserves

9.9 The December Cabinet proposals relied on a £0.7m contribution from reserves to present a balanced position. As set out above the improved position on the Collection Fund means that a transfer will now be made to, and not from, reserves.

9.10 In addition to the £1.1m Jobs Fund balance currently held in Reserves, a further £900k will be transferred into a newly created ***Labour Market Growth and Resilience Reserve;*** giving a start-up balance of **£2m**. Alongside investment in enabling physical regeneration in Tottenham and effective leverage in developer investment to bring forward new jobs, this fund will be essential to assist across the Borough in labour market initiatives. A review of the Economic Development function of the Council is underway and will report in the next few months. Subject to the agreement of recommendations arising from the review, this new fund will enable effective delivery during 2014/15 and onwards.

10 Budget and MTFP Revenue Proposals - summary

10.1 The latest financial position for the two years 2014/15 to 2015/16 is summarised in the following table, and in more detail in Appendices 1 and 2.

Table 3 – Summary Budget Changes 2014 - 2016

	2014/15 £m	2015/16 £m	Total £m
MTFP Shortfall approved February 2013	**20.4**	**22.5**	**42.9**

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Changes to the Council's resource base	(4.0)	14.2	10.2
Service demand pressures and growth	1.6	2.1	3.7
Savings proposals	(22.3)	0.0	(22.3)
Re-profiling and revisions to savings	6.4	(1.4)	5.0
Changes to assumptions	(2.1)	(2.5)	(4.6)
Cabinet December 2013	**0**	**34.9**	**34.9**
Changes to assumptions	1.6	(0.4)	1.2
Changes to the Council's resource base	(6.2)	(0.9)	(7.1)
Investment proposals	4.6	(2.3)	2.3
MTFP Surplus (-) / shortfall (+)	**0**	**31.3**	**31.3**

2016/17

10.2 2016/17 allocations are subject to significant levels of uncertainty. However, the high level Office of Budget Responsibility (OBR) projections made at the time of the Autumn Statement indicate continuation of the Local Government Departmental Expenditure Limits (DEL) reductions of c£25bn which equates to a 10.6% cumulative fall in resources over the 3 years from April 2016.

10.3 A major change in 2016/17 will be the establishment of a care cap, limiting the amount of money that people will have to pay towards adult social care. The main features, contained in the Care Bill, are:

- An individual's contribution to eligible care will be capped at £72,000;
- People who develop needs at working age will have a lower cap, and those who have care needs when they turn 18 will have the cap set at zero;
- For adults in residential care, the upper means tested threshold will increase from £23,250 to £118,000. This means that people entering a care home with assets less than this value will not have to pay the full cost of their care;
- For adults in residential care, the lower means tested threshold will increase from £14,250 to around £17,000. People with assets less than this value will receive full support for their care costs.

10.4 The proposals are both front and back loaded – costs will rise in 2016/17 as the means tested thresholds are raised, and again three years later as the care cap kicks in. It is estimated that it will take 3.5 years to reach the cap in London.

10.5 The Government has calculated that the proposals will cost £1bn, and will be fully funded. However, London Councils has estimated that the costs will be nearer £1.5bn, and that London will be disproportionately affected due to:

- A relatively short time period to reach the cap (3.5 years);

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- A relatively high percentage (27%) of self funders who will hit the cap (15% nationally, 3% in the North East).

10.6 As a result, an additional £1m has been included in the MTFP for 2016/17 to recognise these factors. As more details are known, the estimate will be reviewed and updated.

10.7 Other material changes that could affect the Council's finances in 2016/17 are:

- Changes in core and specific grants;
- Inflation and interest rates;
- The outcome of the 2015 General Election;
- The general economic climate; and,
- The impact of Government legislation.

10.8 At the moment, it is estimated that there will be a further gap of **£22.8m** in 2016/17 based on current assumptions.

Three Year Plan

10.9 As the council faces the future financial challenges 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. Use of existing reserves are an integral part of that strategy and will continue to be utilised going forward. The use of programme budgets will be introduced to deal with time limited initiatives, such as Tottenham Regeneration, reserves will be used to manage the uneven profile of spend typically associated with this approach.

11 Transformation

11.1 Based on the above analysis the combined gap for 2015/16 and 2016/17 is £54.1m. This represents the 6th and 7th years of the Government's Austerity programme, and the Council will need to find additional efficiency savings towards these gaps. The Council is developing a transformational programme approach to take it forward to address the financial challenges in the years to come. The following corporate programmes are priorities:

- Haringey 54k;
- Tottenham Regeneration;
- Customer Services Transformation; and,
- Corporate Infrastructure Programme.

12 Risks and Opportunities

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

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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 have not, as yet, been factored into the planning assumptions. The main risks and opportunities are summarised below:

Risks

- Funding and political uncertainty post 2015/16
- 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 including particularly the performance related element of the Better Care Fund
- Further Academy transfers and loss of funding/flexibility
- Under funding of the Care Cap

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
- Improved service efficiency, and thus cost saving, as a result of the Council's corporate programmes.

13 Dedicated Schools Grant (DSG)

13.1 Cabinet previously approved in December 2013 changes to the Haringey Schools' Funding Formula and considered separately the estimated size of the DSG based on October 2013 pupil numbers (for the Schools' Block) January 2013 numbers (for the Early Years' Block) and the guaranteed unit of funding for each of the respective blocks. Both of the units of funding have been maintained in cash terms for 2014/15.

13.2 The government has now also confirmed its intention to remove schools from the Carbon Reduction Scheme and has, as a consequence, reduced resources of £299k from the 2014/15 DSG allocation.

13.3 The DSG on the basis of the above factors is now estimated at £228.755m which was presented to the Schools Forum on 16th January 2014. The DSG must be used fully in support of the Council's Dedicated Schools Budget (DSB) and Cabinet is asked to approve the DSB at this level.

13.4 Further changes to the numbers used in support of the Early Years block will be made once the January 2014 count data is available; there may therefore be final

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amendments relating to those changes or any subsequent data cleansing adjustments. The High Needs Block is also an estimated amount and may be subject to change following analysis of returns made to the government by all authorities on 23 December 2013.

13.5 The December Cabinet also received details of the proposed 2014/15 Pupil Premium amounts; the amount for eligible primary aged pupils had already been confirmed at £1,300 although confirmation of the Secondary aged pupil amount was only received at the time of the provisional settlement at £935 (per eligible pupil). This is substantially below the level originally projected and is only £35 per pupil above the 2013/14 level.

13.6 At its meeting held on 16th January the Schools Forum considered a report on those areas where the Council had put forward proposals to either retain budgets centrally (£2.84m) where it is allowed to do so, or seek de-delegation of resources (£0.95m) where it must initially delegate to all schools; these are areas where the final decision is for the Schools Forum to make annually.

13.7 The Forum agreed with the proposals made in relation to all cases with the exception of the proposal to seek de-delegation of the budget (£161k) to fund Trade Union facilities. In 2013/14 the Forum agreed to de-delegate this budget from Primary Schools only, but the School Forum has now decided that it should remain delegated to all schools from 2014/15. As a result the HR Service will be extending the arrangements to all schools to meet the costs of Trade Union representation for their staff through a Service Level Agreement or other 'trading' arrangement.

14 Housing Revenue Account (HRA)

14.1 Under the self-financing regime rents are the main source of income for the HRA and Cabinet is required to make decisions annually on the level of increases.

14.2 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. This means that rents are increasing in real terms – above inflation. This is contributing significantly to the revenue surplus.

14.3 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. This would be a permanent reduction to the HRA since rent increases in future years will be applied to a lower baseline.

14.4 It is therefore **recommended** that Cabinet continues to follow their established policy with target rent increases for 2014/15 reflecting the level of the September 2013 Retail Prices Index (RPI) which was 3.2%.

14.5 An exception to this policy was agreed for void properties. When a tenancy comes to

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an end and the property is re-let to a new tenant, the rent is raised immediately to the target rent thereby achieving convergence in advance of the main stock. The difference between this target rent and the existing rent varies but is typically £2.60 a week. 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 £60k. It is **recommended** that this policy continue.

14.6 If Haringey continues to follow rent restructuring then the average weekly dwelling rent will increase by £4.90 or 4.98%. The average weekly rent will increase from £98.23 to £103.13. The additional income to the HRA from applying this increase is £4.0m a year.

14.7 Because rent restructuring takes into account individual factors for each property such as the existing rent and the capital value, there is considerable variation in the size of the increase for each dwelling. The tables below illustrate this range:

Table 4: Proposed weekly dwelling rents for 2014/15

Number of Bedrooms	Number Of Properties	Minimum Rent	Maximum Rent	Average Rent
		£	£	£
Bedsit	157	67.84	114.89	83.23
1	5624	57.68	136.38	88.24
2	5392	80.44	148.83	103.24
3	3984	76.34	155.57	118.48
4	616	88.47	167.14	134.04
5	102	104.64	169.69	154.52
6	10	134.79	177.79	161.79
7	2	137.05	174.44	155.75
8	1	176.32	176.32	176.32
All dwellings	**15,888**	**57.68**	**177.79**	**103.13**

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Table 5: Percentage increase in weekly dwelling rents for 2014/15

Number of Bedrooms	Minimum Increase	Maximum Increase	Average Increase
Bedsit	1.88%	6.85%	5.14%
1	1.57%	7.43%	4.96%
2	1.63%	6.35%	5.03%
3	2.61%	6.49%	4.94%
3+	0.61%	6.10%	4.86%
All dwellings	0.61%	7.43%	4.98%

Table 6: Range of changes

Potential Rent Increase	Number of properties	% of Total
Less than £4.00	3,492	21%
Between £4.00 and £5.00	5,364	34%
Between £5.00 and £6.00	5,077	32%
Between £6.00 and £7.00	1,675	11%
Between £7.00 and £9.00	280	2%
Total	**15,888**	**100%**

14.8 Were the Cabinet 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.

14.9 The Cabinet is **recommended** to agree the rent increases detailed in paragraph 14.6 and set out in Table 4 above.

14.10 In subsequent years, the national rent policy is likely to change to be based on an increase against the Consumer Prices Index (CPI) +1%. The rent projections for 2015/16 and 2016/17 have been calculated on this basis.

15 Service charges

15.1 In addition to rents, tenants need to pay separate charges for specific services that they receive. The Council's policy has been to set charges to match budgeted expenditure unless this would result in an increase of more than the limits used in rent restructuring in which case charges are increased by RPI + 0.5%. For 2014/15

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this is equal to 3.7%.

15.2 The table below shows the proposed changes in service charges calculated according to this policy.

Table 7 – Summary of Tenant's Service Charge Income.

Tenant's Service Charges	No of Tenants	Current Charge	Proposed Charge	% Change	Projected Income
Concierge	2,010	£14.43	£14.96	3.7%	£1,549,100
Grounds Maintenance	8,134	£2.95	£3.02	2.4%	£1,265,500
Caretaking	7,708	£5.58	£4.16	-25.4%	£1,651,900
Street Sweeping	8,133	£3.55	£3.67	3.4%	£1,537,700
Bin & Chute Cleaning	8,088	£0.15	£0.16	6.7%	£66,700
Integrated Reception Service (Digital TV)	9,093	£0.77	£0.77	0.0%	£360,700
District Heating Scheme - BWF (p/KWh)	193	£0.0567	£0.06	0.0%	£131,800
Estates Road maintenance	9,390	£0.46	£0.48	4.3%	£232,200
Communal Lighting	7,911	£2.15	£2.28	6.0%	£929,200
Heating (Average charge)	637	£12.25	£12.92	5.5%	£424,000
Tenants' Service Charges (Excluding water rates)					**£8,148,800**
Water	16,876	£6.77	£7.32	8%	£6,437,600
Total Tenants' Service Charges					**£14,586,400**

15.3 As the table shows, tenants will benefit from a net reduction in the cost of caretaking achieved by Homes for Haringey as part of their efficiency programme and other increases have been kept as low as possible. The largest increase in absolute terms is for heating which is mostly externally driven.

16 HRA Revenue Budget and MTFP 2014-2017

16.1 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 £3.2m. Further details on their proposals for meeting this target are given below. Further reductions of 5% are planned for 2015/2016 and 2016/2017.

16.2 In order to make the necessary staffing reductions, Homes for Haringey will incur transition costs, including redundancy and early retirement costs. Cabinet approved a call on reserves of up to £3m at the December 2013 meeting.

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16.3 Homes for Haringey are an admitted body in the Local Government Pension Scheme. Following a recent revaluation of the risks and liabilities on their part of the fund, the actuary recommends that the employer contribution should rise and this will cost around £1.1m a year. This has been added into the Medium Term Financial Plan as an unavoidable growth pressure.

16.4 Charges made by the Council for corporate and support services will rise by inflation.

16.5 Costs of £170k will be transferred to the HRA from the General Fund following a review of charges between accounts. This includes £100k for the waste management costs for the disposal of goods and furniture etc from void properties, £25k increase in the charge for the Grounds Maintenance service and £45k for the Fuel Poverty officer post who will now work mostly with HRA tenants rather than the general population.

16.6 There is also £1.035m new investment growth for activity to support the HRA Investment and Estate Renewal Strategy reported to Cabinet in November. This is made up of a contribution to the Regeneration team of £235k for HRA specific activity in relation to Tottenham and £150k for work on small and medium sized estates, £150k for feasibility studies and master planning and £500k for tenant and resident consultations and communications.

16.7 Within the managed accounts there is a 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 continue 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.

16.8 There is also £4.54m of funding that has been transferred from the capital programme to revenue within the managed account. This is not new spending but is a change in classification following a review of capitalisation and has a net nil overall impact.

16.9 The net result of these changes is a revenue surplus of £10.432m. This together with £4.6m of the brought forward balance on the HRA reserve will be invested into the expanded HRA programme. It is **recommended** that Cabinet agree the MTFP as set out in Appendix 5a to this report.

17 2014-15 Homes for Haringey Efficiency Savings.

17.1 Homes for Haringey have brought forward £2.6m of savings proposals, against a target of £3.2m, in order to meet their efficiency target. These are shown as at Appendix 5b to this report.

17.2 Around half the savings will be found within the Repairs Service (£1.1m). These will be achieved by a mixture of efficiency improvements and stopping services that are in excess of normal landlord responsibilities.

17.3 The other fifty percent of savings will be found from efficiency improvements within the back office (£0.98m, 31%) and closer working with the Council and the consequent reduction of duplicate work (£0.504m).

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17.4 £570k of the £3.1m total savings target is still, however, to be identified and will be considered early in the new financial year.

18 Capital Programme

18.1 The December 2013 Cabinet meeting received details of, and agreed for recommendation to full Council, draft proposals for the capital programme 2014 – 2016 which were to be funded from the Council's own resources (as opposed to externally funded schemes) to be recommended to the Council.

18.2 Since then a number of changes in both spending and financing have been identified including adding those schemes funded from external contributions. The main changes made have been set out in Section 9 of this report; updated proposals which constitute the full capital programme for 2014- 2017 are now summarised in Appendix 6.

18.3 Cabinet is **recommended** to approve the complete programme for consideration by the Council at its meeting on 26 February 2014.

Housing Revenue Account

18.4 The proposed Housing capital programme for 2014/15 is £64.02m; within this £5.42m is included for the Small Sites infill programme. This is the second year of a £15m programme to build around 100 affordable homes making use of empty or under utilised HRA land. This programme is still at the planning stage and further details will be brought back to Cabinet in 2014. The programme is part funded from retained RTB receipts unless GLA grant is secured under the Mayor's Covenant scheme.

18.5 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 2014/15 relies solely on internally generated funds.

18.6 Should any of the works cover leasehold properties the costs will be recoverable from the leaseholders and will not be a charge on the Council's resources. Leaseholder contributions are shown as a funding line to the programme.

18.7 Since the Housing Capital Programme was last presented to Cabinet in December, a number of refinements to the estimates have been made. These include reductions in the professional fees, lift and boiler programmes, an increase in the Supported Living Programme and the estimated cost of the stock condition survey and the creation of two specific new programmes for estate roads and pavements and flooring and alarm systems in sheltered schemes.

18.8 A summary of the proposed General Fund and HRA Capital Programme is set out below in Table 8 together with the associated funding sources.

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

Table 8 – 3 Year Proposed Capital Programmes 2014 - 2017

Haringey Council

Expenditure	Proposed Budget 2014/15	Indicative Budget 2015/16	Indicative Budget 2016/17	Total
	£'000	£'000	£'000	£'000
Place & Sustainability	35,968	20,059	13,003	**69,030**
Children & Young People	6,891	10,342	12,128	**29,361**
Adults & Housing	2,036	2,036	2,036	**6,108**
HRA	64,020	63,938	49,870	**177,828**
Other	3,718	3,122	5,226	**12,066**
Total Capital Programme	**112,633**	**99,497**	**82,263**	**294,393**

Draft Capital Funding				
Government Grants	32,307	10,978	11,717	**55,002**
Other Grants	9,896	9,589	8.478	**27,963**
Capital Receipts	9,116	13,679	12,757	**35,552**
Section 106	153	0	0	**153**
Reserves & Revenue	42,804	37,271	35,413	**115,488**
Prudential Borrowing	18,357	27,980	13,898	**60,235**
Total Capital Financing	**112,633**	**99,497**	**82,263**	**294,393**

19 Indicative HRA 2015-2017 Programme

19.1 The Housing Investment and Estate Renewal Strategy was presented to Cabinet at the second November Cabinet meeting. At this stage the strategy is fairly high level and further work is required to finalise the details. The 2015/16 and 2016/17 Capital Programme should therefore be considered as purely indicative until this work is carried out and a further report taken back to Cabinet.

19.2 The indicative programme continues the increased level of investment in the housing stock and provides funding for a successor programme to the Decent Homes programme. This will be informed by the refresh of the stock condition survey planned for 2014/15 and consultation with tenants. Due to the high level of investment needs it is likely that internal resources will no longer be sufficient and the Council will have to consider increasing its HRA borrowing.

20 Treasury Management Strategy

20.1 The Treasury Management Strategy Statement (TMSS) for 2014/15 will be brought to the meeting of the Council on 26 February 2014.

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20.2 The TMSS has been formulated by the Corporate Committee and scrutinised by the Overview & Scrutiny Committee. The TMSS sets out the proposed strategy for the Council's borrowing, investment of cash balances and the associated monitoring arrangements.

21 Comments of the Chief Finance Officer and financial implications

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

22 Head of Legal Services and legal implications

22.1 The Local Authorities (Standing Orders) (England) (Regulations) 2001, as provided for in 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. However the setting of rents and service charges for Council properties is an executive function to be determined by the Cabinet.

22.2 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.

23 Equalities and Community Cohesion Comments

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

24 Head of Procurement Comments

24.1 Not applicable

25 Policy Implication

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

26 Use of Appendices

26.1 Appendix 1 – Summary of the MTFP 2014/15 to 2016/17

26.2 Appendix 2 – Directorate Cash Limits

26.3 Appendix 3 – New Budget proposals

26.4 Appendix 4 – Dedicated Schools Grant

26.5 Appendix 5 – Housing Revenue Account MTFP 2014-17

26.6 Appendix 6– Capital Programme

26.7 Appendix 7 – Scrutiny recommendations and Cabinet responses

27 Local Government (Access to Information) Act 1985

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

- Financial Planning 2013/14 to 2015/16 - Cabinet 12 February 2013
- Financial Planning 2014/15 to 2016/17 - Cabinet 18 June 2013
- Financial Planning 2014/15 to 2016/17 - Cabinet 17 December 2013

27.2 For access to the background papers or any further information please contact Neville Murton Head of Finance (Budgets, Accounting and Systems Team) on 020 8489 3176.

HARINGEY COUNCIL MEDIUM TERM FINANCIAL PLAN TO MARCH 2017

Appendix 1

	2013/14 Revised Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	New Savings £'000	Funding Adjustments £'000	Slippage £'000	2014/15 Revised Base Budget £'000	Pre-Agreed Growth £'000	New Growth £'000	Pre-Agreed Savings £'000	Funding Adjustments £'000	Slippage £'000	2015/16 Revised Base Budget £'000	New Growth £'000	Funding Adjustments £'000	Slippage £'000	2016/17 Revised Base Budget £'000
Service Areas (excluding Corporate Recharges and Capital Financing Costs)																		
Total Strategy and Performance	5,213	0	0	(129)	(636)	0	0	4,448	(130)	0	(60)	0	0	4,258	0	0	0	4,258
Total Adults and Housing	92,055	650	995	(1,200)	(3,058)	1,153	710	91,305	950	12,120	(365)	0	(710)	103,300	2,720	0	0	106,020
Total Place & Sustainability	44,209	(462)	4,960	(1,750)	(2,928)	0	1,070	45,099	0	(2,460)	(200)	0	(130)	42,309	(700)	0	(940)	40,669
Total Public Health	17,815	592	0	0	(820)	0	0	17,588	0	0	0	0	0	17,588	0	0	0	17,588
Total Children & Young People's Services	59,833	0	520	(3,785)	(1,407)	0	480	55,641	0	722	0	0	(480)	55,883	(1,122)	0	0	54,761
Sub-Total	219,125	780	6,475	(6,864)	(8,849)	1,153	2,260	214,080	820	10,382	(625)	0	(1,320)	223,337	898	0	(940)	223,295
Corporate Services																		
Total Corporate Resources	7,479	(330)	0	(455)	(780)	0	0	5,914	0	0	0	0	0	5,914	0	0	0	5,914
Total Chief Executive	22,046	310	150	(845)	(1,826)	0	91	19,926	(410)	250	0	0	(91)	19,675	0	0	0	19,675
Total Non Service Revenue	27,189	4,850	1,900	0	(3,338)	(3,559)	0	27,042	5,530	1,023	0	(5,530)	0	28,065	2,800	0	0	30,865
Total Contingencies and Provisions	12,237	6,000	4,000	0	(7,500)	0	0	14,737	5,000	500	0	0	0	20,237	5,500	0	0	25,737
Sub-Total	68,951	10,830	6,050	(1,300)	(13,444)	(3,559)	91	67,619	10,120	1,773	0	(5,530)	(91)	73,891	8,300	0	0	82,191
Total Funding Requirement	288,076	11,610	12,525	(8,164)	(22,293)	(2,406)	2,351	281,699	10,940	12,155	(625)	(5,530)	(1,411)	297,228	9,198	0	(940)	305,486
Funding Sources																		
Core Grants	29,992	0	0	0	0	2,623	0	32,615	0	16,473	0	(6,938)	0	42,150	0	(2,286)	0	39,864
New Homes Bonus	3,095	0	0	0	0	1,986	0	5,081	0	0	0	(722)	0	4,359	0	1,084	0	5,443
Revenue Support Grant	107,662	0	0	0	0	(19,675)	0	87,987	0	0	0	(25,927)	0	62,060	0	(16,049)	0	46,011
Returned New Homes Bonus	800	0	0	0	0	(356)	0	444	0	0	0	194	0	638	0	389	0	1,027
Council Tax	75,240	0	0	0	0	4,217	0	79,457	0	0	0	1,180	0	80,637	0	1,180	0	81,817
Retained Business Rates	18,577	0	0	0	0	1,239	0	19,816	0	0	0	994	0	20,810	0	666	0	21,476
Top Up	52,710	0	0	0	0	1,027	0	53,737	0	0	0	1,510	0	55,247	0	1,552	0	56,799
Surplus/(Deficit) on Collection Fund	(3,570)	3,570	0	0	0	7,519	0	7,519	0	0	0	(7,519)	0	0	0	0	0	0
Contribution from/(to) Reserves	3,570	(3,570)	400	0	0	(5,357)	0	(4,957)	0	286	0	4,671	0	0	0	(1,084)	0	(1,084)
Total Available Funding	288,076	0	400	0	0	(6,777)	0	281,699	0	16,759	0	(32,557)	0	265,901	0	(14,548)	0	251,353
Budget Gap	-							0						31,327				54,133

Appendix 2

Business Unit Cash Limits

	2014/15
	Cash Limit
	£000
Organisational Development & Committee	740
Local Democracy	832
Policy, Intelligence & Partnerships	1,998
Communications	878
Director of Strategy and Performance	0
Total Strategy and Performance	**4,448**
Director of Adults & Housing	744
Adults and Community Services	74,041
Community Housing Services	16,520
Total Adults and Housing	**91,305**
Director of Place & Sustainability	754
Single Front Line Services	28,950
Planning, Regeneration & Economy	2,697
Tottenham Team	2,086
Property	6,127
Leisure Services	915
Culture, Libraries & Learning	3,489
BSF Revenue/Direct Services	81
Total Place & Sustainability	**45,099**
Director of Public Health	17,588
Total Public Health	**17,588**
Director of Corporate Resources	201
Corporate Finance	4,253
Corporate Procurement	1,460
Total Corporate Resources	**5,914**
Prevention and Early Intervention	10,013
Children & Families	44,686
Director's Budget	942
Total Children & Young People's Services	**55,641**
Chief Executive	2,168
Electoral Service	619
Human Resources	1,879
Revenues, Benefits & Customer Services	6,553
Legal services	-1,665
Information Technology	10,372
Total Chief Executive	**19,926**
Non Service Revenue	**41,779**
TOTAL FUNDING REQUIREMENT	**281,699**

Appendix 3

New Growth Proposals

Ref	Proposed Use of Investment & Justification (KPIs etc)	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000	Why is this needed? / What outcomes will be achieved? (e.g. impact on P.I.)
	Children and Young People					
1	Enhancement of secondary school pupils' personal finance skills	60			60	Provision in conjunction with the Haringey Credit Union of resources to educate pupils in management of personal finances -year 7 pupils only and with provision to access only after 2 years
2	Extend free music tuition to year 6 pupils	35			35	Children in Y4 and 5 currently receive whole class instrumental tuition and Y5 continuers programmes; Y6 Parents are currently charged for these programmes. The proposal is to extend current provision into Y6 which will benefit an estimated 700 children
3	Saturday Morning Music Centre at Gladesmore	25			25	Expand the provision at Gladesmore to set up bands for children who have progressed well through the free whole class lessons in schools but are unable to attend the after-school sessions we run at the Music Centre. This funding would maintain and expand the provision next term, benefitting around 160 children and young people.
Total Children's Services		120	0	0	120	

Ref	Proposed Use of Investment & Justification (KPIs etc)	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000	Why is this needed? / What outcomes will be achieved? (e.g. impact on P.I.)
	Place & Sustainability					
4	Strategic land and property acquisition	1,900			1,900	The revenue effects of an estimated £50m fund to acquire strategically important development sites associated with regeneration activities.
5	Tottenham Programme	1,300	600	(700)	1,200	Creation of Programme budget for resources to support the Tottenham regeneration programme. Profile of spend likely to flex.
6	Buy one get one free police resource offer in addition to the Local Policing Model (LPM)	200			200	Funding for additional police officers which would offer increased flexibility and visibility and have the benefit of offering additional impact. These officers would be deployed to specific wards to enhance support to the existing neighbourhood policing teams e.g. Noel Park and Harringay including parks and open spaces within the same, e.g. Duckett's Common.
7	Pothole Investment	360	(360)		0	This funding will maintain the 2013/14 levels of investment into 2014/15 continuing the improvement programme.
8	Planning/ Development Management	200			200	Resources to support the level of planning applications being received.
	Total Place & Sustainability	3,960	240	(700)	3,500	
	GRAND TOTAL	4,080	240	(700)	3,620	

DSG 2013-14 and 2014-15 (Indicative)

Appendix 4

	Notes	Pupil Numbers	Funding Rate £	Schools Block £	Early Years Block £	High Needs Block £	Total £
DSG 2013-14 (July 2013)							
SB Base	1	30,589	5,878.44	179.816			
EYB Base	2	2,358	5,345.46		12.605		
HNB Base						29.920	
2 Yr Old Funding					3.699		
3 Yr Old Transition					0.900		
Induction of NQTs				0.047			
Former Non Maintained Special Schools						0.023	
Reported to Forum September 2013				179.863	17.204	29.943	227.009
DSG 2014-15 (December 2013)							
SB Base	1	30,707	5,878.44	180.509			
EYB Base	2	2,358	5,345.46		12.605		
HNB Base						29.920	
2 Yr Old Funding					5.048		
3 Yr Old Transition							
Induction of NQTs				0.047			
Net increase in post 16 funding						0.903	
Former Non Maintained Special Schools						0.023	
Removal of Carbon Reduction Funding	3			-0.258	-0.025	-0.016	
				180.298	17.628	30.830	228.755

Notes:
1. DSG allocations are before academy recoupment.
2. The two EYB Bases use the January 2013 pupil count and will be updated when the January 2014 count is available.
3. The Carbon Reduction Commitment no longer applies to schools and education funding has been reduced to compensate the Treasury for this loss of funding.

Appendix 5a

HRA Summary	2013/14 Current Budget £000s	2014/15 Increase / (Decrease) £000s	2014/15 Draft Budget £000s	2015/16 Increase / (Decrease) £000s	2015/16 Draft Budget £000s	2016/17 Increase / (Decrease) £000s	2016/17 Draft Budget £000s
Rental Income	(82,048)	(1,864)	(83,912)	(1,986)	(85,898)	(2,226)	(88,124)
Non Dwelling Rents	(2,396)	(32)	(2,428)	(42)	(2,470)	(42)	(2,512)
Leasehold Service Charge Income	(6,350)	(626)	(6,976)	(701)	(7,677)	(106)	(7,783)
Tenant Service Charge Income	(10,113)	450	(9,663)	(210)	(9,873)	(221)	(10,094)
Miscellaneous Income	(5,994)	(598)	(6,592)	(706)	(7,298)	(785)	(8,083)
Housing Management Costs & NNDR	5,909	491	6,400	621	7,021	691	7,712
Repairs & Maintenance	0	4,540	4,540	0	4,540	0	4,540
Bad Debt Provision	1,524	735	2,259	50	2,309	55	2,364
Service Charge Costs	6,791	387	7,178	185	7,363	166	7,529
Total Managed Accounts	**(92,677)**	**3,483**	**(89,194)**	**(2,789)**	**(91,983)**	**(2,468)**	**(94,451)**
Temporary Accommodation	(1,233)	24	(1,209)	(12)	(1,221)	(12)	(1,233)
Community Alarm & Supported Housing	399	(31)	368	4	372	4	376
Other Property Costs	2,314	(649)	1,665	83	1,748	87	1,835
HIERS/RegenerationTeam	225	385	610	0	610	0	610
Feasibility Studies of Estate Renewal	550	150	700	0	700	0	700
Consultation and comms re Estate Renewal		500	500	0	500	0	500
Place and Sustainability Recharges	941	170	1,111	0	1,111	0	1,111
Housing GF + CDC Recharges	2,912	13	2,925	44	2,969	40	3,009
Bad Debt Provision - Hostels	62	2	64	2	66	0	66
Pension Contributions Increase		1,100	1,100	0	1,100	0	1,100
Capital	35,048	(22)	35,026	1,186	36,212	575	36,787
Homes for Haringey Management Fee	34,855	(3,187)	31,668	(1,583)	30,085	(1,504)	28,580
Homes for Haringey Overheads	4,131	103	4,234	106	4,340	109	4,449
Total Retained Accounts	**80,204**	**(1,442)**	**78,762**	**(171)**	**78,592**	**(702)**	**77,890**
TOTAL HOUSING REVENUE ACCOUNT	**(12,473)**	**2,041**	**(10,432)**	**(2,960)**	**(13,391)**	**(3,170)**	**(16,581)**

Planned Opening HRA Balance	(19,002)		(17,808)		(13,164)		(10,555)
In Year Surplus	(12,473)		(10,432)		(13,391)		(16,561)
Capital Programme	10,667		15,076		16,000		16,500
Funding for Staff Redundancies (if required.)	3,000						
Planned Closing Balance	(17,808)		(13,164)		(10,555)		(10,616)

Appendix 5b

Housing Revenue Account - Proposed Savings

Item	Proposed Efficiency Saving	2014-15 over 2013-14 £'000	Total £'000	Posts Affected (FTE)	Impact on Performance (Service Delivery)
DA-1	Restructure of Corporate Services	787	**787**	19.2	The restructure will eliminate duplication and support improvements in co-ordination, planning and strategy development
DA-2	Restructure of Surveying Function	227	**227**	7	Largely a reduction in duplication of tasks between teams. Minimal impact on performance
DA-3	Change from scheduled inspection of windows to reactive repair.	400	**400**	0	A communication campaign will make tenants aware of the need to report defective windows
DA-4	Temporary Accommodation + Adaptations Works	194	**194**	0	The volume of work has been falling. No impact on the standard of work
DA-5	Other HRS Efficiencies	541	**541**	36 (note 1)	The HRS improvement plan is achieving cost reductions in staffing, materials and subcontracting. This is an efficiency improvement and there is no impact on performance
DA-6	Unifying the Housing Service	277	**277**	4.5	By working more closely with LB Haringey it will be possible to reduce duplication and remove posts
DA-7	Contingency/Central Costs	191	**191**	0	No impact on services
DA-8	To Be Identified	570	**570**	0	
			0	0	
	Sub-Total	**3,187**	**3,187**	**67**	

Appendix 6

Draft Capital Programme 2014/15 to 2016/17

Ref. No.	Name of Capital Scheme	Business Unit	Total Planned Expenditure Budget: Proposed Original Budget 2014/15 £'000	Indicative Original Budget 2015/16 £'000	Indicative Original Budget 2016/17 £'000	Total £'000
Place and Sustainability						
1	TfL - Corridors/Neighbourhood/Smarter Travel	Single Frontlir	2,173	2,198	2,198	**6,569**
2	TfL - Local Transport	Single Frontlir	100	100	100	**300**
3	TfL - Principal Road Maintenance	Single Frontlir	571	571	571	**1,713**
4	TfL - Bridges	Single Frontlir	1,539	3,227	2,765	**7,531**
5	TfL - Wood Green Town Centre	Single Frontlir	2,449	0	0	**2,449**
6	TfL - Cycling Programme	Single Frontlir	315	350	359	**1,024**
7	Northumberland Park Accessibility and Parking	Operational S	97	1,143	485	**1,725**
8	Myddleton Road PSICA - English Heritage	Strategy and	190	0	0	**190**
9	Western Road Depot	Single Frontlir	300	0	0	**300**
10	Tottenham Regeneration	Tottenham Re	500	4,800	0	**5,300**
11	Street lighting investment programme	OS&CS Single	400	400	400	**1,200**
12	Planned carriageway and footway works	OS&CS Single	4,500	500	500	**5,500**
13	Road safety and structures	OS&CS Single	150	150	150	**450**
14	Parking infrastructure	OS&CS Single	300	300	300	**900**
15	Tree planting programme	OS&CS Single	65	70	75	**210**
16	Bruce Castle	OS&CS Leisu	0	141	849	**990**
17	Council buildings condition works	OS&CS Asset	660	750	750	**2,160**
18	Capital programme delivery	Property & Ca	50	50	50	**150**
19	Stroud Green - Finsbury Park	Strategy and	50	20	0	**70**
20	Smart Working Project	Property & Ca	1,575	17	0	**1,592**
19	Reprovision of civic functions	Property & Ca	100	1,000	1,900	**3,000**
20	Hornsey Town Hall	Property & Ca	1,784	2,672	1,451	**5,907**
21	Dilapidations	Property & Ca	300	0	0	**300**
22	Asset disposals	Property & Ca	100	100	100	**300**
23	Parks Infrastructure	OS&CS Single	400	0	0	**400**
24	Technopark	Property & Ca	17,300	1,500	0	**18,800**
Total Place and Sustainability			**35,968**	**20,059**	**13,003**	**69,030**

Ref. No.	Name of Capital Scheme	Business Unit	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Children & Young People's Service						
1	Hornsey School Sports Hall Roof	CYPS	600	0	0	**600**
2	Fortismere - Outdoor football pitch drainage	CYPS	100	0	0	**100**
3	Other secondary school lifecycle	CYPS	200	200	200	**600**
	Sub-total Programme		**900**	**200**	**200**	**1,300**
4	Rhodes Expansion Phase 3	CYPS	84	0	0	**84**
5	Welbourne Expansion	CYPS	622	0	0	**622**
6	Alexandra Expansion	CYPS	28	0	0	**28**
7	Future permanent expansions	CYPS	1,090	5,040	4,720	**10,850**
8	Future temporary expansions	CYPS	500	500	0	**1,000**
9	Provision for 2 year olds	CYPS	737	0	0	**737**
	Sub-total Primary and Pre-School Programme		**3,061**	**5,540**	**4,720**	**13,321**
	Planned Asset Improvement					
10	Planned asset improvement -primary estate	CYPS	620	1,852	1,753	**4,225**
11	Planned asset improvement - Belmont Infant Windov	CYPS	150	100	0	**250**
12	School Kitchen enhancments	CYPS	200	200	200	**600**
13	Electrical rewires - Campsbourne	CYPS	10	0	0	**10**
14	Electrical rewires - Muswell Hill	CYPS	250	0	0	**250**
15	Electrical rewires - Stroud Green	CYPS	250	0	0	**250**
	Sub-total Planned Asset Improvement		**1,480**	**2,152**	**1,953**	**5,585**
16	Programme Delivery costs	CYPS	800	800	800	**2,400**
17	Carer Home Adaptations	CYPS	100	100	100	**300**
18	Contingency	CYPS	0	1,000	3,805	**4,805**
	Sub-total		**900**	**1,900**	**4,705**	**7,505**
	Devolved School Capital	CYPS	550	550	550	**1,650**
Total Children & Young People			**6,891**	**10,342**	**10,875**	**29,361**

Adults and Housing						
1	Major Adaptations in Non Council Owned Properties	Adult Services	1,536	1,536	1,536	**4,608**
2	Compulsory Purchase - empty propertiesFunding to	Housing	500	500	500	**1,500**
Total Adults and Housing			**2,036**	**2,036**	**2,036**	**6,108**
Housing Services (Housing Revenue Account (HRA))						
1	Mechanical & Electrical	Homes for Ha	2,500	3,500	3,500	**9,500**
2	Asbestos Removal	Homes for Ha	160	160	160	**480**
3	Boiler Replacements	Homes for Ha	5,000	5,000	5,000	**15,000**
4	Lift Improvements	Homes for Ha	2,000	1,000	1,000	**4,000**
5	Structural Works	Homes for Ha	200	200	200	**600**
6	Capitalised Repairs and Minor Works	Homes for Ha	420	420	420	**1,260**
7	Extensive Void Works	Homes for Ha	500	500	500	**1,500**
8	Professional Fees	Homes for Ha	1,790	1,790	1,790	**5,370**
9	Decent Homes Works	Homes for Ha	37,980	32,938	0	**70,918**
10	Successor Programme	Homes for Ha	0	0	25,000	**25,000**
11	Disabled Adaptations	Homes for Ha	1,200	1,200	1,200	**3,600**
12	Estate Improvements	Homes for Ha	1,000	1,000	1,000	**3,000**
13	Energy Conservation	Homes for Ha	100	100	100	**300**
14	Security/CCTV	Homes for Ha	500	1,000	1,000	**2,500**
15	Stock Survey	Homes for Ha	700	0	0	**700**
16	Fire Safety	Homes for Ha	1,000	3,000	3,000	**7,000**
17	Planned Preventative Maint	Homes for Ha	2,000	2,000	4,000	**8,000**
18	Internal Communal Flooring	Homes for Ha	200	800	800	**1,800**
19	Estate Roads & Pavements	Homes for Ha	50	50	50	**150**
20	Sheltered Flooring & Alarms	Homes for Ha	50	50	50	**150**
21	Supported Living	Homes for Ha	650	500	500	**1,650**
22	Conversions/ Employment	Homes for Ha	600	600	600	**1,800**
23	Infill New Build	Homes for Ha	5,420	8,130	0	**13,550**
Total Housing Services (Housing Revenue Account)			**64,020**	**63,938**	**49,870**	**177,828**
Corporate Resources & Assistant Chief Executive						
1	IT capital programme	IT	250	250	250	**750**
2	ReFit energy efficiency programme	Central Procu	968	0	0	**968**
3	Customer Service Transformation	Transformatio	2,000	1,080	600	**3,680**
4	Alexandra Palace annual Infrastructure programme	Alexandra Pal	500	500	500	**1,500**
5	Alexandra Palace (HLF)	Alexandra Pal	0	1,292	3,876	**5,168**
Total Corporate Resources & Assistant Chief Executive			**3,718**	**3,122**	**5,226**	**12,066**
Total Capital Programme			112,633	99,497	82,263	294,393

	Reference	Recommendation	Reason for recommendation	Cabinet response
1	Cabinet Budget Report (June 2013) Adults & Housing Directorate - Proposed efficiency saving: **Item 11 - Community Housing Staffing Efficiencies (£77,000)**	It is recommended that the proposed saving does not go ahead.	The Environment and Housing Scrutiny Panel noted that this related to the deletion of two front-line posts one of which was in the Private Sector Housing Management Team and the other in the Vulnerable Adults team. <u>The panel indicated that it could not support this savings proposal because:</u> It conflicted with other financial proposals in the Medium Term Financial Plan (i.e. growth proposal relating to 'increased resources allocated to HMO licensing due to rise in private sector renting in the borough'); There was an evident need to develop and expand enforcement within private rented sector in Haringey; The retention of the post in the Private Sector Housing Management Team may potentially increase enforcement income; The post in the Vulnerable Adults team relates to advice provided to vulnerable adults who are homeless and the deletion of this post may significantly impact on the work of the remaining team; Officers indicated that there may be likely an over-achievement of procurement savings in relation to Item 12 (Housing Related Support – contract efficiencies) which could be off-set against this and	This is a saving proposal that was presented to Cabinet in June 2013 that was approved. Cabinet were satisfied then, and indeed are now, that it can be implemented without a detrimental impact on the front line. The main risk surrounding the deletion of these posts is that insufficient capacity would result within the teams. However, the remaining team size should be adequate for the known workload in 2014/15. Additionally, there is a housing transformation programme planned that will ensure any service risk is mitigated.

			negate the need for the deletion of both these posts.	
2	Paragraph 12.14, Cabinet Report - **Early Years block**	That the Cabinet be recommended to approve an increase in the hourly rate for providers of the two-year-old early entitlement to £6.00 per hour	The Children and Young People Scrutiny Panel made this recommendation because: Other boroughs were currently paying a higher hourly rate than Haringey and there was a danger that insufficient providers would participate if an increase was not made; The Cabinet Member reported that the Schools Forum was recommending that the hourly for the two-year-old early entitlement offer be increased to £6.00 per hour and that this recommendation was due to go to Cabinet in January.	The Cabinet is considering the increase to £6 per hour under a separate agenda item at this meeting.
3	Cabinet Budget Report (June 2013) Adults & Housing Directorate - Proposed efficiency saving: **Item 7 – Finance Teams – streamline and centralise (£180,**	It is recommended that a process be put in place in order to make interim payments should there be any delays in processing payments beyond the current three day turnaround.	Whilst the Adults & Health Scrutiny Panel were assured that the centralisation of the Finance team would not have an adverse effect on payments being made within a three day turnaround the Panel was concerned about the possibility of delays due to the transition, and possibility of human error more generally and felt that this could possibly have a significant adverse effect on a service user waiting for payment.	Cabinet notes this concern but understands that as part of the centralisation there is access to a broader pool of staff to accommodate peaks and troughs in demand.

	000)			
4	Cabinet Budget Report (June 2013) Adults & Housing Directorate - Proposed efficiency saving: **Item 8 – Care & Placement Budget (£1,420,000)**	It is recommended that feedback from service users on the impact of service changes as a result of savings should be an integral part of this piece of work.	The Adults and Health Scrutiny Panel were reassured that savings to the Care & Placement Budget won't adversely impact on service users needs, however the Panel would like reassurance that there will be full involvement of service users, carers and families throughout the transition.	The Cabinet expects that this will be achieved through better commissioning arrangements. Individuals and Families are always involved in their care planning and this will continue to be the case.
5	General – **Mental Health**	That it be recommended that the Cabinet Member lobby to ensure that public mental health becomes a prominent and individual area on the Public Health spend category.	The Adults & Health Scrutiny Panel noted that public Mental Health is not included on the national Public Health spend category guidance as an individual line, but that it is listed under 'miscellaneous'. The Panel felt that more emphasis should be placed on public mental health.	This recommendation has been brought to the attention of the Cabinet Member for Health and Adult Services.
6	General – **Mental Health**	Further increases in investment in public mental health are recommended, in line with the Health and Wellbeing Strategy Outcome 3 over the coming years.	The Adults & Health Scrutiny Panel are encouraged that the public mental health budget allocation has increased substantially, however note that this only represents just over 1.3%. The Panel also noted that Mental Health is one of the Health and Wellbeing Strategies stated outcomes.	The Cabinet understands that the Director of Public Health is currently finalising the allocation of the 2014/15 budget and will be asked to take this point into consideration when doing so.

7	General - **Integration**	The examples given on better coordination and working together are welcomed, however it is recommended that further work is done around integrating services.	The Adults & Health Scrutiny Panel and the Overview and Scrutiny Committee noted that integration of services was a recurring theme – perhaps the move to zero-based budgeting in the future would show what could be done in this area.	The service will be asked to do further work in this area and report back to Overview and Scrutiny.
8	General – **Haringey People**	It is recommended that renewed efforts are made to increase amount of advertising income from Haringey People with a focus on local businesses.	The Overview and Scrutiny Committee received the income figures for advertising in Haringey People: 10/11 11/12 12/13 £22,952 £52,148 £33,000 The Committee feels that more effort should be made to exploit what could be a very valuable income stream to support the activities of the borough.	The advertising income target for Haringey People has been increased to £40,000 in this financial year. It is believed that this is a challenging target given the magazine needs to maintain the balance between editorial content and advertising from suitable organisations. In 11/12, Haringey People was published 10 times a year, currently it is produced 6 times a year.

General comments/observations

	Reference	Observation/Comment	Cabinet Response
1	Medium term Financial Plan (November 2013) Growth Proposal Adults & Health (Item 2) **The provision of £995,000 to meet cost pressures and the impact of Welfare Reform**	The Panel noted the increasing cost of temporary accommodation in supporting local residents to respond to welfare reforms. The panel wished to highlight the possible use of Cumberland Road (or other soon to be vacant office buildings) for temporary accommodation. The Panel suggested that should similar accommodation become available, this be should be considered for use as temporary accommodation within the planned Property Review currently being undertaken.	The Council considers all possibilities for the reduction of temporary accommodation costs. Cumberland Road would not be suitable without significant refurbishment costs and would not, therefore, represent a cost effective solution.
2	Cabinet Budget Report (June 2013) Place and Sustainability Directorate - Proposed efficiency saving: **Item 18 – Efficiencies in Veolia Contract and reduction of ad hoc contractual**	The panel were unclear how the proposed contract variation would impact on local waste and recycling provision. It was noted that this variation was still being negotiated with Veolia, and it was agreed that the outcome would be communicated to the panel.	It is agreed that the outcome should be communicated to the panel.

	spend (£250,000)		
3	**Communications**: Reductions in supplies and services budgets	The Communications budget needed to be open to more robust scrutiny and demonstrate that the department were capable of generating more income.	Currently the communications team has only two potential income streams – Haringey People (dealt with above) and lamp post banners. The only potential to increase the income on the latter is to increase the number of banners which is not thought to be easily possible given the need to maintain the street environment. Other possible income streams are kept under regular review.
4	**General** – property portfolio	More information should be made available on what council properties were being disposed of, and should be part of the scrutiny process.	It would not be operationally efficient for all proposed asset disposals to be considered by Overview and Scrutiny; however a paper will be taken to the Committee during 2014 setting out the Council's disposals policy.