NOTICE OF MEETING

OVERVIEW AND SCRUTINY COMMITTEE

Monday, 18th January, 2021, 7.00 pm - MS Teams Watch it (Here)
Webcast Part 2 - here

Members: Councillors Peray Ahmet (Chair), Pippa Connor (Vice-Chair), Erdal Dogan, Ruth Gordon and Khaled Moyeed

Co-optees/Non-Voting Members: KanuPriya (Parent Governor representative), Jakhu (Parent Governor representative), Yvonne Denny (Co-opted Member - Church Representative (CofE)) and Lourdes Keever (Co-opted Member - Church Representative (Catholic))

Quorum: 3

1. FILMING AT MEETINGS

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The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE

3. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (Late items will be considered under the agenda item where they appear. New items will be dealt with at item below).

4. **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

5. **DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS**

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

6. **MINUTES OF SCRUTINY PANEL MEETINGS (PAGES 1 - 40)**

To receive and note the minutes of the following Scrutiny Panels and to approve any recommendations contained within:

Adults and Health – 10th December 2020
Environment & Community Safety – 10th December 2020
Housing & Regeneration – 15th December 2020
Children & Young People – 17th December 2020

7. **SCRUTINY OF THE 2021/22 DRAFT BUDGET/5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2022/22-2025/26) - RECOMMENDATIONS (PAGES 41 - 142)**

Adults and Health Panel and Overview and Scrutiny Committee (Your Council) recommendations to Cabinet; to follow

8. **TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22 (PAGES 143 - 168)**

9. **NEW ITEMS OF URGENT BUSINESS**

10. **FUTURE MEETINGS**

Philip Slawther, Principal Committee Co-ordinator
Tel – 020 8489 2957
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John Jones
Monitoring Officer (Interim)
River Park House, 225 High Road, Wood Green, N22 8HQ

Friday, 8 January 2021

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MINUTES OF THE MEETING OF THE ADULTS & HEALTH SCRUTINY PANEL HELD ON THURSDAY 10TH DECEMBER 2020, 6.30pm - 9.35pm

PRESENT:

Councillors: Pippa Connor (Chair), Zena Brabazon, Nick da Costa, Sheila Peacock, Daniel Stone, Helena Kania and Lucia das Neves

Co-optee: Helena Kania

1. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'.

2. APOLOGIES FOR ABSENCE

None.

3. ITEMS OF URGENT BUSINESS

It was noted that the Panel would discuss the Work Programme at the end of the meeting.

4. DECLARATIONS OF INTEREST

Cllr Pippa Connor declared an interest by virtue of her membership of the Royal College of Nursing.

Cllr Pippa Connor declared an interest by virtue of her sister working as a GP in Tottenham.

Cllr Nick da Costa declared an interest by virtue of his ownership of a company working with the NHS, medical providers and healthcare practitioners on a variety of projects, none of which, to his knowledge, work in Haringey Borough though they do work in surrounding areas and with service providers across London.

5. DEPUTATIONS/PETITIONS/ PRESENTATIONS/ QUESTIONS

None.

6. MINUTES

Cllr Brabazon requested on update on the action recorded in the minutes of the previous meeting to have further conversations with Barnet Enfield & Haringey Mental Health Trust (BEH-MHT) on difficulties with mental health-related casework. Cllr Connor reported there had been some initial dialogue on this with Andrew Wright at BEH-MHT by email and that he would then be looking into this in more detail. Further progress on this would be reported to the Panel. **(ACTION)** The minutes of the previous meeting were agreed.

RESOLVED: The minutes of the previous meeting on 17th November 2020 were approved as an accurate record.

7. SCRUTINY OF THE 2021/22 DRAFT BUDGET / 5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2021/22 - 2025/26)

Brian Smith, Business Partner, introduced the report on the Council's draft budget for 2021/22 and 5-Year Medium Term Financial Strategy (MTFS) for 2021/22 – 2025/26 and proposals relating to the Panel's remit, highlighting the following points:

- That, as noted in Section 5 of the report, at the start of the year the Council's budget gaps for the two years from 2021 - 2023 had been assumed to be £1.9m and £3.1m.
- However, the impact of Covid-19 had resulted in considerable pressures on the Council's budget. A Recovery and Renewal workstream had been undertaken to develop a better understanding of the new context.
- As a result of the Covid crisis and the consequent diversion of Council officers to other tasks, a slippage of £1.6m from pre-agreed savings plans had been reprofiled into the next two years.
- An element of growth had been built into the Adults & Health budget in order to meet rising demand.
- The Council budget for 2020/21 could be set with the use of £5.4m of reserves. However, the current budget shortfall for 2022/23 was projected to be around £8m.

Cllr Sarah James, Cabinet Member for Adults & Health, commented that the Council was in an unprecedented situation, not just due to the pandemic, but also with the impact of Brexit approaching. In terms of Adults and Health, she said that there was a need to tackle poverty and inequality, to meet a rising demand for services and to invest in prevention and early intervention to help stop needs from escalating which would otherwise cost more further down the line. Savings proposals therefore focused on income generation rather than cuts to services. In response to a question from Cllr das Neves about how Haringey compared to other local authorities, she said that while some other Councils may have greater reserves to rely on, Haringey's position having invested services and being able to present a balanced budget put the Council in a relatively good position.

Cllr Brabazon queried the size of the budget gap, noting that it was quoted as £17m in paragraph 1.10 on page 23 of the agenda pack, but that she had heard a lower figure quoted in a previous briefing. Brian Smith said that the cost pressure to the Council remained at £17m, though this could change depending on the level of government grants provided. However, progress had been made on identifying additional savings to reduce the gap to the point that the Council needed to draw only £5.4m from reserves in order to balance the budget for 2021/22. Asked whether any of the additional savings that had been identified to achieve this had come from the Adults & Health budget, Brian Smith said that there were different elements to the Council's position. Some of this related to increased income generation and there had been some savings slippage carried forward to the following financial year but there were no new savings to be considered by the Panel. Income generation relating to Adults & Health included addressing delays in assessments of financial packages and reviews of packages where circumstances have changed. Around £500,000 of income generation had been considered by the Panel the previous year in relation to the 2020/21 budget.

Referring to Table 7.5 on page 47 of the agenda pack, Cllr da Costa asked for further details on the projected budget for the Adults budget beginning with £83.78m in 2020/21 and then decreasing and increasing in subsequent years. Brian Smith said that the pre-agreed savings set out in Table 7.3 on page 44 of the agenda pack accounted for part of the reductions up to 2022/23, while projected increases in demand for services accounted for growth in the budget in the later years. Asked by Cllr da Costa why the budget figures for Adults appeared to be significantly higher than the same forecasts presented the previous year, Brian Smith said that this was accounted for by the shifting of some services between Directorates. For example, commissioning for homelessness services had moved from Housing commissioning to Adults commissioning.

Cllr Brabazon asked for further explanation on the “delayed and undeliverable savings” set out in Table 7.2 on page 44 of the agenda pack, which were quoted as £1.6m for Adults in 2021/22. Brian Smith said that this represented savings that had previously been agreed but were then not possible to deliver due to the Covid-19 pandemic. However, it was expected that these savings could be reprofiled into the following two years. While they accounted for part of the Council's overspend in the current financial year, there were no new savings in this section to consider.

Asked by Cllr Brabazon for further explanation on the agreed savings of £11.2m for Adults set out in Table 7.3 on page 44 of the agenda pack. Brian Smith said that this represented savings that had been agreed in previous years which were set out in more detail in the Savings Tracker on pages 87 & 88 of the agenda pack.

Cllr das Neves noted that savings proposals B2.8 (Mental Health) and PA5 (In-house Negotiator) had been marked as red on the RAG rating provided in the savings tracker in the Cabinet papers and asked about the implications of this. John Everson, AD for Adults, said that the items were marked red because of the late start in delivering savings/mitigations caused by Covid. In response to concerns expressed by Cllr Brabazon that the savings had not been achieved, Beverley Tarka, Director of Adults and Health, added that, while it had not been possible to deliver the savings on an in-house negotiator as resources were diverted due to the pandemic, an NCL-wide approach on commissioning had been developed over the last couple of years to negotiate better value for money prices with providers on care services. Going forward, there would be a focus on the learning disability market which was a high cost area for the Council.

Cllr da Costa questioned how realistic the reprofiled savings would be noting that, according to the Cabinet papers, the target for savings in the current year was £5.073m, of which only £2.142m had been achieved, with a variance of £1.246m and slippage of £1.865m. Brian Smith said that the previous year, 90% of the savings target had been achieved in-year with the remainder being achieved in the current year. He said that the plans were robust with a business case for each of the savings, so he believed that these were achievable.

Cllr Connor asked for clarification on the “service growth budget adjustment proposals” set out in Table 7.1 on page 43 of the agenda pack, and it was confirmed that the £2.3m under ‘Adults’ for 2021/22 in the table represented extra money that had been added to the base budget. Asked by Cllr Connor whether additional money would also be added for subsequent years, Sean Huang, Principal Accountant, said that the £2.3m represented a revision following a demand projection exercise carried out last year. Brian Smith added that, because the Connected Communities programme’s focus on early intervention, this was leading to an increase in demand for low level packages but would result in savings from reduced take-up of high-level packages in the future.

In response to a question from Cllr das Neves about the Council’s attitude to the role of innovation and risk, Cllr James said it was important not to be afraid to try new things and this required space to allow new ideas to develop. Creativity was also required to deliver services in a different way at a times when resources were reducing instead of simply continuing to cut services. She added that the Connected Communities programme was a good example of investment in innovation that could produce savings in the long term. Beverley Tarka added that attracting investment for programmes involving innovation and working closely with communities could deliver more sustainable adult social care outcomes. Charlotte Pomery, AD for Commissioning, referred to work on the new Autism Hub, which involved bringing an old building back into use and working closely with services users and carers on a co-production approach, as another example of innovation and of meeting people’s needs at an earlier stage. Understanding how best to use assisted technology and an increasing reliance on digital and online provision would also become increasingly important in future. She added that the use of capital investment was a crucial part of developing innovative programmes.

Cllr Connor asked for further details on the new commissioning arrangements referred to under item B2.8 (Mental Health) and the reduction in the cost of care packages referred to under item PA6 (Transfer of High Cost Day Opps) on the savings tracker. John Everson said, as these were previously agreed savings, these would only have been new at the time that the Panel originally considered them and would have included aspects such as positive behaviour support or methods of commissioning the market differently. Charlotte Pomery said that new commissioning arrangements also included the wellness service commissioned with Mind in Haringey, the early intervention service and the new approaches around mental health community enablement.

Referring to items B2.7 (Haringey Learning Disability Partnership) and B2.9 (Physical Support) on the savings tracker, Cllr Connor asked whether additional income from the NHS could be brought in. John Everson said that income and savings were treated differently but that the Council had aimed to maximise income including through sources such as the Better Care Fund or Covid-related funding that had become available, such as on discharge arrangements for example. These aspects were factored into the current budget position.

Asked by Cllr Connor for more details on the further savings referred to under item PA9 on the savings tracker, John Everson and Brian Smith said that it was a combination of savings that were accelerated to cover a gap and the delivery of them was now built in to current plans.

Cllr das Neves asked about investment in Osborne Grove Nursing Home, specifically on the increase in costs and about possible service provision outside of the Borough. Charlotte Pomery said that the latest iteration of the plans seen by the Panel was the option to maximise provision on the site through a 70-bed nursing home, a 20 unit supported housing development and 8-10 beds for end-of-life care for people with a history of complex homelessness. This was based on local demand but also an increased need for nursing care rather than residential care and the increased uses on the site would enable different but complementary aspects of older age care such as dementia and autism/learning disabilities. This approach could also bring in outside investment. In terms of working with other Boroughs, Osborne Grove is close to the border of Islington and, as mentioned previously, Haringey was closely aligned to the NCL commissioning approach. However, the main driver in the proposals was to meet the needs of Haringey residents.

Asked by Cllr das Neves about performance on the delivery of capital programmes, Charlotte Pomery said that there had been a significant amount of work within the Council on project management processes with a focus on realistic programming, collaborative work and getting the specifications right. However, the impact of Covid and Brexit would continue to impact on projects including on external contractors and supply chains. John O'Keefe, Head of Capital and Major Projects, said that, in terms of slippage, some projects are highly dependent on other factors to proceed. The budget for the Wards Corner project, for example, had been put in place some time previously but had been held up for years by planning issues. In terms of the more controllable type of slippage, the Council had revised its procedures to ensure appropriate teams with appropriate project management methodology applied to the right projects with clear governance. Asked by Cllr das Neves about the visibility of the risk registers, John O'Keefe said that all the project teams have risk registers which the Capital Board would look at but he wasn't sure who else in the organisation would see these.

Cllr Brabazon asked whether the savings proposal B2.7 on the Haringey Learning Disability Partnership, as recorded on the Savings Tracker in the agenda pack, could be achieved and whether this would involve job losses as this seemed unclear from the documentation provided. Beverley Tarka said that the savings did not involve job losses and that the approach involved market management, demand management (such as through the Connected Communities programme) and operational management (improving skill set of staff). Beverley Tarka said that she could provide a slide to the Panel which outlined examples of these three approaches. **(ACTION)** Asked by Cllr Brabazon whether the savings of £4.29m in this area as set out on the action tracker was realistic, Beverley Tarka noted that the savings would be reprofiled over the MTFS period but that they were still achievable, particularly through the market management aspect, as the number of providers were small and so by broadening the market across the NCL sub-region with a dedicated negotiator, real inroads could be made into the cost of care. Asked about the impact of the London Living Wage, Beverley Tarka said that the issue in the negotiations was not what care staff were being paid but the profit margins of the providers. Brian Smith added that there were separate lines within the budget on growth and on savings and the London Living Wage was factored into the growth.

Cllr da Costa commented on the quality of the information provided, noting that the savings tracker in the agenda pack did not match with the savings tracker in the Cabinet papers and also did not reflect the reprofiling that had been carried out. Brian Smith said that part of the issue was that finance officers need to report on the savings agreed at the outset of the year as this was the marker to measure against, though there had been significant changes in-year. Asked by Cllr Connor for an explanation of the "savings with mitigations" section in the Cabinet papers, Brian Smith said that the mitigations are a consequence of growth or doing things differently, such as by investing to save. These mitigations would be tracked during the MTFS period in the same way that savings are. Cllr Connor suggested that the Panel may wish to request that further information on the savings with mitigations be provided to the Overview and Scrutiny Committee when the Panel's recommendations were discussed later in the meeting. .

<u>New Savings Proposals 2021/22 – 2023/24</u>

The Panel then considered the new savings proposals as detailed in the agenda pack.

<u>AS101 – Fast Track Financial Assessments & AS102 – Client Contributions</u>

Cllr Connor asked why, according to the pro forma for these items, no Equality Impact Assessment (EqIA) had been carried out, even though this is required of MTFS savings proposals. Officers established that this had in fact been completed but that it had not been provided in the pack, so this would be provided to the Panel. **(ACTION)**

Asked about the proposal itself, Beverley Tarka confirmed that this represented income generation, rather than savings. She described the proposal as an improved efficiency of their processes which would help to prevent people from getting into debt by conducting the financial assessment earlier in the process.

<u>Adults & Health Capital Bids</u>

The Panel then considered the Adults capital programme. John O'Keefe explained that there was only one new item in the programme which was item 221 (Mosaic System Implementation). He explained that the procurement for this item was currently taking place and that the outcome would either be an enhancement of the existing case management system or the replacement of the system. If a replacement was chosen then the budget for this would be higher.

Cllr Brabazon asked how much had been spent in 2020/21 on the eight existing capital schemes set out in the table of page 85 of the agenda pack in 2020/21. John O'Keefe said that, as of Q2, there had been an outturn of around £1m across the Adults capital programme as a whole. This was projected to reach £4m by the end of the year against a budget of £17.8m. The Covid-19 pandemic had caused a profound impact on the programme with projects delayed and supply chains disrupted, resulting in a significant underspend. Cllr Brabazon commented that in these circumstances there would need to be rigorous project management of the capital programme in 2021/22 because, as had been set out earlier in the meeting, the innovation from capital projects had a significant impact on the revenue budget. Cllr Connor noted that an understanding of the oversight of projects would be of particular relevance to the Panel's recommendations. Cllr James noted that she was particularly pleased with progress on a number of projects such as Waltheof Gardens and Osborne Grove, given the extraordinarily difficult circumstances that there had been this year.

Cllr da Costa noted that the budget for item 217 (Burgoyne Road) had been reduced from a forecast of £3m last year to £2.5m this year and asked whether this represented a saving. John O'Keefe said that the budget had not been reduced because it was necessary to obtain permission from Cabinet to carry forward underspends from the previous year so this would be adjusted in June.

Cllr da Costa noted that the budget for item 214 (Osborne Grove) had previously been projected at £35.9m but was now projected to be £43.1m and asked for an explanation on this. John O'Keefe replied that the budget had been increased to reflect the larger scheme that was now being proposed. This level of investment was supported by the draft business case.

Cllr da Costa asked whether an operational budget had been allocated to run any new system provided under item 221 (Mosaic system). Beverley Tarka said that she would need to look into this and provide a written response. **(ACTION)**

Asked by Cllr Connor why there was no information about Waltheof Gardens in the capital programme, John O'Keefe said that there was no anticipated capital spend on this from 2021/22 as the project would be completed by then. Charlotte Pomery said that the overall spend on the project in 2020/21 would have been in the region of £450-480k and confirmed that the opening of the service was expected in January 2021.

Referring to Table 8.3 (Financing Strategy) on page 57 of the agenda pack, Cllr da Costa asked for further explanation of the £54.17m of self-financing from savings and the £14.482m of external funding. John O'Keefe said that the former figure accounts for the savings/income that can be expected to be achieved following the capital investment that is made, for example the income generated after the Osborne Grove redevelopment as specified in the business case. The latter figure predominantly comprised of the Disabled Facilities Grant. Asked by Cllr Connor where the savings are accounted for, John O'Keefe explained that following a capital investment the savings would be deducted from the relevant service budget and transferred to the treasury management budget which pays for the costs of the borrowing.

Asked by Cllr Brabazon about the underspend in 2020/21 on item 213 (Canning Crescent Assisted Living), Charlotte Pomery reported that work had been carried out on the design brief and that it was out to tender with award of contract expected in the next couple of months and delivery on track for early 2022.

Asked by Cllr Connor which reserve funds were being used to fund the £5.4m required to balance the budget, Brian Smith said that a response on this would need to be provided in writing. **(ACTION)** Asked by Cllr Connor how much of the £5.4m gap was attributable to the Adults budget, Brian Smith said that there was not a straightforward answer for this because there were cost pressures and loss of income across the services and there were general Covid grants from Government.

<u>Panel recommendations to Overview & Scrutiny Committee</u>

The Panel then considered what recommendations it could make on the budget to the Overview and Scrutiny Committee.

Cllr das Neves said that it would be useful for the Overview and Scrutiny Committee to have a good understanding of the management of risk around capital budgets and clear visibility of how that is tracked and who sees it. Cllr da Costa agreed with this and added that there was very little information in the papers about the levels of confidence in delivery.

Cllr da Costa said that information should be provided to the Overview and Scrutiny Committee on the savings with mitigations and the impact of this.

Cllr Brabazon suggested that there should be more clarity on the Savings Tracker as there had been two different versions provided, one for Cabinet and one for the Panel and neither of these provided the full information that she would like to have seen. Specifically, she suggested that the information provided should be in one document and set out more clearly the situation in the current financial year and what funds have been carried forward to the next year. She felt that scrutiny required a better understanding of whether savings could realistically be achieved, perhaps by setting out practical examples or cases studies to illustrate how these would work in practice. Cllr Connor concurred with this, commenting that further information should be provided to the Overview & Scrutiny Committee including how the savings on the tracker can be achieved, including mitigations and slippage. She also commented that the slide referred to by Beverley Tarka on how savings would be achieved on the Haringey Learning Disability Partnership could provide a useful practical illustration.

Cllr Brabazon said that if any jobs losses (or posts not being filled) were involved in any budget changes then this should be clearly highlighted in the documentation. It would also be useful to see reporting on the capital budget that included the progress made against the key milestones and deadlines.

Cllr das Neves said that, given the impact of Covid, it was important to understand how the impact of unexpected events were built into budget plans. Cllr Connor said that the figures were still not clear on the pressures to the Adults budget caused by Covid and where that pressure was in the budget. A table on this for the Overview and Scrutiny Committee would therefore be useful. She also noted that further information had been requested on which reserve funds were being used to cover the £5.4m budget gap.

Cllr da Costa referred to the point raised earlier in the meeting where it had been explained that a significant increase in the Adults budget was a consequence of certain services moving between Directorates and suggested that a breakdown of this for Adults would be required to have a full understanding of the size of the Adults budget over the MTFS period.

Cllr Connor referred to the additional funds being added to the Adults budget due to increased demand pressures and noted that additional demand for low-cost packages was expected in future due to the needs identified by the Connected Communities programme. She suggested that information on what work had been carried out on future demand pressures and what had been budgeted for this should be provided to the Overview & Scrutiny Committee.

Cllr Brabazon requested that more information should be provided to the Overview & Scrutiny Committee on item 209 (Assistive Technology) of the capital budget in order to understand how this money was being spent and what the expected results of this would be.

Cllr Connor commented that on item 221 (Mosaic System Implementation) of the capital budget there was a large variance between the possible options of £650k and £2.5m so it would be useful for the Overview and Scrutiny Committee to understand a little more about this.

Helena Kania commented that it was particularly important for the Panel to receive the information that it asks for ahead of the meeting as it was otherwise difficult to scrutinise. Cllr Connor noted that there was some information provided in the Cabinet papers that was not included in the Panel’s agenda pack and proposed that the Panel should make a recommendation to the Overview & Scrutiny Committee that the information received by the Panel captures everything within the Adults section of the budget.

Cllr Connor suggested that further information should be provided in future years on progress towards the amount of additional income generation that had previously built into the plans so that the Panel could track whether this was actually being achieved as intended.

8. NEW ITEMS OF URGENT BUSINESS

Cllr Connor provided a short update on the Work Programme reporting that:

- There had been a discussion with the Chair of the Housing & Regeneration scrutiny panel about a possible joint meeting on the health needs of people in sheltered housing. However, there was currently an issue with capacity in the Housing & Regeneration scrutiny panel's work programme so there may be a delay until it would be possible to fit this in.
- The Scrutiny Review on commissioning was still incomplete and required a further meeting to complete the evidence gathering so it was hoped that officers would be able to assist with this early in 2021.
- She suggested that an informal meeting of the Panel could be arranged to discuss additional quick task and finish projects that the Panel could undertake in 2021. This was agreed by the Panel.

9. DATES OF FUTURE MEETINGS

Panel Members were requested to note that the date of the last meeting of the Panel in 2020/21 had been changed and would now take place on Mon 1st March 2021 (6:30pm).

CHAIR: Councillor Pippa Connor

Signed by Chair ………………………………..

Date …………………………………

MINUTES OF MEETING Environment and Community Safety Scrutiny Panel HELD ON Thursday, 10th December, 2020, 6.30 pm

PRESENT:

Councillors: Barbara Blake, Julie Davies, Scott Emery, Julia Ogiehor, Dana Carlin, Mike Hakata and Khaled Moyeed (Chair)

ALSO ATTENDING: Ian Sygrave

50. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'.

51. APOLOGIES FOR ABSENCE

There were no apologies for absence.

52. ITEMS OF URGENT BUSINESS

None.

53. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

54. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None

55. MINUTES

The Committee noted concerns about the late submission of responses to actions from the previous meeting and the Chair agreed to pick this up with an email and to take up the chasing of actions going forwards. **(Action: Chair).**

RESOLVED

That the minutes of the meeting of 3rd November were agreed as a correct record.

56. PRIORITIES FOR THE HARINGEY COMMUNITY SAFETY PARTNERSHIP

**Clerk's note – The Chair agreed to take agenda items 7, 8 & 9 together and then the Committee would ask questions at the end.*

The Committee received a cover report and accompanying presentation which provided information about the Haringey Community Safety priority setting process for 2021/22. This was similar to the 2020/21 process, and was to be finalised by March 2021. The presentation was introduced by Sandeep Broca, Intelligence Analysis Manager as set out in the agenda pack at pages 9-22.

As part of the Mayor's Police and Crime Plan, MOPAC were committed to setting local policing priorities across the capital in conjunction with borough leaders and police. Alongside the local priorities were London wide policing priorities on mandatory high-harm crimes: sexual violence, domestic abuse, child sexual exploitation, weapon-based crime and hate crime. Last year, data showed that both violence (Robbery; Non-Domestic Violence with Injury) and burglary were trends on the rise and should be considered actively by boroughs when setting local priorities. As a result, many Boroughs chose a violence measure and/or burglary as a priority. Alongside this, MOPAC ensured that anti-social behaviour remained a local borough priority across London.

The following points were raised in discussion of this item:

a. The Committee welcomed the positive news in relation to decreasing crime trends around robberies and serious youth violence but noted concerns around a rise in hate crime and the possibility of this getting worse as Britain leaves the EU. The Panel sought reassurance around what plans were in place to tackle this and in particular to support the victims of crime. In response, the Borough Commander advised that hate crimes were traditionally under reported and that she was pleased that this was now being reported to the Police. The Borough Commander advised that her aim was to ensure that every victim that wanted to pursue charges was supported in doing so and that cases were progressed in order to give the reassurance to the community that the issue was being taken seriously. However, the Panel was also advised that many victims did not want to pursue cases and that the criminal justice system could be daunting for victims and that she was also keen to explore other avenues such as restorative justice.
b. In response to comments around restorative justice not always being applicable, the Borough Commander acknowledged this point and advised that ultimately, the pursuit of any crime was dependent upon the victim's needs. It was the Police's responsibility to investigate fully and to pursue every case where there was a will and desire from the victim to do so.
c. It was also commented that some people perhaps didn't know how to report hate crime and that there was a communications point around the Police ensuring that this information was communicated widely to our communities.
d. In response to a supplementary question around whether there was a breakdown of hate crimes in the borough, officers advised that some of the data was not separated out, but that the highest classification was under racism and religious hatred. It was commented that some of this rise seemed to be linked to neighbour disputes and the use of inappropriate language in shops and supermarkets, during the initial lockdown period.

e. In response to a question around the rise in domestic violence incidents, the Borough Commander advised that this was another crime that was under reported. The Borough Commander set out the importance of schemes such as Operational Alliance which provided an opportunity to provide outreach support to young children who perhaps didn't want to be at home because of domestic violence and who perhaps would have been missed by the Police and the local authority otherwise.
f. The AD for Safer and Stronger Communities agreed to circulate a briefing in relation to the Refuge. **(Action: Eubert Malcolm).**
g. In relation to a question around the setting of MOPAC funding for next year, officers advised that Haringey's crime prevention funding would be maintained at the same level for next year and this covered areas such as the Integrated Gangs Unit, ASB and VAWG. In relation to hate crime, officers advised that they had set up a hate crime awareness group to develop areas of learning and to signpost victims to voluntary sector organisations who could provide additional support. A hate crime awareness week had also been arranged to highlight the issue and highlight how victims could receive support.
h. The Committee enquired as to how many police officers were on duty at any one time. In response, the Borough Commander advised that she couldn't give a specific figure but that there were lots of different officers on different shifts. The response teams and safeguarding teams operated a 7am-3pm shift daily. Some officers operated on a 10am-6pm shift pattern and CID operated split shifts. There was also flexible working arrangements and compressed hours. All together there was a 24/7 service in place across all of the different strands – response, neighbourhoods, CID and public protection.
i. In response to a question around what concerned the Borough Commander in relation to the presentation, the Committee was advised that of course she would like to see the crime numbers come down further and that she would like to get robberies down to zero. The Borough Commander also set out that she would like for every residents to feel safe on the street and feel that they could call the police if they needed to.
j. Concerns were noted about the ongoing severity of the gang problems in Haringey and assurance was sought around what was being done by the Council and the Police to address this. In response, the Borough Commander acknowledged the good work being done and also the frustration at the ongoing problems. The Borough Commander advised that this was a very complex problem which covered a range of issues including exploitation, violence and often involved children who didn't have a good home life. The Borough Commander set out that the key was around adopting a whole systems approach and early intervention with key partners, such as Children's Services and outreach workers to intervene at an early stage and prevent that child from being further embroiled in gangs. The Borough Commander emphasised the important role that Crimestoppers played in providing completely anonymous intelligence reporting.
k. The Committee expressed concerns about loss of police stations across London and the loss of the Hornsey police station in particular, as there was no police station in the west of the borough. In response, the Borough Commander acknowledged that this was a significant concern for many residents and councillors but it was a decision that had already been taken by MOPAC and the Borough Commander was unable to do anything to stop it. The Borough

Commander set out that with the roll-out of mobile technology, police officers were able to be out on the streets for longer and to have greater visibility.

l. The Committee raised serious concerns about the redundancy of the Neighbourhood Watch Coordinator and Parks Links Officer. It was commented that this seemed to be a short sighted decision as any short term savings would almost certainly not justify the long term effects of losing such a valuable role.
m. In response, the Borough Commander acknowledged the fantastic job that the post holder had done over the last ten years. The Borough Commander set out that she had been working for the past year to try and find a solution to this problem but that the bottom line was that the Police could not afford to fund 75% of the post as there was no funding available from MOPAC. Ultimately, the only way this could be funded was to lose a dedicated ward officer, which she was unwilling to do. The Borough Commander set out that North Central was an outlier as no other BCU had a coordinator role and therefore MOPAC would not provide funding. The Borough Commander advised that she was looking at how to deliver most of the work that the post holder provided through the existing neighbourhood teams and would report back on this in due course. The Borough Commander also advised that she was undertaking a community mapping exercise to ensure that good practice was understood and replicated across different areas.
n. In response to a follow up, the Committee set out that although an outlier, the police should be looking to replicate this post across London. The Committee also expressed some degree of scepticism that the role of the Neighbourhood Watch Coordinator could be done by a neighbourhoods officer, due to workloads and given that exiting neighbourhood officers were regularly re-assigned to other policing duties.
o. In response to a question around the extent to which improvements in robberies were sustainable, the Borough Commander advised that there was a uniformed Burglary & Robbery Investigation Team in place who provided a focused investigative resource on burglaries and robberies. The Borough Commander acknowledged that it was difficult to quantify the extent to which lockdown had impacted the figures, however some of the improvement was undoubtedly due to the good work being done by police, such as Operation Vertis. Since 2017, high-visibility daily foot patrols were put in place with a specific emphasis around robberies. There was also fixed micro-beat patrols in place in hotspot locations.
p. In response to a question, the Borough Commander assured the Panel that she was very focused on drugs and that she recognised the close links with a range of other criminal activity including aggravated burglary.
q. The Borough Commander agreed that she would be happy to respond to any further questions that the Panel had via email.
r. The Chair thanked the Borough Commander for coming along to the panel meeting and responding to questions.

RESOLVED

I. To note that Haringey's agreed local priorities for 2020/21 are Violence with Injury (Non-Domestic) and Personal Robbery. Whilst some positive improvements have been noted in Violence with Injury (Non-Domestic) (-11%) and Personal Robbery (- 30%), both of these remain significant challenges for the borough. The seriousness of such incidents continues to also remain high, with levels of injury sustained often being significant.

II. To note that the volume of recorded crime has reduced significantly since March 2020, in Haringey and across London. Some crime types have experienced reductions in excess of 30% during this period.

III. To note that as each phase of lockdown easing was implemented, crime levels have generally increased once again, however, they remained below previous baseline levels in most cases. Nonetheless, Haringey experiences over 1,600 violent crimes per year and almost 1,700 robberies, equating to one of each of these offences approximately every 5 hours, throughout the year.

IV. To note that Violence with Injury (Non-Domestic) and Personal Robbery remain key local priorities for Haringey, along with the basket of high harm crimes (sexual violence, domestic abuse, child sexual exploitation, weapon-based crime and hate crime) and anti-social behaviour. These priorities would also support a number of ongoing workstreams in Haringey, including the Community Safety Strategy, the Young People at Risk strategy, the Borough Plan and the North Area Violence Reduction Group (NAVRG

57. UPDATE ON HARINGEY & ENFIELD BCU INTEGRATION.

The Borough Commander, Treena Fleming gave a verbal update to the Panel on the Police's perspective on the previous presentation, current performance levels and how well the integration of the Haringey and Enfield BCU's had gone to date. The key areas highlighted were:

- The Borough Commander set out that she was very pleased with a number of the headline performance figures in the borough, including a 30% reduction in robberies which was excellent and was well above the London average.
- Haringey was one of the boroughs with high levels of serious youth violence, so the fact that knife crime had reduced 27% was also an excellent result.
- The merged Borough Command Unit (BCU) between Haringey and Enfield was implemented in April 2019 and the Borough Commander suggested that the performance figures provided an indication of the success of the merger.
- The Borough Commander advised that robbery would continue to be a key priority for the BCU and that high visibility uniformed patrols were on patrol every day in robbery hotspot locations to try and reduce offending.
- In April 2019, London went from 32 police boroughs down to 12. The Borough Commander advised that joining up resources with Enfield and Haringey had provided additional capacity to flex policing resources locally to respond to demand. There were a number of cross border problems, particularly around gangs and allowed the response teams to respond in a much more flexible way.
- The North Area tasking team was the violence suppression unit which was responsible to dealing with violent crime related to drugs. This unit comprised of over 40 high visibility officers who did a lot of work around robberies other violent crime.
- Traditionally, Haringey received a lot of central support from across London, however in light of the success of driving down violent crime this was no longer

the case and the BCU no longer had priority status. This was seen as a significant milestone and it took around 18 months to achieve, involving the use of close joint working arrangements with partners.

- The Public Protection Unit, is what was previously called the Safeguarding Unit. This was a specialist unit that linked together rape investigations with domestic violence and child abuse investigations to provide a more holistic response. Previously, some of these areas would have involved a centralised response and that this could have resulted in three different investigating officers.
- There was a lot of cross working with Council partners around safeguarding. This included Operation Alliance, which was a joint piece of public protection work with the local authority and the custody suite at Wood Green to introduce four outreach workers. The outreach workers worked with every child that came into custody to provide a teachable moment and to then follow that up with visits to the child and their parents/guardian.
- The Neighbourhoods Team was in place and each war had 2 dedicated officers and a PCSO. A youth independent advisory group had also been set up and the Committee was advised that police cadet numbers were growing.
- CID were responsible for investigating serious crime outside of the public protection sphere. It was commented that whilst some of the reduction in crime levels was due to lower footfall levels during lockdown, part of it was also about some of the work that was being done by Police. The examples of Operation Venice and Operation Prosecco were given which had been high profile operations targeting drugs, violent crime and robbery and had achieved good results.
- The BCU command unit were responsible for monitoring performance and driving continuous improvement. The command unit also contained a performance and ethics board than analysed information conducted in depth analysis in relation to crime data.

RESOLVED

That the update was noted.

58. UPDATE ON ADDITIONAL POLICE NUMBERS IN HARINGEY

In relation to the uplift programme of an additional 20k police officers promised by the Prime Minister, the Borough Commander advised that she was not able to give a Haringey specific figure. However the Metropolitan Police's allocation of that 20K was an extra 1369 officers to be recruited in 2020/21 and an extra 2623 officers to be recruited in 2021/22. It was noted that the 2020/21 allocation had been recruited with five months to spare. The Borough Commander estimated that she currently had 70 newly appointed probationers in the BCU, which was unprecedented.

RESOLVED

Noted

59. SCRUTINY OF THE 2021/22 DRAFT BUDGET / 5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2021/22-2025/26)

The Panel received a report which provided an update on the Council's 2021/22 Draft Budget / 5-year Medium Term Financial Strategy (MTFS) 2021/22 – 2025/26 as well as the budget saving proposals within the Place priority. The report was introduced by Dee Ball, Finance Business Partner as set out in the agenda pack at pages 23-197. The Panel noted that the net budget expenditure within the Place priority was £31.43m. This was made up of total expenditure of £84.8m and £53.41m in income. There was a projected overall variance for Place in 2020-21 of £13.713m, the driver of which was Covid. The most notable impacts of Covid on Place were a reduction in parking and highways income of £11.39m and a loss of £1.3m income from major events not taking place.

The following was noted in discussion of the report:

a. The Panel noted concerns in relation to undelivered savings within the MTFS and questioned the extent to which areas of growth were being used to offset these. The Panel requested further clarity be provided on the exact figure for the current budget gap, as it was commented that there seemed to be a number of different figures referred to in the report.
b. The Panel sought clarity around where in the Place budget the overall savings were coming from. The Panel also requested further information in relation to the budget allocated to help people who had lost their jobs due to Covid. In particular, the Panel were keen to know what impact this had and how many people would this affect. **(Action: Dee Ball/Clerk).**
c. The Panel agreed to put a recommendation forward to Cabinet around the retention of the Neighbourhood Watch Coordinator and Parks Link Officer post. The Chair also agreed that he would raise this matter separately with the Leader due to the strength of feeling on this issue and concerns that the post holder was due to be made redundant within weeks. **(Action: Chair).**
d. Cllr Mark Blake commented that the reduction in funding for the above post was a budget decision made two years ago with a reduction in the council's contribution from 100%, to 50% this year and then to 25% for next year, so was not part of this year's MTFS. Cllr Blake highlighted that any resolution would relate to a reversal of previous decisions and, from his perspective, he would like to see the Metropolitan Police making some kind of contribution.
e. In relation to saving PL20/17 on garden waste service, the Panel sought assurances around how feasible it was to expect increased year on year growth in subscriptions from a smaller pool of potential customers. In response, the Cabinet Member set out that the savings were anticipated as a result of increased marketing of the service and from potentially increasing take up with a reduction in the cost.
f. The Panel also sought assurance about saving PL20/15 and what this involved. In response, the Panel was advised that this saving related to rationalising the fleet of vehicles used by the service and would be achieved through increased mechanisation of street sweeping resulting in less vehicles being required, as well as some savings relating to contract management.
g. In relation to savings PL20/28 & PL20/29, The Panel raised concerns about the impact on businesses from introducing Sunday car parking charges, who were already struggling because of Covid, and requested assurance that the cost to local businesses would not outweigh the additional revenue received.
h. The Committee noted concerns around a lack of funding for the principal road network from TfL (capital 302) and the fact that the report highlighted that if the

Council had to fund this again going forward, this would have an impact of other services. The Panel were particularly concerned around the need to protect funding for cycling and walking schemes and requested additional assurance from Cabinet on this.

i. In relation to saving PL20/20, Fuel Savings from Electrical Vehicles, the Panel requested further assurance around whether additional savings could be generated through additional investment in this area.
j. The Panel questioned whether additional revenue could be generated in relation to moving traffic enforcement as £350k did not seem a lot. In relation to a question about cameras needing to be prioritised for ASB and fly-tipping, officers advised that there had been significant investment into CCTV cameras and a new control room and that a paper had been taken to Cabinet on this. Cllr Hakata agreed that he would follow up on this with the relevant Cabinet Member outside of the meeting.
k. In relation to the disposal of Keston Road, the Panel expressed concerns with any attempt sell off this site to a developer as land was the Council's most valuable asset and that if the depot was no longer necessary then the Council should be building houses on this site. Officers advised that the Keston Road site was largely a series of portacabins that were nearing the end of their functionality and that investment in parks depots was better spent on alternative sites.
l. The Panel noted concerns with the year-on-year allocation of capital funding for parks asset management (311) over the 5 year period of the MTFS being a flat figure of £300k. The Panel advised that funding levels for this area had been subject to significant cuts over the last ten years and that they would like to see additional investment to offset this.
m. In relation to Finsbury Park (322), the Panel wanted assurance that the proposed package of funding for Finsbury Park explicitly included funding for the Changing Places scheme.
n. In relation to the capital budget allocation for Alexandra Palace maintenance (447), the Panel sought further information around what this funding was for. Officers advised that capital funding was not able to be used to cover shortfalls in revenue budgets such as staffing costs.

RESOLVED

That the Panel considered and provided recommendations to Overview and Scrutiny Committee (OSC), on the 2021/22 Draft Budget/MTFS 2021/22-2025/26 and proposals relating to the Scrutiny Panel's remit.

60. WORK PROGRAMME

The Panel requested that the work plan include a future item around scrutinising progress against the Cabinet pledge of £5.1m for active travel and the Cycling and Walking Action Plan. **(Action: Clerk).**

RESOLVED

That the work plan was agreed.

61. NEW ITEMS OF URGENT BUSINESS

N/A

62. DATES OF FUTURE MEETINGS

Noted as 4th March 2021.

CHAIR: Councillor Khaled Moyeed

Signed by Chair ………………………………..

Date …………………………………

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MINUTES OF THE MEETING OF THE HOUSING AND REGENERATION SCRUTINY PANEL HELD ON TUESDAY 15TH DECEMBER 2020, 6.30pm - 10.15 pm

PRESENT:

Councillors: Ruth Gordon (Chair), Dawn Barnes, Zena Brabazon, Isidoros Diakides, Makbule Gunes, Bob Hare and Yvonne Say

1. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'.

2. APOLOGIES FOR ABSENCE

No apologies were received from Panel Members.

Apologies had been received from Cllr Emine Ibrahim, Cabinet Member for Housing and Estate Renewal, Cllr Matt White, Cabinet Member for Planning and Corporate Services and Sean McLaughlin, Managing Director of Homes for Haringey (HfH).

Cllr Diakides expressed concern that two of the three Cabinet Members whose portfolios related to the Panel's remit were not present for the scrutiny of the budget. He also expressed disappointment not to be able to question the Managing Director of Homes for Haringey as there were relevant issues of concern relating to the funding arrangements between the General Fund and the Housing Revenue Account.

Cllr Adje, Cabinet Member for Finance and Strategic Regeneration, noted that Cllr White was unable to attend for medical reasons and that Cllr Ibrahim had another engagement. He also said that there had not been a specific request from the Panel for all three Cabinet Members to attend the meeting.

Cllr Gordon emphasised the role of the Panel in scrutinising Cabinet Members and noted that the meeting had been in the diary for some time. The importance of the attendance of Cabinet Members for the budget scrutiny meeting were reiterated by Cllr Barnes, Cllr Brabazon, Cllr Hare and Cllr Say. Cllr Brabazon suggested that a further budget scrutiny meeting should be scheduled so that the Cabinet Members could attend and respond to questions from the Panel. David Joyce, Director for

Housing, Regeneration and Planning said that the senior officers present would be able to respond to questions from the Panel and that, on the point about representation from Homes for Haringey, the primary focus of the budget scrutiny would be on the Council's budget.

Cllr Gordon proposed that a separate meeting be organised with the Cabinet Members in attendance so that the Panel's questions could be answered and this was agreed by the Panel.

RESOLVED – That a request be made for a meeting to be arranged where Cabinet Members respond to questions from the Panel on budget issues.

3. URGENT BUSINESS

None.

4. DECLARATIONS OF INTEREST

None.

5. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None.

6. MINUTES

Cllr Diakides noted that under the Work Programme Update item in the draft minutes of the previous meeting he was recorded as suggesting that the Panel should consider funding models relating to the ALMO and the HRA at a future meeting. He said that this in fact related to the General Fund and the HRA. The Scrutiny Officer confirmed that this would be corrected in the final version of the minutes.

With this amendment made, the minutes of the previous meeting held on 19th November 2020 were approved as an accurate record.

Cllr Gordon noted that there were a number of action points from the previous meeting which would be followed up with responses circulated in January. Cllr Diakides enquired about the use of an action tracker and the Scrutiny Officer confirmed that an action tracker spreadsheet was used to record actions and would be circulated to the Panel when the responses had been collected.

RESOLVED – That, following one correction under item 11, the minutes of the previous meeting held on 19th November 2020 be approved as an accurate record.

RESOLVED – That an action tracker including responses to recent action points be circulated to all Panel Members in January 2021.

7. SCRUTINY OF THE 2021/22 DRAFT BUDGET / 5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2021/22 - 2025/26)

John O'Keefe, Head of Capital and Major Projects, introduced the report on the Council's draft budget for 2021/22 and 5-Year Medium Term Financial Strategy (MTFS) for 2021/22 – 2025/26 and proposals relating to the Panel's remit, highlighting the following points:

- That a number of revenue and capital proposals were being put forward for the Panel's consideration.
- That as of February 2020, the financial position had been for a budget reduction of £1.9m in 2021/22 and of £3.1m in 2022/23. However, by December 2020, the financial position was now for a required budget reduction of £17.0m in 2021/22 and of £10.041m in 2022/23.
- Net savings of £11.6m had been identified for 2021/22.
- £5.4m of reserves would be used to balance the budget for 2021/22.
- Significant risks with the budget still remained, including the impact of Covid, Brexit, planned savings not being delivered and a lack of clarity on the level of government support beyond 2021/22.

David Joyce, Director of Housing, Regeneration & Planning, provided some further details on the savings proposals:

- The overall revenue budget for Housing, Regeneration & Planning was relatively small compared to other departments. The majority of the funding came from alternative sources such as work under capital, work charged to the Housing Revenue Account and work funded by income such as planning and building control or through grants.
- The Housing, Regeneration and Planning department had a strong record of delivery and had a continued ambition to deliver services and projects such as new Council homes and investment in town centres. The intention was therefore to make savings through income and not by reducing activity. The majority of the savings proposals resulted from the cross-cutting Property Rationalisation work.
- The revenue savings for 2021/22 amounted to just over £1m:
    - **HO101:** Housing Team Salaries – Increase HRA contribution (£274k)
    - **HO102:** HfH taking over the lease of PSL properties on their expiry (£209k)
    - **EC101:** Additional Recharge to Housing Services (£300k)
    - **EC102:** Additional Planning income from introducing new charges (£200k)
    - **EC103:** Reduction in Energy Consumption on corporate buildings (£50k)
- The new capital investment items were listed as follows:
    - Housing (509): CPO – Empty Homes
    - Economy (404): Good Economy Recovery Plan

  - Economy (473): 551b High Road (part of Enterprising Tottenham High Road scheme)
  - Economy (453): New workspace scheme at Stoneleigh Road car park
  - Economy (454): HALS Improvement Programme
  - Economy (455): Replacement Cloud based IT solutions for Planning, Building Control & Land Charges

Cllr Ruth Gordon then introduced questions on Housing issues:

- Cllr Diakides commented on the relationship between the Housing Revenue Account (HRA) and the General Fund noting that around half of the revenue savings simply involved transferring money from one to the other. He acknowledged the reassurances that this approach was legally sound but said that this was more of a political issue impacting on the long-term viability of the Borough's Council housing and that he was concerned about loading more costs onto the HRA. He said that arguments could be made for costs relating to temporary accommodation or communal open spaces to be met from the General Fund. David Joyce responded that the charges to the HRA are governed by legislation and accounting codes of practice and also did not affect the HfH management fee. He said that this involved appropriately charging the HRA for activities including the building of 1,000 new Council homes and the acquisition of Right to Buy properties that would ultimately benefit the HRA by generating rent and reducing overcrowding. He added that the temporary accommodation budget would continue to be funded through the General Fund and that the saving outlined in the agenda pack related only to the transferring of the management of private leases to HfH to enable the charging of higher rents (paid through Housing Benefit). Cllr Diakides responded that the Broad Lane Square project was originally going to be funded through the General Fund but a decision had then been made to fund this through the HRA so there were choices involved. David Joyce said that questions over charges were not always clear cut, including in the example referred to, but he added that advice on the legal framework and from finance colleagues were sought on such issues in order to reach a view. However, he said that the basis of the savings outlined in the agenda pack was clear given the advice that had been received. In response to a further question from Cllr Diakides, he said that that following a development where the Council is the freeholder, private leasehold units remain as assets within the HRA. Asked whether the HfH Board had been consulted on the savings proposals, David Joyce said that the new homes programme was run from within the Council so it was Council business, but added that the Department worked closely with HfH including, for example, on the specifications of new properties.
- Cllr Gordon asked for further explanation on the HfH management fee of £41.15m and the Other Costs for GF Services of £4.357m listed on Table 9.3 on page 72 of the agenda pack. David Joyce explained that the management fee is the amount charged to the Council by HfH to run the housing management services, including rent collection, repairs and leaseholder services. He stressed that this management fee was unaffected by the savings outlined in the agenda pack as these related to other unrelated areas of work.

Kaycee Ikegwu, Head of Finance & Business Partnerships, said that ‘Other Costs for GF Services’ related to recharges from the General Fund for services provided to the HRA.

- Cllr Brabazon asked about a point raised in the presentation about risks which included the possibility of the planned savings not being delivered. She said that the savings tracker on page 242 of the Cabinet papers from December 2020 showed shortfalls in savings achieved that were not shown in the savings tracker provided to the Panel. This included a shortfall of £326k in 2020/21 for item HO1 (Temporary Accommodation Reduction Plan). She asked for clarification on the impact on the budget when savings were not achieved. David Joyce said that unachieved savings were clearly important as they added to the scale of the savings challenge in subsequent years and so additional savings measures would then be required. However, the figures reported were from around month 6 of 2020/21, so there was still some time remaining to make further progress on the savings. Kaycee Ikegwu added that the savings gap for 2020/21 was less than the savings proposed for delivery this year, but the impact of Covid had put more pressure on this and increased the risk of the required savings not being met. John O’Keefe added that at the end of the year there would be an outturn report looking at the financial outcomes across the Council and mitigations could then be put in place. Any savings that had not been achieved would be rolled forward into the next version of the MTFS the following year.
- Cllr Hare commented that properties acquired from a developer would be more expensive than those built by the Council. He asked how long it typically takes to reach the break-even point on these properties and also whether the properties acquired were chosen because they met the Council’s requirements or whether they were mainly properties that the developer found difficult to sell. David Joyce noted that the acquisition of properties were part of the HRA business plan, so did not relate to any of the specific budget proposals being put before the Panel, but said that care was taken to ensure that the properties acquired were those that fit the Council’s needs. He added that the price of acquired properties varied across different schemes so it wasn’t necessarily the case that they would cost a fixed amount more than Council-built properties. Cllr Gordon said that, in her view, if the cost of acquisitions from developers was higher than the additional borrowing required, this meant that this query was relevant to the budget discussion. Cllr Gordon said that her understanding was that the cost to the Council of building homes on Council land was around £200k per unit whereas some recent acquisitions from private developers had cost around £350k per unit and asked how this extra cost could be justified. David Joyce said that the HRA Business Plan, which sets out both acquisition and new delivery, showed that the overall programme was affordable. A whole range of factors impacted on the costs of individual units and the viability of a specific scheme and so assessments needed to be made on a scheme-by-scheme basis to build the overall business plan. Acquisitions were valued by the Property Team in order to ensure value for money. He added that the combination of both acquisition and direct delivery properties was necessary in order to maximise the stock of Council homes. He also said that some of the acquisitions were properties that had previously been designated as shared

ownership, which there was a demand for, but as the need for homes for social rent was so acute it had been determined that acquiring them for this purpose was justified. Asked whether sufficient family-sized housing was being acquired, David Joyce said that a lot of family-sized housing was being built in the programme overall and at acquired sites, noting that at the Rosa Luxemburg building which was under construction, a number of ground floor units were being converted to family-sized accommodation adapted to be suitable for severely disabled children. Cllr Diakides commented that the valuations alone could not ensure value for money and that the checks and balances of scrutiny, audit and standards were also required.

- Cllr Barnes asked about the figures provided in Table 9.4 on page 73 of the agenda pack (Draft HRA 5 Year Capital Programme) including:
    - What contingency had been applied to the figures for the New Homes Build Programme relating to the possible risks associated with Brexit. David Joyce said that contingency for this was already built into the schemes on site and that some contractors had already stockpiled the required building materials for example. He acknowledged that contingency had yet to be built into other schemes where contractors had not yet been appointed and so this was a risk that would need to be monitored as disruption was possible.
    - What confidence there was in the value for money in the purchase of equipment under the figures for Fire Safety, as the cost of products such as fire doors could vary considerably, and what contingency has been applied to the figures for Fire Safety given the uncertainty about future regulation relating to cladding. David Joyce said that the HRA business plan included an ongoing plan for fire safety where it was anticipated that more investment would be required in the first three years due to a raft of new regulations expected following the Grenfell fire and this was reflected in the figures in Table 9.4.
    - Why the figure for Market Sales Receipts was zero in 2022/23 but not for any of the other years. Kaycee Ikegwu explained that no schemes were expected to make contributions in 2022/23 due to the timing of completions.
- Referring to paragraph 9.2 on page 66 of the agenda pack which related to the setting of housing rents, Cllr Diakides noted that the rent increases appeared to be lower than previously stated and asked what impact this had on the viability of the HRA. Kaycee Ikegwu said that this was because rent levels were set by Government and not the Council. He said that the rent increase allowed by the Government was set by the Consumer Price Index (CPI) plus 1% and as the CPI at September 2020 was 0.5%, the Council could not raise rents by any more than 1.5% in 2021/22. In terms of the impact on viability, he said that the drop in inflation also had compensatory effects on the HRA which balanced this out, such as the reduction in the cost of borrowing for building. He also noted that the HRA's financial plan was prudent in planning for lower CPI rates than forecast by the Office for Budget Responsibility so he had confidence that the plan was robust. Cllr Gordon then asked for further explanation on the capital investment referred to in paragraph 9.1.6 on page 66 of the agenda pack. Kaycee Ikegwu referred the Panel to page 73 of the agenda pack, noting that

the figures for Existing Stock Investment (Haringey Standard) were heavier in the earlier years. Paragraph 9.1.7 referred to the importance of rent collection in the context of the pressure of this heavy capital investment. The surplus income from the rents is used to help fund capital work, as detailed in the 'Revenue Contributions to Capital' section of Table 9.3 (Draft HRA 5-Year Revenue Budget) on page 72 of the agenda pack.

- Asked by Cllr Brabazon and Cllr Gordon about the slippage/underspends in capital projects, David Joyce said that the impact of the pandemic on the delivery of capital projects had been substantial and was the main reason for this. A lot of work was still continuing however, such as at Osborne Grove nursing home and on the acquisition of properties by the Community Benefit Society.
- Cllr Brabazon asked about the impact of the Mayor of London's new affordable homes guidance which specified that demolitions were not supported. David Joyce said that this approach would apply to the prospectus for the next affordable housing fund, whereas existing schemes such as the Love Lane/High Road West scheme, were funded through the current affordable housing programme. The new guidance could impact on future schemes, though the detail of the new guidance did specify some flexibility that could be applied. Asked when the new guidance would come into effect and how this could impact on the High Road West scheme, Peter O'Brien said that the funding from the affordable housing programme originally expired in March 2022, but this had now been extended by 12 months. Negotiations with the GLA had been continuing over the High Road West scheme and a position was close to being agreed. Announcements on this would take place at the appropriate time followed by a ballot of residents.

The Panel considered each individual savings proposal as follows:

<u>HO101 – Housing Team Salaries – Increase HRA contribution</u>

David Joyce explained that this proposal involved charging salaries to the HRA. The HfH management fee was unaffected by this and it involved the Housing team doing more work and charging the HRA appropriately for certain types of activity, such as the delivery of more Council homes, which would result in long-term benefits for the HRA.

Cllr Diakides commented that, while he had no objections to the procedures that had led to this change, there were wider political concerns about the relationship between the HRA and the General Fund on which he would like to see more scrutiny work.

Cllr Brabazon suggested that, given the concerns about the pressures on the HRA, a caveat could be added that there should be transparency and monitoring over the charging of these salaries to the HRA to demonstrate that the proportion of officer time charged related to social housing and benefitted the tenants that pay into the HRA.

David Joyce said that there were checks and balances on this and the amount of officer time used on the Housing Programme would be kept under review. Kaycee Ikegwu added that the Finance team asks questions about the proportion of officer time spent on HRA activities and, where this is not clear cut, legal advice was sought. Auditors also examined this and asked for evidence where appropriate and their reports were placed in the public domain. Cllr Brabazon said that the key point was that there should be clear monitoring and apportionment of time and that there had now been assurances on this from officers.

HO102 – HfH taking over the lease of PSL properties on their expiry

David Joyce explained that this proposal related to the way that residents were placed in temporary accommodation. When the Council placed residents in temporary accommodation this was funded from the General Fund and there was a limit, set by Government, in the level of rent that could be charged which was paid by the Housing Benefit of the residents. Other parties were able to charge higher amounts, so by transferring the leases to HfH they could charge higher levels of rent and because this is paid by the Housing Benefit of the residents, this does not financially impact the residents.

Cllr Brabazon noted that PSLs were to be transferred to HfH but that, according to the savings tracker, PSLs were also being transferred to the Community Benefit Society (CBS) and queried how these were both happening. She also asked why landlord incentives were required, as referred to in page 118 of the agenda pack. David Joyce said that the PSLs were being transferred into the management of HfH but remained within the General Fund. PSLs were also being transferred into the CBS as, in both cases, this provided greater flexibility in the rents that can be charged. David Joyce agreed to supply a more detailed written response on the point about the landlord incentives. **(ACTION)**

Cllr Say queried the point on page 89 of the agenda pack which stated that *“rent increases will be met from increased benefits and will have no effect on tenants themselves”* commented that it would be more likely to trap tenants on benefits and would make it harder to earn enough to pay a higher rent when returning to work.

Cllr Gordon noted from the implementation details on page 89 of the agenda pack that the project was already underway including the recruitment of staff. David Joyce noted that the transferring of PSLs was something that the Council already does and that this was a proposal to make further savings by doing more of it. In response to a question about the staffing for this work, Simon Eversley, Housing Strategy & Commissioning Manager, said that this included staff in both HfH and within his own team administrating the scheme. He added that his position and that of the person lead monitoring it were interim posts. Cllr Gordon expressed concern about this and noted discussions in previous years about reducing the consultancy budget and suggested that a caveat on this point be added to the Panel’s recommendations to the Overview & Scrutiny Committee.

Cllr Brabazon said that the transferring of PSLs in previous budgets related to the CBS rather than HfH and that it was unclear how much of the previously agreed savings had actually been achieved so she felt that more clarity was needed.

Cllr Diakides expressed concerns that the proposal could involve more costs being shifted to the HRA via the HfH management fee.

EC101 – Additional Recharge to Housing Services

David Joyce explained that this proposal was a recharge for the work that the Property Team does, such as valuing properties that the Council was buying back through Right to Buy receipts for example. He emphasised that there was a clear budgetary framework around what could be charged to the HRA and that only appropriate charges were made.

Christine Addison, AD for Capital Projects and Property, said that historically the Property team had not charged the HRA or the Housing team for the work done on their behalf, though charges were made to the Regeneration team. The Property team had been involved in a substantial amount of work on acquisitions relating to Housing Programme. She added that the finance team oversaw the rules that specified what could be charged to the HRA but the point was that these charges had not previously been made.

EC102 – Additional Planning income from introducing new charges

David Joyce explained that this proposal involved driving up income in the Planning service through raising pre-application fees to developers. A benchmarking exercise had demonstrated that Haringey Council was not charging as much for this service as some other London Boroughs.

Cllr Say queried how this could be affected by the government's reported plans to abolish Section 106 agreements. She also noted that the delivery confidence on this proposal was only 3 on the 5-point scale. Rob Krzyszowski, AD for Planning, acknowledged that this was mentioned in the Government's recent White Paper but said that the plans were not very detailed at this stage and that, even if the plans did go ahead, it would take at least a couple of years and there would still be other forms of financial contributions towards affordable housing that could be used. The level of risk was therefore considered to be low.

Asked about the role of the Carbon Management team in this proposal, Rob Krzyszowski said that the income target related to the Planning team, but that the Carbon Management team's advice was sometimes drawn upon in relation to planning applications. While this was a relatively small proportion of the target, the proposal overall was to charge developers appropriately for the officer time provided.

Asked by Cllr Brabazon how much of the Planning service's budget was funded by fees, Rob Krzyszowski said that just over half of the budget came from income which included fees while the rest came from general revenue. In the first few months of the year, income from fees had been lower than expected because of the impact of Covid reducing the number of planning applications. However, this had picked up again in recent months and fee income had recovered to pre-Covid levels.

Asked by Cllr Gordon about the current vacancy for Head of Planning Policy and Transport Planning, Rob Krzyszowski said that this was his normal role but that he was currently acting up as AD for Planning. The AD role was currently being advertised and so he would return to his previous position when this was filled. Asked about timescales for this, David Joyce said that the recruitment process would begin in January. He added that he was confident in the Planning service's ability to deliver these proposals and noted that it was a high-performing service and had recently been nominated for the LGA Team of the Year. In response to a question form Cllr Gordon, Rob Krzyszowski confirmed that the Building Control team was currently fully staffed.

Asked by Cllr Hare how Tree Protection Order (TPO) work was being funded, Rob Krzyszowski said that this was from fees and noted that his team were working closely with colleagues in Environment and Neighbourhoods to recruit another officer, so work in this area should shortly be better resourced. In response to a question from Cllr Diakides, he confirmed that the intention was for this work to be done in-house rather than through the previous arrangements with Islington Council.

<u>EC103 – Reduction in Energy Consumption on corporate buildings</u>

David Joyce explained that, as part of this proposal, the Sustainability Team had been looking at buildings across the corporate estate to identify areas where short-term capital investment could reduce energy costs, such as by replacing boilers or improving insulation.

Asked by Cllr Gordon whether this proposal was achievable, Rob Krzyszowski said that he believed that it was and that by reducing energy bills, and assuming that energy costs were likely to rise further in future, this would also create further savings in the future. Asked about staffing, he confirmed that this would involve recruiting a project manager and while this may be possible to be done internally, decisions on resourcing this had not yet been made.

Asked by Cllr Gordon about the risks and mitigations on this item, Rob Krzyszowski said that, as the detailed work on the buildings had not yet been done, there were possible unforeseen circumstances that could have an impact on costs/savings but that this was not out of the ordinary for this kind of work.

The Panel considered the new capital investment items as follows:

<u>Housing (509): CPO – Empty Homes</u>

Cllr Say noted that CPOs were known to be a slow and laborious process. John O'Keefe acknowledged that it was a slow process but noted that the regulations on this required the Council to be able to show that it had the resources to conclude a CPO. This increased budget would therefore enable an increased number of potential CPO processes to proceed at one time.

Cllr Gordon said that, as of 2019, she understood there to be 996 long-term empty homes in Haringey, which had increased to 1,355 homes by 2020 and queried whether these were new build homes or older properties. David Joyce said that the vast majority of these were homes within the existing housing stock. Cllr Gordon asked what was driving the increase in empty homes and whether any Council Tax enforcement action was taking place. Cllr Diakides commented that the threat of a CPO was often a prominent mechanism to incentivise action on empty homes. Cllr Gordon requested that further written information be provided to show the breakdown of the empty homes (in terms of new-build and existing housing stock) and what kind of remedial action (such as increased Council Tax rates) was possible and had been taking place before reaching the CPO stage. **(ACTION)** David Joyce commented that the Council was ambitious about bringing empty homes back into use and that CPOs were an important tool in achieving that. It was also important to be prepared to follow through on the threat of CPO use hence the need for the increased budget.

In response to a question from Cllr Gordon, John O'Keefe clarified that the increase of £5m to this part of the budget would be in addition to the base budget of just over £2m which could be carried forward, subject to Cabinet approval in June 2021.

<u>Economy (404): Good Economy Recovery Plan</u>

David Joyce said that this bid involved investment in employment support and town centres. The Panel did not ask any questions on this item.

<u>Economy (473): 551b High Road (part of Enterprising Tottenham High Road scheme)</u>

David Joyce explained that this bid was part of a scheme that would deliver important workspace in an existing Council building.

In response to a question from Cllr Brabazon, Peter O'Brien clarified that the focus of this proposal related to Potters House and not Morrison Yard, thought there would be wider public realm improvements. It was further clarified that Potters House was owned by the Council while Morrison Yard was leased by the Council.

<u>Economy (453): New workspace scheme at Stoneleigh Road car park</u>

David Joyce said that this bid included capital investment to develop employment space and also deliver Council homes on a number of Council-owned car parks. The Council homes aspect would be appropriately funded through the HRA while the employment aspects would be funded through the General Fund.

Cllr Brabazon expressed reservations about this proposal and suggested that it required further examination, noting that it related to several car parks and that parking would be necessary to support any future improvements to Tottenham High Road.

Economy (454): Haringey Adult Learning Service (HALS) Improvement Programme

David Joyce said that this bid was to invest in an improvement programme for adult learning which would include improvements to online teaching but also to the classroom environment. The Panel did not ask any questions on this item.

Economy (455): Replacement Cloud based IT solutions for Planning, Building Control & Land Charges

David Joyce said that this bid would address problems with the IT system used by the Planning, Building Control & Land Charges team which was out of date and suffered from multiple outages. The proposal was to move to a cloud-based system which would provide a better service for customers and provide real-time information to residents. The Panel did not ask any questions on this item.

On other budget related issues, the Panel made the following additional comments:

- Cllr Hare asked why the proportion of HMOs brought under licence was still low according to the savings tracker on page 117 of the agenda pack (Item PL1). David Joyce said that this item actually fell under the responsibility Environment and Neighbourhoods Department and so it would be necessary to obtain a response from the relevant team. **(ACTION)** After some further discussion it was established that while this item was not under the operational responsibility of Housing, Regeneration and Planning, it was included in the Cabinet portfolio of Cllr Emine Ibrahim.
- Cllr Diakides noted that the revenue proposals mainly involved either increases in fees or the transferring of funds from one budget to another. He proposed that, in approving the proposals with relevant caveats attached, the Panel should require a clear process of assessing the relationship between the HRA and General Fund and of the long-term viability of the HRA to ensure that there would be sufficient funds for maintaining Haringey housing estates in future. David Joyce reiterated that the proposals were all based on the HRA Business Plan which was balanced, affordable and based on prudent assumptions. Cllr Diakides said that there hadn’t been any consultation with residents on this. Cllr Gordon indicated that the points made by Panel Members on the HRA would be raised at the Overview & Scrutiny Committee meeting.
- Cllr Gordon noted that reductions to the consultancy budget had been discussed at previous scrutiny meetings and questioned why this had not been included in the budget proposals this year. She suggested that concerns about this should be raised at the Overview & Scrutiny Committee meeting.
- Cllr Brabazon proposed a recommendation to the Overview & Scrutiny Committee that more clarity was needed on the impact of the unachieved savings from 2020/21 on the budget for 2021/22 and beyond. She added that the additional information required should specifically include details on shortfalls and the plans to mitigate.

8. DATES OF FUTURE MEETINGS

- 2nd March 2021

CHAIR: Councillor Ruth Gordon

Signed by Chair ………………………………..

Date …………………………………

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MINUTES OF MEETING CHILDREN AND YOUNG PEOPLE'S SCRUTINY PANEL HELD ON THURSDAY 17TH DECEMBER, 2020, 6.30 - 8.40 PM

PRESENT:

Councillors: Erdal Dogan (Chair), Dana Carlin, James Chiriyankandath, Josh Dixon, Tammy Palmer, Anne Stennett and Elin Weston

Co-opted Members: Anita Jakhu and KanuPriya Jhunjhunwala (Parent Governor representatives), Lourdes Keever and Yvonne Denny (Church Representatives)

7. FILMING AT MEETINGS

The Chair referred Members present to Item 1 as shown on the agenda in respect of filming at this meeting and Members noted the information contained therein.

8. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Amin, the Cabinet Member for Children and Families.

9. ITEMS OF URGENT BUSINESS

None.

10. DECLARATIONS OF INTEREST

None.

11. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None.

12. MINUTES

Ann Graham, the Director of Children's Services, confirmed that the actions arising from the minutes of the last meeting had been brought to her attention and were being responded to.

AGREED:

That the minutes of the meeting of 9 November 2020 be approved.

13. CABINET MEMBER QUESTIONS - COMMUNITIES AND EQUALITIES

Councillor Mark Blake, the Cabinet Member for Communities and Equalities, reported on recent key developments within the areas of his portfolio that came within the terms of reference of the Panel:

- Bruce Grove Youth Centre was currently undergoing a £400k refurbishment. In addition, it had also been given £10k of music equipment from the Sony Records Social Justice Fund;
- Work to develop a Wood Green youth hub was progressing. A site had been identified and a lease for it was currently being negotiated. The Youth Service would be supporting the co-design of the new centre and architects were being appointed. Regular updates would be provided for Wood Green Councillors;
- Recruitment was taking place to the two new teams that had been created to slot into the new Youth Service model. These were the Contextual Safeguarding Team and the Prevention Team. There would also be 11 new youth workers in total;
- Haringey was no longer in the lowest quartile for young people not in education, employment or training (NEETs) and “not knowns”. Serious youth violence had gone down by 20% and drugs offences by 10%. However, robbery had gone up by 90% and there had been serious problems amongst school children. There had been targeted Police operations in response to this and levels were now coming down. There had also been discussions at the Community Safety Partnership and there was a specific need for focussed preventative work; and
- Operation Alliance had taken place. This had been a joint initiative between the Police and the Mayor’s Office for Policing and Crime (MOPAC) and had involved youth workers being located in Police custody suites. The aim of this was to engage with young people and attempt to divert them away from criminality.

In answer to a question regarding a recent incident in West Green Road involving the Police and some young people, the Cabinet Member stated that he was unable to say much about this as there was an ongoing Independent Office for Police Conduct (IOPC) investigation taking place. There had been a march by members of the local community. He had spoken to the mother of the young man involved and the family had legal representation. The Council had passed a motion supporting Black Lives Matter and there had been particular concern expressed regarding the use of Stop and Search and its implications for safeguarding. There was a need for discussion and engagement with the Metropolitan Police, especially in view of the need to address serious youth violence in the borough.

In answer to another question, he reported the Haringey Community Gold was still operating in the community and through the work of the Youth Offending Service (YOS). Dialogue was currently taking place with the Mayor’s Office regarding the possible extension of the initiative for a further two years. It had been evaluated and he would be happy to report this back to the Panel in due course.

He reported that the Council had a Young People at Risk strategy that was aimed at prevention. This focussed on providing effective pathways for those who were considered to be at greater risk of underachieving at school or coming into contact with the youth justice system. In respect of Alternative Provision, the Pupil Referral Unit (PRU) had been taken back in-house and a new Headteacher appointed. The reputation of the PRU had not been good and much work that was required but good progress was already being made, including enabling pupils to re-enter mainstream schools. Funding for preventative work was crucial but sources were depleted. This had been exacerbated by the fact that preventative work was not statutory, unlike acute services.

In answer to a question, he stated that there would still be activities for young people during the school holidays and this would include work by Haringey Community Gold. He had asked officers to put together a suitable programme. He had put out a joint statement with Cllr Amin, the Cabinet Member for Children and Families, in response to the incident that had taken place in West Green Road. The incident had been consistent with anecdotal information regarding tensions between the Police and young black men. He had asked for the work undertaken by Haringey Independent Stop and Search Group to brief Police officers new to the borough to be re-started and for the group to also be formally recognised by the Police, as was the case in other boroughs. There was a strong but robust relationship between the Council and the Police and they had been challenged on matter such as Stop and Search and its safeguarding implications. There was nevertheless a commitment to work with them to obtain the change required.

Panel Members reported that incidents of disorder had diminished in some areas of the borough. Concern was expressed at the what was felt to be a heavy handed response by the Police to some incidents and that this appeared to be influenced by the ethnicity of the young people involved. There was also felt to be a need for access to diversionary activities, such as football and basketball. Resident caretakers could also play an important role in promoting community safety.

The Cabinet Member welcomed the positive impact that resident caretakers were having. He felt that a confrontational approach made the job of the Police more challenging and that it was necessary to build greater trust. He also stated that many Police officers still came from areas outside London and had limited experience of living in a diverse community.

Panel Members commented that it was not possible to track progress of children transitioning to secondary school from primary school. Some primary schools had been particularly successful in enabling good progress by Black Caribbean children and those with English as a second language but it was unclear if this was maintained after secondary transfer. Ms Graham reported that children were not tracked but it was reasonable for primary schools to ask receiving secondary school for details of how children were progressing. Transition was very important and there was a comprehensive process for supporting children through this. There were a number of factors that could impact on educational performance. Early Help could assist where necessary through early intervention.

AGREED:

That an evaluation of the Haringey Community Gold initiative be submitted to a future meeting of the Panel.

14. SCRUTINY OF THE 2021/22 DRAFT BUDGET/5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2021/22-2025/26)

Ann Graham, the Director of Children's Services, reported that the financial position of her service had seen a recent improvement. Whilst savings had been identified in the Medium Term Financial Strategy (MTFS), there were no proposed reductions in services or personnel. There were two savings proposals. A mother and baby residential centre would be established with an external provider. However, Council social work staff would be based in the centre and undertake assessments. The intention was to ensure that assessments that were consistently of a high quality were produced. Weekend places at the centre would be sold through the private law sector.

There were also growth proposals in the MTFS. This included £1.5 million to respond to the increase in demand for residential places. In addition, £300k had been provided to fund free school meals in the next two years. This had been a manifesto commitment and would ensure that no child went to school hungry. There would also be additional staff to complete Education, Health and Care plans and a Leader's bursary of £120k to assist ten young people from low income families through higher education.

Brian Smith, Head of Finance (People), reported that the budget gap for 2021-22 was now £1.9m and these had been included as unidentified savings. Due to the pandemic, there were budget pressures of £17m across the Council and a vigorous recovery and renewal process had been put in place to address this. This had looked at what services should be expanded, end or be re-started as well as what was still deliverable. Consideration was being given to which of the savings that had been agreed last year and subject to slippage could be delivered next year. The further savings proposals were intended to improve services as well as reducing expenditure. In addition, there were also growth proposals to relieve existing pressures and some new initiatives, as well as significant capital investment.

The Panel queried the amount quoted in the budget papers for investment in the Wood Green Youth Hub, which was quoted as £1m and £790k. It was noted that overall investment was £1m. Some of the spend would be in the current financial year with the majority of spend in 2021/22.

In answer to a question, Ms Graham reported that the overspend had been accrued due to spending on Covid and budgetary pressures related to cost and demand. In particular, there were now more children in residential care than four years ago and costs had gone up significantly. The service was working hard to ensure that value for money was achieved. Beverly Hendricks, Assistant Director for Safeguarding and Social Care, reported that 39 assessments had been undertaken since April and none of them had been subject to challenge. They were being undertaken in a professional way that allowed little scope for challenge. In terms of budgeting, it only took a small number of additional young people requiring support to add significant additional pressures.

In answer to a question, Ms Graham reported that savings from last year that had not been achieved would be rolled forward to next year. It was not yet know how much this would be as the year had not yet ended. Savings continued to be made. Only £600k had been achieved by the time of the first lockdown but this had now gone up to £1m. The pandemic had prevented some savings being made and work had needed to be put on hold. Work to achieve the savings would continue, subject to there being no further lockdowns. One proposal had involved the extension of the homes of foster parents. This had not happened as quickly as had been hoped but it was hoped that progress would be made shortly.

15. SCRUTINY REVIEW OF SEND

Ann Marie Dodds, Interim Assistant Director of SEND, Early Help and Prevention, presented a detailed report on progress with the implementation of the recommendations of the review of SEND that the Panel had undertaken earlier in the year.

Panel Members welcomed the progress that had been made but reported that this was not always yet being reflected in the feedback that they were receiving from parents and carers. In particular, issues relating to Travel Buddies had been brought to the attention of Members by parents and carers and these had persisted after Members had been informed that they had been resolved. Information and data to provide reassurance would therefore be very welcome. Ms Dodds reported that hard data on SEND was considered on a regular basis with the Cabinet Member and could be more widely shared. She acknowledged that there had been difficulties relating to some Travel Buddies and their contracts but these had now been resolved. They were very highly valued and consideration was currently being given to bringing them in-house.

In answer to a question, Ms Dodds acknowledged that the pressures on schools arising from SEND was not evenly spread. The location of schools that children with SEND attended was known and work was taking place to get a better understanding of what was offered by individual schools and patterns. The SEND Code of Practice gave parents with the right to express a preference regarding the school that their children attended, although the service could not always support their choice if it was felt to not be appropriate. There were a wide range of factors that influenced SEND and these were not just related to deprivation or geography and it was necessary to obtain a systematic understanding of them all. Work to address this was in progress. The role of all partners was particularly important and especially health services.

In answer to another question regarding co-production, she stated that co-production could be evidenced by asking the right questions. These would include who was in attendance at meetings, how decisions had been reached and whether they had involved parents and carers. She was not aware if the information that had been provided on transitions had been made available in different languages and whether interpretation had been offered and agreed to find out and share this information with the Panel.

Ms Graham reported that there were multiple issues that influenced the differences between school educational standards in the east and west of the borough. One current issue was access to digital devices. The issues arising from this had been outlined in the report on Lost Learning during the first Covid lockdown that had been circulated to the Panel as part of the agenda for the last meeting.

Panel Members noted that SEND took up a significant amount of school budgets and that schools in east of the borough were less able to raise additional funding for it than those in the west. They requested comparative information on the amount of expenditure by schools per child for SEND. Ms Graham agreed to circulate such information that was available.

Panel Members raised the issue of communication with school governing bodies regarding the SEND Executive Board and the Start Well Board. In addition, it was felt that more information was required for schools on the educational psychology service, including costings. Ms Dodds agreed to establish how school governing bodies were communicated with and to ensure that they were included in future updates. Engagement with parents was currently undertaken directly with parents rather than through schools but it would be possible it would be possible to involve them as well. She agreed to report back on educational psychology services and their cost.

AGREED:

1. That the Assistant Director for SEND, Early Help and Prevention be requested to provide further information of whether information provided on transitions had been made available in different languages and if interpretation had been offered; and

2. That comparative information on the amount of expenditure by schools per child for SEND be circulated to the Panel.

16. WORK PROGRAMME UPDATE

The Panel noted that further evidence sessions were currently being arranged for the review on schools. These were due to take place in January and February, subject to the availability of witnesses. The next regular meeting of the Panel was due to take place on 8 March 2021. There were a number of reports that the Panel had previously requested that could be added to the agenda for this meeting. It was agreed that the agenda for the meeting be finalised at one of the forthcoming evidence sessions of the Panel.

AGREED:

1. That the work plan for the Panel be noted;

2. That the Panel meet informally to finalise the agenda items for the meeting on 8 March 2021 following one of the forthcoming evidence sessions for the review on schools.

CHAIR: Councillor Erdal Dogan

Signed by Chair ………………………………..

Date …………………………………

Report for: Overview and Scrutiny Committee – 18 January 2021

Title: Scrutiny of the 2021/22 Draft Budget/5 Year Medium Term Financial Strategy (2022/22-2025/26) - Recommendations

Report authorised by: Cllr Pippa Connor, Vice Chair Overview and Scrutiny Committee and lead for Budget Scrutiny

Lead Officer: Robert Mack, Principal Scrutiny Officer
Tel: 020 8489 2921 or Email: rob.mack@haringey.gov.uk

Ward(s) affected: All

Report for Key/ Non Key Decision: N/A

1. Describe the issue under consideration

1.1 This report sets out how budget proposals detailed in the draft 5 year Medium Term Financial Strategy (2021/22 – 2025/26) have been scrutinised and the draft recommendations that have been reached by the Overview and Scrutiny Committee (OSC) and Scrutiny Review Panels.

1.2 Members of the Committee are asked to consider and agree recommendations contained within this report so that these can be considered by Cabinet on 9th February 2021, when they will also agree the final MTFS proposals that will be put to Council on 22nd February 2021.

2. Recommendations

2.1 That the Overview and Scrutiny Committee:

(a) Approves the final budget recommendations to be put to Cabinet on 9th February 2021, as outlined in **Appendix A**.

(b) Notes 2021/22 Draft Budget & 2021/26 Medium Term Financial Strategy Report, as presented to Cabinet 8th December 2020 (**Appendix B**) and the proposals therein, as considered by the Scrutiny Panels and the Overview and Scrutiny Committee in December 2020/January 2021.

Reasons for Decision

3.1 As laid out in the Council's Overview and Scrutiny Procedure Rules (Constitution, Part 4, Section G) the Overview and Scrutiny Committee is required to undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol covering the Overview and Scrutiny Committee.

3. Alternative Options Considered

N/A

4. Budget Scrutiny Process

5.1 The Overview and Scrutiny Protocol lays out the process for Budget Scrutiny. This includes the following points:

a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their reports shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main OSC.

b. A lead OSC member from the largest opposition group shall be responsible for the co-ordination of the Budget Scrutiny process and recommendations made by respective Scrutiny Review Panels relating to the budget.

c. Overseen by the lead member referred to above, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the new Medium Term Financial Strategy. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that Cabinet Members and/or Senior Officers attend these meetings to answer questions.

d. Each Scrutiny Review Panel shall submit their final budget scrutiny report to the OSC meeting in January containing their recommendations/proposal in respect of the budget for ratification by the OSC.

e. The recommendations from the Budget Scrutiny process, ratified by the OSC, shall be fed back to Cabinet. As part of the budget setting process, the Cabinet will clearly set out its response to the recommendations/ proposals made by the OSC in relation to the budget.

5. Budget Scrutiny to Date

6.1 Following consideration by Cabinet, all four Scrutiny Panels met in December to scrutinise the draft budget proposals that fall within their portfolio areas. In addition, the Overview and Scrutiny Committee met on 12 January to consider proposals relating to Your Council.

6.2 Cabinet Members, senior service officers and finance leads were in attendance at each meeting to present proposals and to respond to questions from members. A list of draft recommendations arising from the meetings referred to above, is provided at Appendix A. The detailed report on the MTFS that was submitted to Cabinet on 8 December 2020 is attached as Appendix B. A link to further detail on the individual savings proposals in included at the end of this report.

6.3 The Panels and the Committee heard that the MTFS agreed by Council in February 2020 assumed two years of relatively low budget gap (£1.9m & £3.1m) for 2021-2023; this was before the pandemic. The pandemic continues to have a significant adverse effect on the wider economy and public finances, reducing demand and supply in the short and medium term, presenting individuals, businesses and organisations with unprecedented challenges. The medium to long-term impact is unknown, though the OBR has forecast a return to pre-pandemic levels will not take place until late 2022.

6.4 The impact of Covid-19, has been such that the Council has fundamentally reconsidered its corporate planning including its change programmes and, reviewing the outputs and learning from the Recovery and Renewal work to understand the changed context in which it now works.

6.4 The Draft 2021/22 Budget and 2021/26 MTFS has sought to respond to this shift in Borough Plan via its General Fund (GF) and Housing Revenue Account (HRA) financial strategies and capital investments, including a more holistic approach to achieving organisational transformation and associated revenue savings, via work that spans across the organisation's departments. It also incorporates our best understanding of the ongoing implications of the COVID19 pandemic on our services and plans. It has been clear all the way through what have been many months of financial planning that this would be an extremely difficult budget for the Council. Before making any additional savings and the recent SR20 announcements, the Council's forecast budget gap for 21/22 had increased to £17m, an increase of £15m on the February forecast.

6.5 The recent SR 20 provides some level of financial improvement to this and other authorities for next year's budget, including additional social care grants. However, the main opportunity it provides for local authorities, including this council, is to generate funding to protect services at this key moment by increasing its council tax income. This draft budget therefore includes an assumption of additional income from a general council tax increase of 1.99% (the threshold set by government is 2%) and a further Adults Social Care Precept of 3% (the maximum allowed by Government), which give a total council tax charge increase of 4.99%. This proposed increase forms part of the budget consultation.

6.6 As it stands (and before any late adjustments), the Council is able set out a balanced draft budget for 2021/22, but only with a significant one-off use of £5.4m of reserves.

6. Next Steps

7.1 The table below sets out the remaining steps in the budget scrutiny process:

Date	Meeting	Comments
18 January 2021	Overview and Scrutiny Committee	Recommendations agreed and formally referred to Cabinet
9 February 2021	Cabinet	Cabinet will set out its response to recommendations made by the Overview and Scrutiny Committee
	Full Council	Final budget setting

22 February 2021		

7. Contribution to Strategic Outcomes

8.1 The budget scrutiny process has contributed to each of strategic outcomes relating arising from the Borough Plan 2019-23.

9. Statutory Officers Comments

Finance

9.1 The Chief Finance Officer has been consulted on this report and acknowledges the importance of budget scrutiny in preparing and subsequently approving the Council's Medium Term Financial Strategy (MTFS).

9.2 There are no specific financial implications as a result of the scrutiny process but there may be an impact on the overall Council budget if recommendations are made for change. Any such implications would be considered as part of February's Cabinet MTFS report.

Legal

9.3 There are no immediate legal implications arising from this report. The Overview and Scrutiny Committee is exercising its budget scrutiny function. This is part of the constitutional arrangements for setting the Council's budget, as laid out in Part 4, Section G of the Haringey Constitution.

Equality

9.4 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;

- Advance equality of opportunity between people who share those protected characteristics and people who do not;

- Foster good relations between people who share those characteristics and people who do not.

9.5 The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.

9.6 The proposals in the draft Medium Term Financial Strategy are currently at a high level and will be developed further as service changes and policy changes are progressed. Equality impact assessments will be developed as part of this process.

9.7 The Committee should ensure it addresses these equality duties by considering them within its work. This should include considering and clearly stating;

- How specific savings / policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
- Whether the impact on particular groups is fair and proportionate;
- Whether there is equality of access to services and fair representation of all groups within Haringey;
- Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

10. Use of Appendices

Appendix A. – List of Comments and Recommendations from Budget Scrutiny Process

Appendix B. – 2021-22 Budget and 2021-2026 Medium Term Financial Strategy: Report to Cabinet 8th December 2020

Appendix C. – MTFS Savings Trackers

11. Local Government (Access to Information) Act 1985

11.1 Background papers:

- Pro formas for individual budget reduction proposals (Cabinet 8th December 2020): (Public Pack)Deatiled pro formas for individual budget reduction proposals Agenda Supplement for Cabinet, 08/12/2020 18:30 (haringey.gov.uk)
- 2020/21 Quarter 2 Finance Update Report - Cabinet 8th December 2020 https://www.minutes.haringey.gov.uk/documents/s119987/Q2%20Finance%20Update%20Report%20ver2.0%20Cabinet%20FINAL.pdf

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Appendix A

Budget Scrutiny Recommendations

Environment and Community Safety Panel – Place Priority				
Ref	**MTFS Proposal**	**Further info requested (if appropriate)**	**Comments/Recommendation**	**Cabinet Response Req'd (Yes/No)**
N/A	N/B - This savings is not included in the MTFS Savings Proposals for 2021/22 - 2023/24.		That Cabinet urgently consider how it can support the retention of the Neighbourhood Watch Coordinator and Parks Link Officer post, following its proposed deletion and a redundancy notice issued to the post holder. This post was part funded by the Council and part funded by the Police. If the Police are unable to fund 75% of this post, the Panel would like to see the Council explore all options, including contributing additional funding to support the continuation of this role.	Yes
Revenue Savings				
N/A	General point of clarity on the MTFS	That further clarity is provided on the exact figure for the current budget gap.		
N/A	General point of clarity	Further information is requested about the budget allocated to those who have lost their job due to Covid. What impact has this finding had so far? How many people will this pot of funding affect?		

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PL20/17	Garden Waste Subscription Fees		That Cabinet provide further assurance about the business modelling used in calculating the new net additional savings. How realistic is projecting year on year increased subscriptions from a diminishing pool of available customers?	Yes
PL20/20	Fuel Savings from Electrical Vehicles		That reassurance be provided on whether the Council could make additional savings in this area and in particular, whether investment in this area can be expedited so that savings can realised earlier.	Yes
PL20/28	Introducing Sunday charging in car parks		That this saving is paused until further assessment can be undertaken about the likely impact on businesses from the introduction of additional car parking charges. The impact of the Covid crisis on businesses is unprecedented and the Council should be doing all it can to support local businesses at this time. Cabinet to provide assurance that the cost to local businesses does not outweigh the additional revenue received.	Yes
PL20/29	Introduce Sunday charges in Stop and Shop parking facilities.		That this saving is paused until further assessment can be undertaken about the likely impact on businesses from the introduction of additional car parking charges. The impact of the Covid crisis on businesses is unprecedented and the Council should be doing all it can to support local businesses at this time. Cabinet to provide assurance that the cost to local businesses does not outweigh the additional revenue received.	Yes

Capital Budget				
302	Principal Road Maintenance	Further information requested about what kind of impact a failure to secure funding from TfL would have and how this could be mitigated.	The Panel notes with concern that failure to secure sufficient funding from TFL for the principal road network would result in the need to divert essential funding from other programmes and may impact on the ability to meet walking and cycling aspirations. It is recommended that Cabinet give firm assurances that they will protect walking and cycling schemes as a priority.	Yes
311	Parks Asset Management. Parks Depot Reconfiguration		That the disposal of Keston Road parks depot should be re-examined. The Council should not be disposing of its most valuable asset - land - to the private sector for development, in order to fund services. Instead, Cabinet should be exploring other options; including whether it could be incorporated into a site for the Housing Delivery Programme.	Yes
311	Parks Asset Management. Park funding.		The year-on-year allocation of capital funding over the 5 year period of the MTFS is a flat figure (£300k). It is recommended that funding levels for this area be re-examined to offset the significant cuts that have been made to this area over the last ten years	Yes
322	Finsbury Park		That Cabinet give assurances that the proposed package of funding for Finsbury Park explicitly includes funding for the Changing Places scheme. That Cabinet also provide an update on when this scheme will be rolled out.	Yes

447	Alexandra Palace – Maintenance.	Further information is requested about what this funding is for. **Response:** This budget is for the capital maintenance of the palace. This budget would cover, roof, electrics, mechanical & electrical, window replacement etc. type works. It is an annual allocation.		

Children and Young People’s Panel – Children’s Services

Ref	MTFS Proposal	Further info requested by the Panel (if appropriate)	Comments/Recommendation	Cabinet Response Req’d (Yes/No)
N/A		None	Ann Graham, the Director of Children’s Services, reported that the financial position of her service had seen a recent improvement. Whilst savings had been identified in the Medium Term Financial Strategy (MTFS), there were no proposed reductions in services or personnel. There were two savings proposals though. As part of these, a mother and baby residential centre would be established with an external provider. However, Council social work staff would be based in the centre and undertake assessments. The intention was to ensure that assessments that were consistently of a high quality were produced. Weekend places at the centre would be sold through the private law sector. There were also growth proposals in the MTFS. These included £1.5 million to respond to the	No

			increase in demand for residential places. In addition, £300k had been provided to fund free school meals in the next two years. This had been a manifesto commitment and would ensure that no child went to school hungry. There would also be additional staff to complete Education, Health and Care plans and a Leader's bursary of £120k to assist ten young people from low income families through higher education. The Panel noted that the budget gap for 2021-22 was £1.9m and this had been included as unidentified savings. Due to the pandemic, there were budget pressures of £17m across the Council and a vigorous recovery and renewal process had been put in place to address this. This had looked at what services should be expanded, end or be re-started as well as what was still deliverable. Consideration was being given to which of the savings that had been agreed last year and subject to slippage could be delivered next year. The further savings proposals were intended to improve services as well as reducing expenditure. In addition, there were also growth proposals to relieve existing pressures and some new initiatives, as well as significant capital investment. The Panel queried the amount quoted in the budget papers for investment in the Wood Green Youth Hub, which was quoted as £1m and £790k. It was noted that overall investment was £1m. Some of the spend would be in the current financial year with the majority of spend in 2021/22.	

			In answer to a question, Ms Graham reported that the overspend had been accrued due to spending on Covid and budgetary pressures related to cost and demand. In particular, there were now more children in residential care than four years ago and costs had gone up significantly. The service was working hard to ensure that value for money was achieved. Beverly Hendricks, Assistant Director for Safeguarding and Social Care, reported that 39 assessments had been undertaken since April and none of them had been subject to challenge. They were being undertaken in a professional way that allowed little scope for challenge. In terms of budgeting, it only took a small number of additional young people requiring support to add significant additional pressures. In answer to a question, Ms Graham reported that savings from last year that had not been achieved would be rolled forward to next year. It was not yet known how much this would be as the year had not yet ended. Savings continued to be made. Only £600k had been achieved by the time of the first lockdown but this had now gone up to £1m. The pandemic had prevented some savings being made and work had needed to be put on hold. Work to achieve the savings would continue, subject to there being no further lockdowns. One proposal had involved the extension of the homes of foster parents. This had not happened as quickly as had been hoped but it was hoped that progress would be made shortly.	

Housing and Regeneration Scrutiny Panel

Ref	MTFS Proposal	Further info requested by the Panel (if appropriate)	Recommendation	Cabinet Response Required (Yes/No)
HO101	Housing Team Salaries – Increase HRA contribution		The Panel expressed concerns about the decision to increase charges to the HRA for officer salaries, and about the potential impact on the long-term viability of the HRA of loaded extra costs. The Panel highlighted issues of tenants' rents being used to subsidise posts through the General Fund and requests confirmation that there are sufficient funds available within the HRA budget for maintaining Haringey housing estates in the future. The Panel recommends that Cabinet clarifies how HRA funds are to be apportioned in relation to officer time, especially when Council developments may include homes for market sale.	Yes
EC101	Additional Recharge to Housing Services			
HO102	HfH taking over the lease of PSL properties on their expiry	To provide a written response explaining why additional incentives for landlords are necessary. (As stated in the pro forma on page 90 of the Panel's agenda pack and in the savings tracker on page 118)	The Panel reiterated their concerns raised in previous years about the need to reduce the amount spent on consultancy staff and noted that senior staff administering this scheme are interim posts.	Yes

			The Panel questioned why the issue of expenditure on consultancy staff had not been included in the budget proposals and wished to flag their concerns about this with the Overview & Scrutiny Committee. The Panel recommended that a review be initiated immediately into the number of consultants and interims employed in the Housing, Regeneration and Planning Directorate including and itemising all associated costs. The review should include details of the consultancy expenditure projected for 2021/22 compared with the previous three years and proposals as to how a reduction of dependency on consultancies and interims will be achieved within the next municipal year.	
Housing (509)	CPO – Empty Homes	Further written information be provided to show the breakdown of the empty homes (in terms of new-build and existing housing stock) and what kind of remedial action (such as increased Council Tax rates) was possible and had been taking place before reaching the CPO stage.		
Economy (453)	New workspace scheme at Stoneleigh Road car park		The Panel expressed reservations about this proposal and suggested that it required further examination, noting that it related to several car parks and that parking would be necessary to support any future improvements to Tottenham High Road.	No

			The Panel noted its intention to monitor this issue going forward.	
PL1 (from 2019/20 budget)	Additional HMO Licensing Scheme for HMO	A Panel Member asked why the proportion of HMOs brought under licence was still low (as stated in the savings tracker of page 117 of the Panel's agenda pack). The Panel was advised that this query would need to be referred to Environment and Neighbourhoods team for a written response.		
N/A	Unachieved savings	The Panel commented that more clarity was needed on the impact of the unachieved savings from 2020/21 on the budget for 2021/22 and beyond, specifically by providing details on the shortfalls and the plans to mitigate these. The Panel made particular reference to the Temporary Accommodation Reduction Plan (Item HO1) which had a reported shortfall of £326k (according to page 242 of the Cabinet) and requested an update on this point.	The Panel recommended that for budget scrutiny reports in future years, the impact of the unachieved savings from the current year on the budget for subsequent years should be clearly set out and made transparent. The provision of mitigation plans should also be included in the papers to the Panel.	No

Adults and Health Panel and Overview and Scrutiny Committee (Your Council); to follow

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APPENDIX B

Report for: Cabinet 08 December 2020

Title: **2021-22 Budget and 2021-2026 Medium Term Financial Strategy**

Report authorised by : Jon Warlow, Director of Finance

Lead Officer: Frances Palopoli, Head of Corporate Financial Strategy & Monitoring

Ward(s) affected: All

Report for Key/ Non Key Decision: Key

1. Describe the issue under consideration

1.1 This report sets out details of the draft Budget for 2021/22 and Medium Term Financial Strategy (MTFS) 2021/26, including budget reductions, growth and capital proposals. This includes details of estimated funding for 2021/22 and the remainder of the planning period and highlights areas of risk. The report recommends that budget proposals are released for public consultation and Scrutiny consideration. The report addresses the impact that the Covid-19 pandemic has had on the financial planning process this year and the steps that the Council has taken to respond to this challenge. It also incorporates the Council's present best estimate of the implications of the Spending Review 2020 (SR20). The implications of expected further details from Government yet to be received, including the Local Government Funding Settlement, will be taken into consideration before the Final Budget for 2021/22 and Medium Term Financial Strategy (MTFS) 2021/26 are considered by Cabinet – to include its response to the consultation - and Full Council for ratification in February 2021.

1.2 The current MTFS 2020/25 that Full Council approved in February this year assumed two years of relatively low budget gap (£1.9m & £3.1m) for 2021-2023, was before the pandemic. The pandemic continues to have a significant adverse effect on the wider economy and public finances, reducing demand and supply in the short and medium term, presenting individuals, businesses and organisations with unprecedented challenges. The medium to long-term impact is unknown, though the OBR has forecast a return to pre-pandemic levels will not take place until late 2022.

1.3 Covid-19 affects everything local authorities do – as community leaders, public health authorities, education authorities, employers, partners and service deliverers. The Council is continuing to focus on responding to the crisis while ensuring normal critical services are provided. The proposals within this report address the financial implications of the Council's response to its community's needs.

1.4 The pandemic has had a profound impact on all areas of the Council's finances. In the 2020/21 financial year the gross variation from budget is anticipated to be around £40m in the general fund alone. At the current time of writing not all of this is covered by confirmed government funding. The Council's Quarter 2 in-year budget monitoring reporting shows that the net pressure arising from Covid-19, taking into account government funding announced to date is around £4m (over and above other base budget pressures that need to be managed). This of course remains under constant review, as there are a large number of uncertainties around how the pandemic will impact the Council's finances going through the winter of 2020/21. The pandemic will also have a legacy impact on the Council's finances, the larger implications relating to growth pressures, income collection and the Council's savings programme.

1.5 While the budgetary impact of the pandemic is unprecedented, the Council also continues to focus on the implications of the UK's impending exit from the EU (Brexit) and its potential to significantly impact on budget plans and available resources. It is not possible to quantify the impact that this may have, which is further reason that the Council maintains sufficient financial resilience.

1.6 As is this Council's practice, it sets out here a budget which is intended to recognise and respond to forecast demands upon the Council and taking a realistic view of its circumstances. A detailed challenge to the growth and savings assumptions in the existing MTFS was undertaken alongside base budget pressures highlighted as part of the in year budget monitoring. As in previous years the Council's budget also reflects unavoidable demand led growth for services in its annual budgeting to ensure all budgets which are set are realistic and reflect the reality of demand that exists for certain services. As a consequence, the Council is proposing here to invest a further £8.6m, primarily into its Adults and Children's services to meet care needs (before savings).

1.7 The impact of Covid-19, has been such that the Council has fundamentally reconsidered its corporate planning including its change programmes and, reviewing the outputs and learning from the Recovery and Renewal work to understand the changed context in which it now works.

1.8 The Recovery and Renewal planning focussed on:

- Looking again at the Borough Plan priorities and principles and reflecting on what needs to change as a result of Covid-19, including as part of conversations with partners, to understand systems-wide perspective
- Reviewing our service delivery, to meet the challenge of delivering services in a new world of living with Covid-19 and doing so in a smaller budget envelope
- Working with partners to understand the systems-wide impact

1.9 The 2019 Borough Plan already focuses on tackling inequality and unfairness and the impact of Covid-19 has highlighted the increased urgency of some of our priorities. The Council is now increasingly focussing on intervening early and preventing issues from escalating, building wealth back into Haringey communities, sustaining the positive impact that we have seen on the environment during the crisis period, and helping people to use digital methods of communication to interact with us and each other. Going forward, the refreshed Borough Plan will prioritise delivering **economic recovery, health and wellbeing and strengthening our communities** through the five Borough Plan priorities:-

- **Housing** - a safe, stable and affordable home for everyone, whatever their circumstances
- **People** - our vision is a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential
- **Place** - a place with strong, resilient and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green
- **Economy** - a growing economy which provides opportunities for all our residents and supports our businesses to thrive
- **Your Council** - the way the council works

1.10 This Draft 2021/22 Budget and 2021/26 MTFS has sought to respond to this shift in Borough Plan via its General Fund (GF) and Housing Revenue Account (HRA) financial strategies and capital investments, including a more holistic approach to achieving organisational transformation and associated revenue savings, via work that spans across the organisation's departments. It also incorporates our best understanding of the ongoing implications of the covid pandemic on our services and plans. It has been clear all the way through what have been many months of financial planning that this would be an extremely difficult budget for the Council. Before making any additional savings and the recent SR20 announcements, the Council's forecast budget gap for 21/22 had increased to £17m, an increase of £15m on the February forecast.

1.11 The recent SR 20 provides some level of financial improvement to this and other authorities for next year's budget, including additional social care grants. However, the main opportunity it provides for local authorities, including this council, is to generate funding to protect services at this key moment by increasing its council tax income. This draft budget therefore includes an assumption of additional income from a general council tax increase of 1.99% (the threshold set by government is 2%) and a further Adults Social Care Precept of 3% (the maximum allowed by Government), which give a total council tax charge increase of 4.99%. This proposed increase forms part of the budget consultation.

1.12 As it stands (and before any late adjustments), the Council is able set out here a balanced draft budget for 2021/22, but only with a significant one-off use of £5.4m of reserves. It has not been possible at this time to fully address the forecast financial impact of Covid on next year without such a use of reserves.

1.13 The Council always maintains a five year future forecast of its finances via its MTFS. After the above assumptions and taking account of planned greater future years savings, it is still forecasting a gap of circa £8m for 2022/23 and more in subsequent years. This points towards a difficult budget round again next year and this underlines the significance of the Council's proposal's for council tax increases this year.

1.14 How this gap will be closed will need to be addressed by this time next year. Given the extent of changes already factored into our plan, this will be very challenging to the Council.

1.15 Despite the financial pressure on the Council, it continues to look to respond in new ways to the most pressing demands upon it. The proposed budget for next year now includes additional funding for the following:

- Free Schools Meals - £0.300m funding in 2021/22 and 2022/23 (on top of the £0.050m pa put in place in 2019/20)
- Welfare Assistance Scheme - £0.3m funding in 2021/22 and 2022/23
- Voluntary and Community Sector – £0.25m in 2021/22
- Youth Services – £0.25m in 2021/22
- Haringey University Bursary Scheme - £0.12m over 3 years
- Recruit Local People - £0.10m over 2 years

1.16 While like all Councils our revenue budget remains tightly constrained, our capital programme also provides important opportunities to address our communities' needs. The report also sets out substantial proposed additions to the current General Fund Capital Programme including funding for:

- the creation on the Wood Green Youth Hub: £1m
- further school conditions work: £33m
- increased investment in our roads, pavements and other public realm: £18m
- expansion of the strategy to tackle empty homes: £5m
- the completion of the Pendarren refurbishment: £4.6m
- replacement of the Adults Social Care system: £2.5m
- the Good Economy Plan £2m, and a number of additional workspace creation schemes: £3.4m
- implementing the Alternative Provision Strategy: £12m
- the complete refurbishment of the Civic Centre £14.25m (additional to existing budget of £9.75m).

1.17 For schools, the indicative Dedicated Schools Budget (DSB) funding, which is ring fenced for the delivery of education services, is also outlined. This includes the concerning implications of the on-going budget pressure on the High Needs

Block (HNB) from legislative changes to service provision responsibilities introduced in the 2014 Children and Families Act. While this is, to an extent, addressed by the increase in High Needs DSG grant announced for 2021/22 and onwards, the council has a significant annual deficit and a difficult legacy position to be addressed in the form of a negative carried forward DSG reserve. The Government is considering what if any additional assistance will be provided to local authorities to address this position.

1.18 The report includes the draft Housing Revenue Account (HRA) revenue budget and HRA Capital programme, incorporating the work on updating the HRA Business Plan. This is a complex plan and Members should be aware that there may be further changes before the final budget package is presented in February, though this will not affect the rent proposals for 2021/22 included here.

1.19 The 2021/22 Budget and 2021/26 MTFS will continue to be refined between now and mid-February when the final plans will be presented to Cabinet for consideration before presenting to Full Council on 22 February 2021 for ratification. This will include the detailed implications of SR20, the local government funding settlement figures and the Cabinet’s response to consultation. As part of this further work, additional opportunities for reducing the reliance on reserves to balance the 2021/22 budget will continue to be explored.

1.20 The developments most likely to impact on the 2021/22 Budget plans presented in this report before February are:

- Further clarity on the funding announcements contained within SR20
- funding changes in the provisional & final Local Government Finance settlement
- the outcome of public consultation, equalities impact assessments and any recommendations from Overview and Scrutiny committee
- further refinement of the HRA business plan and consequent changes to the capital programme
- any further significant change in assumptions around Covid-19 or Brexit

2. Cabinet Member Introduction

2.1 This is a progressive budget at a time of hardship.

2.2 The last 6 months has been unprecedented. The impact of the global coronavirus pandemic has been felt in every home, business and community in our borough. What began as a public health crisis swiftly became a food crisis, a housing crisis, an education crisis and an economic crisis. This has demanded unprecedented action from Haringey Council. In particular we have had a relentless focus on the most vulnerable people in our community – taking action to protect and support our people.

2.3 This has taken a toll on our finances. In the current year the gross financial impact of the pandemic is around £40millon compared to our planned budget. Due to the sound management of our finances, the authority was able to do what was necessary knowing that we were not at risk as an organisation. This was particularly important given lack of clarity from central Government about whether they would fulfil their commitment to meet the costs of Covid.

2.4 The budget monitoring reports I have presented this year not only highlight the scale of the impact of Covid on the organisation's finances, but also highlight that progress that has been made on stabilising our business as usual budgets, and delivering on our planned MTFS savings programme. The budget reductions proposed in this report focus as much as possible on delivering efficiencies, service re-design, programmes which cut across departmental boundaries or increasing income instead of service level cuts.

2.5 The Council remains alive to reviewing all budget risks and savings programmes annually, and underlying pressures such as base budget issues which have arisen, demographic growth that is unavoidable and savings that will be delayed or no longer achievable, are all addressed as part of the 2021/22 Budget now proposed, though this report shows that it will not be possible to set a balanced budget for the 2021/22 financial year without utilising Council reserves of £5.4m. This budget has clearly been much more challenging when compared to the £0.6m gap presented at this time last year, however this reflects the effects of the pandemic on our organisational financial resilience.

2.6 The November Spending Review has made things clearer and we welcome the additional resources that have now been confirmed. However, Covid and the resulting recession will have a continuing impact on our finances, made worse by the chronic underfunding from 10 years of austerity. So, we will continue to call on Government to properly fund local councils so that we can serve our communities and build a fairer society.

2.7 Despite this hugely challenging situation we are proud that we have developed a budget in line with our values. It invests in young people, supports the most vulnerable and those impacted hardest by the pandemic, and seeks to build our local economy.

2.8 This budget includes real additional resources in 2021/22 for:

- Free Schools Meals: £300k
- A Welfare Assistance Scheme: £300k
- Our local Voluntary and Community Sector: £250k
- Youth Services: £250k
- Haringey Fairer Education Fund (University bursary scheme): £120k
- Recruitment of local people: £100k over the next two years

2.9 In addition, our capital programme will invest more than £90m of additional investment to address our communities' needs and invest for the long term. This includes:

- creation of the Wood Green Youth Hub: £1m
- further school building improvements work: £33m
- increased investment in our roads and pavements: £19m
- expansion of the strategy to tackle empty homes: £5m
- completion of the Pendarren refurbishment: £4.6m
- the Good Economy Recovery Plan: £2m. Additional workspace creation schemes: £3.4m
- implementing the Alternative (school) Provision Strategy: £12m
- the complete refurbishment of the Civic Centre £14.25m (additional to existing budget of £9.75m) creating a public building we can all be proud of.

2.10 This budget also maintains measures implemented in previous years such as the Council Tax Reduction Scheme (CTRS), and London Living Wage (LLW) rates. These vital commitments, alongside our continued investment in public services, are only possible through an increase in council tax income. This draft budget proposes a general council tax increase of 1.99% and a further Adults Social Care Precept of 3% (the maximum allowed by Government), which give a total council tax charge increase of 4.99%.

2.11 The increase for a Band D property (excluding GLA element) is £1.32 per household per week and we continue to have a comprehensive Council Tax Reduction Scheme that means that over 15,000 pay no Council Tax at all.

2.12 We recognise that raising council tax at this time will be an additional ask at a challenging time for some. However, without these resources we would have to cut back the support and services for the most vulnerable in our borough. We do not believe that this is the right thing to do.

2.13 The new 10 year HRA financial plan supports the delivery of increased number of new homes in the borough, with greater proportion of these new homes being developed for social rents. The proposed increase in spend on existing homes further highlights the Councils commitment to improving the quality of life of residents, ensuring homeless households are provided a safe place to live, and maintaining the overall safety of our dwellings.

2.14 Haringey was characterised by unacceptable inequalities before this pandemic and it has got worse. The financial challenge we face does not diminish our commitment to build a more equal borough – as you can see from this budget.

2.15 Indeed, we will redouble our efforts to build the houses we need, create opportunities for our young people; and ensure a cleaner, greener Haringey.

3. Recommendations

3.1 It is recommended that Cabinet:

a) Note the initial General Fund revenue and capital budget proposals and financial planning assumptions set out in this report and note that they will be refined and updated after the final Local Government Finance Settlement is received in January 2021 and also to incorporate further budget changes as required;

b) Note the Draft General Fund 2021/22 Budget and MTFS (2021/22 to 2025/26) detailed in this report and Appendix 1;

c) Note the Draft budget reduction proposals summarised in Section 7 and Appendix 2;

d) Note the Draft General Fund Capital Programme for 2021/22 to 2025/26 as set out in Appendix 4;

e) Note the Draft Housing Revenue Account (HRA) revenue and Capital Programme proposals and HRA Business Plan as set out in Section 9;

f) Note the 2021/22 Draft Dedicated Schools Budget (DSB) and update on the DSG reserve position set out in Section 10;

g) Note that the detailed proposals will be submitted to Overview and Scrutiny Committee / Panels in December 2020 and January 2021 for scrutiny and comments;

h) Agree to commence consultation with residents, businesses, partners, staff and other groups on the 2021/22 Budget and MTFS.

i) Note that an updated budget 2021/22 Budget and MTFS (2021/22 – 2025/26) will be put to Cabinet on 9th February 2021 to be recommended for approval to the Full Council meeting taking place on 22nd February 2021.

4. Reasons for decision

4.1 The Council has a statutory requirement to set a balanced budget for 2021/22 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for that year. Additionally, in order to ensure the Council's finances for the medium term are maintained on a sound basis, this report also sets out the funding and expenditure assumptions for the following four years in the form of a Medium Term Financial Strategy.

5. Alternative options considered

5.1 The Cabinet must consider how to deliver a balanced 2021/22 Budget and sustainable MTFS over the five-year period 2021/26, to be reviewed and ultimately adopted at the meeting of Full Council on 22nd February 2021.

5.2 Clearly there are options available to achieve a balanced budget and the Council has developed the proposals contained in this report after determining levels of both income and service provision. These take account of the Council's priorities, the extent of the estimated funding shortfall, estimated impact of Covid-19, Brexit and the Council's overall financial position.

5.3 These proposals are subject to consultation both externally and through the Overview & Scrutiny process and the outcomes of these will inform the final budget proposals.

6. **General Fund Revenue Funding Assumptions**

6.1 The Council has access to five main sources of funding:

- Business Rates
- Grants
- Council Tax
- Fees & Charges
- Reserves

Business Rates and Grants are largely driven by the outcome of Spending Rounds and the Local Government Finance settlement.

The following paragraph provides an update on the Spending Round 2020 (SR20) and the Local Government Finance Settlement. This is then followed by a section on each of the main sources of funding and sets out the assumptions made in this draft 2021/22 Budget & MTFS 2021/2026 about each of them.

SR20 and Local Government Finance Settlement 2021/22

6.2 On 20 October 2020 government announced that, in order to prioritise the response to Covid-19, the Chancellor and the Prime Minister have decided to conduct a one-year Spending Review, setting department's resource and capital budgets for 2021-22, and Devolved Administration's block grants for the same period. This replaces the planned 3 year Spending Round.

6.3 The Spending Review 2020 (SR20) was announced on 25 November 2020 and comprised of three themes:-

- Tackling Covid-19 next year
- Stronger public services
- Capital spending, including infrastructure to drive UK's recovery and support jobs

6.4 The SR20 is set in the context of the OBR report that was also published on 25 November. This forecast a 11.3% fall in GDP in 2020 and, despite expected growth in 2021, it is unlikely that the economy will return to pre-C19 levels before the end of 2022.

6.5 The funding allocations to Local Government are summarised in the table below. This shows a 4.5% increase in Core Spending Power nationally. This includes core grants, business rate income and council tax.

Table 6.16: Local Government

	£ billion		
	2019-20	**2020-21**	**2021-22**
Resource DEL excluding depreciation[1]	7.5	8.6	9.1
Covid-19 resource DEL excluding depreciation	1.6	3.5[2]	3.0
Total DEL[3]	9.1	12.1	12.0
Core Spending Power (CSP)	**46.2**	**49.0**	**51.2**

6.6 The Government has announced funding of £1.55bn to support local authorities with Covid-19 pressures next year and it remains to be seen as to whether it is sufficient to cover the pressures faced by local authorities, including any further responsibilities they might be given. Government also confirmed the extension of the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.

6.7 Also announced was £670 million of additional grant funding nationally to help local authorities support the more than 4 million households that are least able to afford council tax payments – this points to an extension of the current Hardship Fund which is providing additional assistance of up to £150 for those on the CTRS scheme. It should be noted that the Council continues to maintain and budget for its comprehensive council tax reduction scheme, as amended in 2019/20.

6.8 The announcements in the SR20 which are more pertinent to setting the 2021/22 Budget are described in the following paragraphs along with the estimated impact for Haringey. Up to the point that the draft Local Government Finance Settlement is published, which is not expected before early-mid December, the final detail will not be known and the figures must be treated as best estimates.

6.9 There will be £300 million of new grant funding for adult and children's social care, in addition to the £1 billion announced at SR19 that is being maintained in 2021-22 in line with the government's previous commitment. Haringey's share of the new funding is estimated to be £1.25m and has now been built in.

6.10 The New Homes Bonus (NHB) scheme will continue in 2021/22, with no new legacy payments, but consultation will commence shortly on reforms to this scheme with effect from 2022/23. In the light of this uncertainty, the draft MTFS now removes any expectations for NHB funding beyond 2021/22.

6.11 The referendum threshold for increases in council tax will remain at 2% for 2021/22 which is in line with the existing MTFS. Additionally, the SR20 announced that local authorities will be able to levy a 3 per cent adult social care precept which can be the spread across two years. Given the forecast use of reserves to balance the 2021/22 budget coupled with the level of growth required in the Adult social care budget, this draft assumes the full 3% is levied from 2021/22; this is estimated to deliver £3.2m for Haringey next year with an ongoing benefit into subsequent years. MHCLG will set out full details of the council tax referendum principles and adult social care precept flexibility as part of the consultation on the detailed methodology for the Local Government Finance Settlement for 2021-22.

6.12 The SR20 announced an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. However, the lack of detail available at the present time doesn't allow any budget adjustments to be proposed.

6.13 The SR20 confirmed that government expects to publish a final report setting out the full conclusions of the review of the business rates system in Spring 2021. To support businesses in the near-term, the government has decided to freeze the business rates multiplier in 2021-22, saving businesses in England an estimated £575 million over the next five years. Local authorities will be fully compensated for this decision via Section 31 grants.

6.14 Earlier this year, the government announced that it would delay the move to 75 per cent Business Rates Retention and the implementation of the fair funding review. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic.

6.15 In order to provide further stability to the sector, the SR20 confirmed that government has decided not to proceed with a reset of business rates baselines in 2021-22. The draft budget and MTFS have been amended to reflect this.

6.16 The SR20 also announced a reform to the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield, which presents a risk for both national and local taxpayers. The government will cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. It is unclear at this time what impact this will have for Haringey but it is not expected to be large and therefore the current budget assumptions have not been amended at this time.

6.17 The SR20 made announcements for all government departments and the following are those thought likely to have the greatest impact for local authorities. At this point, it is not possible to make any assumptions about the financial impact for Haringey and any changes arising from these will need to be reflected in the February 2021 report:

- £16m to support modernisation of local authorities' cyber security systems;
- £15bn for NHS test and Trace;
- £2.1bn for PPE next year;

- £254m of additional resource funding to support rough sleepers and those at risk of homelessness during COVID-19, including £103m announced earlier this year for accommodation and substance misuse support;
- £98m of additional resource funding, bringing total funding to £125m, to enable local authorities to deliver support to victims of domestic abuse and their children in safe accommodation in England;
- £165m for Troubled Families;
- Over £70m for additional school transport capacity;
- £24m in capital funding to start a new programme to maintain and expand provision in secure children's homes;
- £60m for Social Housing Decarbonisation;
- £1.7bn in 2021-22 for local roads maintenance and upgrades to tackle potholes, relieve congestion and boost connectivity. This includes £500m for the Potholes Fund and £310m for upgrades to larger local roads;
- £257m for cycling, which will fund thousands of miles of safe, continuous and direct cycling routes;
- £621m to regenerate high streets, town centres and communities through the Towns Fund; and
- The £4bn levelling up fund, which will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery.

Covid-19 Impact on the Collection Fund

6.18 As the Covid-19 Pandemic has had a negative impact on the collection of local taxation, authorities due to record deficits on their Council Tax and NNDR collections for 2020/21 will be able to spread these evenly over the next three financial years in order to smooth out the impact. There will not be discretion for authorities to opt out of spreading and the rules apply exclusively to deficits occurring in 2020/21.

6.19 At the moment, Haringey is forecasting a general fund impact of £2.7m due to the reduction in NNDR collection for 2020/21. This is included in the new budget assumptions. In line with government guidance, a deficit of £0.9m is estimated for the first three years of the MTFS period.

6.20 The Authority has received £46.2m in additional funding in order to accommodate a 100 per cent business rates discount for eligible hereditaments occupied by businesses that are classified as in retail, leisure and hospitality sectors, regardless of rateable value and which are subject to business rates in the year 2020-21. This funding has been applied to the collection fund and has been taken into account when calculating the estimated deficit.

6.21 Council Tax Collection has not been impacted to the same extent as NNDR and the Authority is still forecasting a surplus for each year of the MTFS period. Part of the reason for this is due to the broad CTRS scheme in place in Haringey coupled with the Hardship funding which has enabled us to support taxpayers through this difficult time. However, for the first three years, this is expected to reduce by £0.5m pa which is the spreading of the estimated 2020/21 collection shortfall over the next three years, in line with government guidance.

6.22 The number of working age claimants on the authority's Council Tax Reduction scheme has increased by 1122 since March 2020, when the first Lockdown was announced. This currently impacts on the expected receipts for 2020/21 and on the budgeted figure for 2021/22. Additional support for residents on the Authority's Council Tax Reduction Scheme is being provided via the Council's £3.7m share of a £500m Covid-19 Hardship Fund.

Business Rates

6.23 A number of changes were introduced to business rates in April 2017 including a revaluation of the business rates base. Although, the revaluation was revenue neutral nationally, some businesses in Haringey would have seen increases in their business rates charges. For small businesses in this position, relief was provided in the form of a three-year transitional grant that is administered and distributed to affected businesses in each year during the transition period.

6.24 When the new localised business rates system was introduced in 2013, it set a 'baseline' for each local authority against which growth could be measured. It was recognised that the baseline would need to be re-visited after a number of years to ensure that the incentive to grow businesses in local areas was maintained.

6.25 The intention was for Business Rates Baselines to be reset from April 2020, however in SR19 Government announced that this would be delayed until April 2021. The recent SR20 has confirmed a further delay to April 2022 and the impact of this on 2021/22 has been modelled into this draft budget. This provides a benefit to the council in 2021/22 as the reliefs described above, paid to the Council as Section 31 grants, will continue for a further year.

6.26 The Council has been part of the London Pool since 2018/19. In that year, London retained 100% of business rates locally, generating a significant additional benefit to the Council (£6.4m). The estimated financial benefit to Haringey in 2020/21 pre-pandemic was £2.7m - £3m due to a lower percentage (75%) being retained in London. The latest in-year monitoring exercise suggests that, despite the impact of the pandemic, there will still be a net financial benefit from pooling in 2020-21, totalling approximately £30 million across the Capital.

6.27 Haringey, along with the rest of the existing members of the London Pool, has provisionally expressed an interest to MHCLG in continuing the arrangement in 2021/22 not least because of the operational, administrative and strategic benefits. As with last year, each authority will have until 28 days after the provisional settlement (i.e. likely by mid-January) to decide formally whether it wishes to continue to pool. By that time, the Government will have confirmed the position on the reset and the level of any extension to emergency reliefs and grants to businesses as a response to the pandemic. Because of the uncertainty around financial benefits of pooling, no share of pool growth has been assumed in next year's budget or any future years of the current MTFS. This position will be kept under review and any required update included in the next report.

6.28 A decrease in the collection rate for 2020/21 is forecast, due to the impact of the pandemic and this will impact on the General Fund in 2021/22. The Government has announced that collection fund deficits which arise due to reduced collections and 2020/21 and would normally hit general fund budgets in 2021/22 will be spread across a 3 year period. The SR20 announced an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. However, the lack of detail available at the present time doesn't allow any budget adjustments to be proposed.

6.29 Currently, the MTFS assumes a 0.9% increase in business rates income in 2021/22 and a 1.5% increase in 2022/23 – both are lower than the 2% yearly increase previously assumed, reflecting the current inflation environment.

6.30 The planning assumption across the MTFS period is that there will be no net growth in the business rates taxbase / hereditaments. This is in line with previous assumptions.

6.31 In terms of Revenue Support Grant (RSG), current estimates are that approximately £22.1m will be paid in 2021/22 with this grant increasing in line with CPI across the remainder of the MTFS period.

6.32 The estimated mandatory reliefs applied to Haringey businesses are £6.7m in 2021/22. These reliefs cover, among others, discounts for small businesses and will be fully reimbursed via Section 31 Grants by Central Government. From 2022/23, it is expected that the Section 31 Grants will be rolled into the SFA and the Council's Top Up grant will be increased partially but not fully compensating the loss in Section 31 Grant on the back of the expected Reset. The impact of the Reset can be seen in the estimated dip in business rates related income overall in 2022/23.

6.33 SR20 announced a freeze to the business rates multiplier in 2021/22. The Council will be fully reimbursed for this via a Section 31 grant. The impact will be reflected in the February report.

6.34 The forecast income across the MTFS period from business rates related income, including revenue support grant is shown in table 6.1 below.

Table 6.1 – Business Rates Related Income Forecast

Business Rates Related income Forecast	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2024/25 £'000
Revenue Support Grant	21,993	22,169	22,502	22,952	23,411	23,645
Business Rates Top Up	58,412	58,880	62,305	63,524	64,743	65,391
Retained Business Rates	22,100	20,642	21,656	22,080	22,504	22,729
NNDR Surplus/(Deficit)	(1,654)	(900)	(900)	(900)	0	0
S31 Grants	6,019	6,675	-	-	-	-
Share of Pool Growth	400	-	-	-	-	-
Total	**107,270**	**107,467**	**105,563**	**107,656**	**110,658**	**111,765**

6.35 There are considerable planned and potential changes to the business rates regime beyond 2021/22. These are set out below:

- Business rate baselines are expected to be reset in 2022/23.
- The Government have been consulting on a simplification of the Business Rates Retention scheme including how growth can be incentivised and how it can be measured. SR20 confirmed government intention to publish a final report in Spring 2021

- The outcome of the Fair Funding Review is still awaited. This will impact on business rates as it derives each authority's baseline funding against which growth is measured.

6.36 Because of the uncertainty beyond 2021/22, the assumptions in Table 6.1 and their impact on the MTFS are open to significant risk.

Council Tax

6.37 The following assumptions have been made about Council Tax:-

- A 1.99% increase in Council Tax in 2021/22 and for each subsequent year is assumed (subject to the referendum limits set by Government)
- A 3% increase in ASC Precept for 2021/22 only, as announced in the SR20
- The tax base is forecast to grow by 1% per annum throughout the MTFS planning period
- The collection rate will be at least 95.50% throughout the planning period. This has been reduced by 1% compared to the previous year for 2021/22 and 2022/23 and is projected to increase to 96% in 2023/24, before reverting back to the pre-Covid 19 level of 96.5% in the subsequent years.
- The Council Tax Collection Fund account has had surpluses over the past few years. The forecasting has been refined in order to include the impact of Covid-19 and is reflected in a reduced forecast surplus across the MTFS period (£1.68m for the first three years, increasing to £2.15m for each subsequent year).

6.38 The resulting projections for Council Tax income and Band D Rates are set out below. These figures are subject to confirmation of the council tax base, which is due to be finalised in January 2021 and formal Council ratification of Council Tax Rates in February 2021.

Table 6.2 Council Tax Assumptions

COUNCIL TAX ASSUMPTIONS						
	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Taxbase before collection rate	80,067	81,392	82,206	83,028	83,858	84,697
Taxbase change	1.7%	1.0%	1.0%	1.0%	1.0%	1.0%
Taxbase for year	81,392	82,206	83,028	83,858	84,697	85,544
Collection Rate	96.50%	95.50%	95.50%	96.00%	96.50%	96.50%
Taxbase after collection rate	**78,543**	**78,507**	**79,292**	**80,504**	**81,732**	**82,550**
Council Tax increase	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care precept	2.00%	3.00%	0%	0%	0%	0%
Band D rate	£1,372.55	£1,441.04	£1,469.72	£1,498.97	£1,528.80	£1,559.22
Council Tax Before Surplus (£000)	**£107,805**	**£113,131**	**£116,537**	**£120,673**	**£124,952**	**£128,713**
Previous Year (Estimated) Surplus	£2,175	£1,675	£1,675	£1,675	£2,175	£2,175
CIPFA Counter Fraud Income	£0	£25	£25	£25	£25	£25
Council Tax Yield (£000)	**£109,980**	**£114,831**	**£118,237**	**£122,373**	**£127,152**	**£130,913**

Grants

6.39 The Council receives a number of grants in addition to its main funding allocation. The Council is mostly allowed to use these grants to fund any council services, but some are ring-fenced, which means they can only be spent on specific services.

Social Care Grants

6.40 Estimated inflationary increases of 0.9% in 2021/22, 1.5% in 2022/23 and 2% in 2023/24 are applied to the values in Table 6.3 below, however the SR 20 announced that specific grants would remain ‘cash flat’ for 2021/22; this is subject to confirmation at the Draft Local Government Finance Settlement in December. This will need to be kept under review and the February 21 MTFS will be updated when further details emerge. Forecast figures for 2022/23 onwards remain uncertain and should these assumptions not materialise, it could have a significant impact on the current forecast gap across those years.

6.41 It should also be noted that all these social care grants have been netted against the service budget expenditure heads rather than being shown separately.

Table 6.3 – Social Care Grants

Grant Name	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Better Care Fund (BCF) - (CCG Contribution)	6,017	6,047	6,077	6,108	6,108	6,108
Improved Better Care Fund (iBCF)	9,518	9,566	9,613	9,661	9,661	9,661
Social Care Support Grant	6,960	6,995	7,030	7,065	7,065	7,065
Additional Social Care Funding *	0	1,250	1,250	1,250	1,250	1,250
Total	**22,495**	**23,857**	**23,971**	**24,084**	**24,084**	**24,084**

* Announced at SR20. Estimated amount based on previous allocations, actual amount to be confirmed

Core Grants

6.42 Following the outcome of the SR20, the current MTFS assumptions for the Core Grants received by Haringey are as follows:

- Public Health Grant will continue to be received by Haringey. The MTFS prudently assumes no increases to the amount over the five year period.
- New Homes Bonus – SR20 confirmed that the New Homes Bonus (NHB) scheme will continue in 2021/22, with no new legacy payments, but consultation will commence shortly on reforms to this scheme with effect from 2022/23. In the light of this uncertainty, the draft MTFS now removes any expectations for NHB funding beyond 2021/22.
- The Council Tax Support and Housing Benefit Admin Grants are expected to continue at 2020/21 levels in 2021/22 (£2m) and remain at this level across the remainder of the MTFS.
- Section 31 (S31) grants in relation to mandatory business rate reliefs are expected to continue for 2021/22 but beyond that it is expected that these will be rolled in to the baseline figures and come through as part of the SFA (as outlined in the Business Rates section above).
- The Flexible Housing Support Grant (FHSG) was originally established in 2017 for three years but was extended by one year again in 2020/21. As a consequence of its renewal, the current 2020/21 budget and 2020/25 MTFS built this grant into base budgets. With an annual value of £7.7m it poses a significant risk to the authority if it is withdrawn or reduced. The draft plan therefore now assumes a £1m reduction in funding. This grant has been allocated directly to the Housing service so is not included in Table 6.4 below.

6.43 The table below shows assumptions about these grants over the 5-year MTFS period.

Table 6.4 – Core Grants

Grant Name	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Council Tax Support Grant	457	457	457	457	457	457
Housing Benefit Admin Grant	1,491	1,491	1,491	1,491	1,491	1,491
Public Health Grant	20,228	20,228	20,228	20,228	20,228	20,228
New Homes Bonus	2,199	2,089	- 0	0	0	0
Business Rates - Section 31 Grants	6,019	6,678	-	-	-	-
Total	**30,393**	**30,942**	**22,175**	**22,176**	**22,176**	**22,176**

Fees and Charges

6.44 The Council's policy in relation to varying external income requires service managers to review the level of fees and charges annually as part of budget setting and that charges should generally increase by the rate of inflation to maximise allowable income.

6.45 The setting of fees and charges, along with raising essential financial resources, can contribute to meeting the Council's objectives. Through the pricing mechanism and wider market forces, outcomes can be achieved, and services can be promoted through variable charging policies and proactive use of fees to promote or dissuade certain behaviours.

6.46 In the main, fees and charges are set at a level where the full cost of provision is recovered through the price structure. However, in many circumstances those charges are reduced through subsidy to meet broader Council priorities.

6.47 Each year the Council reviews the level of its fees and charges through consideration of a report by the Cabinet and its Regulatory Committee where it is a requirement that they are considered and approved outside of the Executive.

6.48 The impact of fees and charges increases have been included in the revenue income projections in the MTFS.

Use of Reserves

6.49 The Council's (Non-Earmarked) General Fund Balance is held to cover the net impact of risks and opportunities and other unforeseen emergencies. The funds held in the General Fund Reserve can only be used once and therefore are not a recurring source of income that can meet permanent budget gaps.

6.50 As it stands the Council is able to set a balanced budget, only with a significant one-off use of £5.4m of reserves in 2021/22.

6.51 The February 2021 Cabinet and Full Council reports will provide a more comprehensive review of the overall sufficiency of Council reserves as part of the S151 statement. However, it should be recognised here that the need to maintain sufficient levels of reserves to help the authority cope with unforeseen changes in circumstances must be more important now than ever before.

Summary of Corporate General Funding Assumptions

6.52 A summary of the of the funding assumptions and breakdown of funding sources is set out in the table.

Table 6.5 – Funding Assumptions

	Source of Funding	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
		£'000	£'000	£'000	£'000	£'000	£'000
Table 6.1	Revenue Support Grant	21,993	22,169	22,502	22,952	23,411	23,645
	Top up Business Rates	58,412	58,880	62,305	63,524	64,743	65,391
	Retained Business Rates	22,100	20,642	21,656	22,080	22,504	22,729
	NNDR Growth	400	-	-	-	-	-
	NNDR Surplus/(Deficit)	(1,654)	(900)	(900)	(900)	0	0
Table 6.2	Council Tax	107,805	113,132	116,536	120,673	124,952	128,713
	Council Tax Surplus	2,175	1,700	1,675	1,675	2,175	2,175
Tables 6.3 and 6.4	New Homes Bonus	2,199	2,089	- 0	0	0	0
	Public Health	20,228	20,228	20,228	20,228	20,228	20,228
	Other Core Grants	8,634	8,626	1,951	1,951	1,951	1,951
	Total (External) Funding	**242,292**	**246,566**	**245,953**	**252,183**	**259,964**	**264,832**
	Contribution from Reserves	-	5,440	-	-	-	-

7. General Fund Revenue Assumptions

7.1 2020/21 Financial Performance – General Fund Revenue

7.1.1 The 2020/21 Budget Update report, also part of this Cabinet agenda, provides an update on the Quarter 2 budget position. Since the budget was agreed, the lock-down and associated Government directed actions in response to the Covid-19 pandemic has significantly impacted on the Council's agreed budget and Borough Plan delivery. The forecasts provided in that report are as up to date as possible and based on the most recent return to central government (i.e. at month 7 of the financial year). However, there remains great uncertainty, not least associated with the impact of the second wave of the virus and the current and further local or national lockdowns.

7.1.2 The Budget Update report separates the General Fund (GF) impact of Covid-19 and base budget related pressures. Some of the latter can be mitigated however, some will need to be resolved by permanent budget adjustments and as such are now built into the draft 2021/22 Budget as growth items. In any large organisations it must be accepted that some plans will require change as the result of internal and/or external factors, and the growth built into the draft budget is a reflection of both of these.

7.1.3 At this stage, the biggest impact of Covid-19 on future budgets is slippage in delivery of some planned MTFS savings which has been built into the Budget and MTFS now presented.

7.1.4 Covid-19 is also expected to impact significantly on Business Rates and Council Tax (Collection Fund) income and the forecast impact has been built into the draft proposals presented in this report. The latest guidance from Government is that any Collection Fund deficits must be spread over three years, which is how it has been modelled. SR20 announced an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. However, the lack of detail available at the present time doesn't allow any budget adjustments to be proposed.

7.1.5 The Dedicated Schools Grant (DSG) year-end forecast has worsened this quarter and now stands at £5.3m (£4.6m Qtr1). This is due to the on-going pressures in the High Needs Block (HNB) which Members will be aware is a national issue facing the entire local government sector mainly as a consequence of the expansion of age ranges for EHCP eligibility. Over the course of the year more clarity has been received over the ultimate responsibility for this overspend and the brought forward balances from prior years, and authorities may not now use general fund balances to contribute to DSG deficits without approval from the government. The Government is considering what if any additional assistance will be provided to local authorities to address this position.

7.1.6 In summary, the key underlying budget pressures that have manifested during this financial year which services cannot mitigate will be resolved as part of the 2021/22 budget setting process. In terms of the in year GF forecast of non-Covid 19 related overspend (£5.9m) officers will continue to work on reducing this to bring it to a balanced position by March 2021 to avoid having to draw on reserves which will be much needed in 2021/22 to offset on-going pandemic pressures and any wider economic impacts.

7.2 Budget Growth / Pressures

7.2.1 As clearly outlined above, the 2021/22 financial planning process has sought to identify, and where possible address, budget pressures and necessary growth in order that the 2021/22 Budget in particular, but also the MTFS 2021-2026, are set are realistically as possible – matching forecast expenditure against forecast income and deliverability of newly proposed savings.

7.2.2 Some growth for the period to 2025 was already built into last year's MTFS and the financial planning work undertaken this year has reviewed the assumptions driving those figures, updated them where appropriate and has also assessed new pressures or identified growth.

7.2.3 The main corporate assumptions across the forthcoming 2021-2026 period are outlined below followed by a paragraph which focusses on the policy priorities and service specific items.

7.3 Pay Inflation

7.3.1 The pay deal for 2020/21, was agreed at 2.75%. Negotiations are underway over the next agreement and firmer information might be available for the February report but the current planning assumptions are c. 3% increase for the next 2 years. Beyond that, it reduces to around 2.5% for the remainder of the MTFS period.

7.4 Non-Pay Inflation

7.4.1 The assumption continues that the services will broadly have to manage within existing budgets, thus absorbing any inflationary pressures. However, in recognition that (a) some contracts include inflation-linked increases (b) utility costs continue to be volatile and difficult to predict and (c) legislative changes can impact on cost of services. An increase of £2m pa has been built into the following two years to recognise potential volatility from Brexit and Covid legacy. Thereafter it returns to £1m pa.

7.5 Employer Pension Contributions

7.5.1 The outcome of the last triennial valuation, which covered the period 2021/22 – 2022/23, confirmed that the Pension Fund performance allowed for a decrease in the Council's contribution rate of 0.5% each year for three years, equating to a saving of c. £0.5m per annum each year. No assumptions have been made about the next triennial valuation.

7.6 Treasury & Capital Financing

7.6.1 The MTFS has been updated to reflect the capital financing costs associated with the new capital schemes that are proposed. These are reflected in the Capital Strategy at section 8 of this report.

7.6.2 These figures may require revision depending on the outcome of consultation and scrutiny of the capital investment proposals between now and the final Cabinet report in February 2021 & the final Treasury Management Strategy Statement presented to Full Council later that month.

7.7 Levies

7.7.1 The current assumption is that all Levy costs except the North London Waste Authority (NLWA) levy will remain broadly in line with the 2020/21 figures across the period.

7.7.2 The NLWA's North London Heat and Power Project will replace the existing Energy from Waste plant at the Edmonton EcoPark with an Energy Recovery Facility and includes a new Resource Recovery Facility. This major project will have financial implications for each of the 7 London boroughs involved, representing 2 million people. The existing MTFS assumed a £0.5m p.a. levy increase to commence from 2021/22, due the impact of increased borrowing costs which must be met by the levy.

7.7.3 The 2020/21 Levy was lower than the budgeted figure and, as this increase was no longer applicable, it was agreed for this amount to be transferred to a reserve in order to smooth the future financial pressure. This will be drawn on when required. The budget assumptions across the MTFS period will be revisited before February, when the intended Levy levels will be announced for 2021/22.

7.8 Policy Priorities

7.8.1 Since the start of this Administration, the following policy priorities have received additional funding through the annual budget setting cycles:

- Council Tax Reduction Scheme - £1.6m
- Youth Services programme - £0.25m
- Apprenticeship support - £0.134m
- School meals pilot - £0.05m
- London Living Wage – pump priming to deliver

7.8.2 Despite the significant challenges to set a legal, balanced budget for 2021/22, a number of policy growth proposals have been incorporated into the draft budget and MTFS. These are set out in the table below:-

- Free Schools Meals £0.3m funding in 2021/22 and 2022/23
- Welfare Assistance Scheme £0.3m funding in 2021/22 and 2022/23
- Voluntary and Community Sector – £0.25m in 2021/22 only

- Youth Services – £0.25m in 2021/22 only
- Haringey University Bursary Scheme - £0.12m over 3 years
- Recruit Local People - £0.10m over 2 years

7.9 Service Budget Adjustments Required

Service Growth Budget Adjustments

7.9.1 The table below shows the service specific growth proposals made necessary by base budget or demand pressures and built into the draft MTFS.

Table 7.1 – Service Growth Budget Adjustment Proposals

Priority	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
People - Adults	2,300	0	0	0	0	2,300
People - Children's	3,046	(459)	(264)	0	0	2,323
Your Council	367	66	(300)	0	0	133
Place	2,721	(355)	0	0	0	2,366
Economy	175	0	0	0	0	175
Total	**8,609**	**(748)**	**(564)**	**0**	**0**	**7,297**

7.9.2 The biggest service areas requiring growth in this budget continue to be in the *People* Priorities. As in the last couple of years, the Council has recognised the growing pressure in these critical services which cannot be fully contained through service transformation alone. Clear action has therefore been taken once again to address these forecast budget issues in order that the Services are provided with realistic budgets to work within. This has been a key feature of recent years' budget process where robust action is taken to address clearly evidenced budget pressures.

7.9.3 It is forecast that the Adults service will need to address both demographic and inflationary pressures coupled with an expected growth in Mental Health and Learning Disabilities support required as a legacy of the Covid-19 pandemic. The figures have been generated by detailed modelling and trend analysis.

7.9.4 Children's services are now seeing growth above that provided in the last MTFS (£0.5m) and therefore £2.2m has been built into the relevant budgets for next year. The key pressure points are SEND, both service demand and transport pressure but more significantly placement costs due to an increase in children with more complex needs.

7.9.5 The growth provided in the *Place* priority is required to address a recognised shortfall in the facilities management budgets, for both soft and hard services, as well as to resolve a number of areas where budgeted and actual income have become mis-aligned over time including CCTV, Pay by Phone, Residential Permit Parking income, plus reactive maintenance and the clamping contract.

7.9.6 The remaining growth proposals look to address historic or forecast base budget pressures across a number of service heads.

Impact of Delayed and Undeliverable Savings Proposals

7.9.7 The table below shows the delayed and undeliverable savings proposals now built into the draft MTFS.

Table 7.2 – Delayed and Undeliverable Savings

Priority	2021/22		2022/23		2023/24		2024/25		2025/26		Total	
	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings
	£'000		£'000		£'000		£'000		£'000		£'000	
Adults	1,621	0	(710)	0	(911)	0	0	0	0	0	0	0
Children	1,066	390	(1,066)	125	0	0	0	0	0	0	0	515
Place	0	200	0	50	0	0	0	0	0	0	0	250
Economy	120	100	30	0	20	0	(100)	0	(70)	0	0	100
Housing	(136)	0	(136)	0	136	0	136	0	0	0	0	0
Your Council	252	318	(252)	250	0	0	0	0	0	0	0	568
Total	**2,923**	**1,008**	**(2,134)**	**425**	**(755)**	**0**	**36**	**0**	**(70)**	**0**	**0**	**1,433**

7.9.8 The majority of the delayed savings have occurred as a consequence of the Covid-19 Pandemic and are forecast to be realised in future years, after rigorous review and challenge.

7.10 Budget Reduction Proposals / Savings

Pre-Agreed Budget Reduction Proposals

7.10.1 The 2020 Budget and MTFS 2020/2025 agreed a total of £29.4m budget reductions to be delivered across that period. Whilst the Council was able to set a balanced budget for 2020/21, the MTFS acknowledged that a forecast of £15.6m as at yet unidentified additional savings would be required over the years from 2021/22 to match the assumed funding and expenditure plans at that point.

7.10.2 The table below summarises the position included in the February 2020 Budget/MTFS report.

Table 7.3 – Agreed Savings and Forecast Unidentified Savings at February 2020

Priority	Total					
	2020/21	2021/22	2022/23	2023/24	2024/25	Total Savings
	£000	£000	£000	£000	£000	£000
Housing	1,176	709	136	136	136	2,293
People - Adults	5,073	3,245	3,270	(376)	-	11,212
People - Children	2,261	909	419	100	200	3,889
Place	3,368	2,073	1,162	70	-	6,673
Economy	830	120	130	120	-	1,200
Your Council	2,934	536	687	6	-	4,163
Total Savings	**15,642**	**7,592**	**5,804**	**56**	**336**	**29,430**
Unidentified Savings	0	1,954	3,178	6,684	3,743	15,559
Total Savings Requirement	**15,642**	**9,546**	**8,982**	**6,740**	**4,079**	**44,989**

Approach to Budget Reduction Proposals / Savings 2021-2026

7.10.3 The financial planning process this year had looked to build on the progress made last year where the budgets adjustments agreed were more realistic and understood and owned by the wider organisation; the forecast budget gap for

2021/22 in last year's MTFS was £1.954m and this would have allowed the organisation to develop larger scale, transformational programmes to address the widening gap beyond 2021/22.

7.10.4 The subsequent impact of the global pandemic (Covid-19) has led to a significant shift in the MTFS assumptions in place when the last budget and MTFS were agreed. This, in particular, led to a downwards assessment of local tax revenues as set out in more detail in Section 6 of this report. It also impacted on the ability for the Council to deliver agreed savings to the set timeframes. A detailed challenge to the growth assumptions in the existing MTFS was also undertaken alongside base budget pressures highlighted as part of the in year budget monitoring. The impact on the revised forecast gap for 2021/22 was significant with an estimated shortfall of £17m, an increase of £15m to the forecast in February.

7.10.5 This highlighted the need for change to take place at a faster pace. Furthermore, with the forecast level of budget reductions required for 2021/22, it became apparent that a focus purely on a directorate led basis would be unable to achieve the magnitude required. This would also have been a barrier to progressing the more transformational, council-wide changes which emerged as a key output from the Recovery and Renewal activity which:-

- Looked at our borough plan priorities and principles and reflected on what needed to change as a result of Covid-19, including as part of conversations with partners, to understand systems-wide perspective

- Reviewed our service delivery, to meet the challenge of delivering services in a new world of living with Covid-19 and doing so in a smaller budget envelope

- Worked with partners to understand the systems-wide impact

7.10.6 This led to the formulation of cross-cutting programmes described briefly below which have identified forecast budget reductions albeit requiring a longer lead in time, so not delivering fully until 2022/23+:-

- **Digital Together** - An empowered, energised and enabled resident community engaging with us through increased digital channels that quickly direct them to the right resources through anticipation of their needs.
  A more digitally aware and confident council, embracing digital technologies to maximise our opportunities
  These actions will enable the removal of duplication and non-standard processes and consolidation of activities and processes delivering a reduced cost base.

- **Property –** initial focus on the generation of capital receipts for 2021/22 to provide investment to support transformational activity. Longer term, opportunities are being pursued for the Council's property portfolio to enable and deliver general fund revenue savings e.g. Savings from operational property / progress with the Accommodation Strategy; support for the Localities strategy; asset rationalisation and the commercial portfolio.

7.10.7 Through the Covid-19 pandemic, we have learned more about the day to day impacts of inequalities and about how we could change as an organisation. We need to connect with local residents to support them with the wide range of issues they may be facing at the very earliest opportunity, using a range of methods including access to digital.

7.10.8 In addition to the above cross-cutting programmes we will focus more on three areas of activity:

- Being close to residents – by working out in localities and improving our digital offer, ensuring that we can shape what best suits local neighbourhoods, making use of local strengths
- Intervening earlier – proactively building confidence and skills and not waiting until a crisis point is reached before we and partners step in
- Extending our reach – building trust by working in partnership with local community organisations

7.10.9 The total new budget reduction proposals arising from both the Directorate led and cross-cutting programmes are set out in Table 7.4 below.

Table 7.4 – New Budget Reduction Proposals by Priority

Priority	2021/22	2022/23	2023/24	2024/25	2025/26	Total Proposals
	£000	£000	£000	£000	£000	£000
Housing	483	68	51	12	1	615
People - Adults	1,537	0	0	0	0	1,537
People - Children	321	319	30	30	0	700
Place	2,361	1,575	(1,380)	1,300	160	4,016
Economy	550	0	0	0	0	250
Your Council	846	138	0	0	0	984
Subtotal	**6,098**	**2,100**	**(1,299)**	**1,342**	**161**	**8,102**
Cross-Cutting Proposals	750	2,250	0	0	0	3,000
Total	**6,848**	**4,350**	**(1,299)**	**1,342**	**161**	**11,102**

7.10.10 When added to the pre-agreed reductions for next year (£7.6m initially – revised down to £3.7m largely as a consequence of the Covid-19 Pandemic – as presented in Table 7.2), the total to be delivered is £10.5m in 2021/22. A summary of the future years' total savings position across the MTFS, including those agreed in previous budget rounds, is provided in Appendix 3.

7.10.11 To help de-risk the budget in future years, officers have assessed delivery confidence of all the new proposals and have re-profiled agreed savings that have been impacted by the pandemic. Whilst the new proposals have yet to be agreed, as they are subject to scrutiny and consultation, work will continue by officers to look to identifying means of amending the status of risk and a final update will be provided in the February report. All proposals have been reviewed by the Policy and Equalities team and have been subject to initial equalities screening. Where these have indicated that full EqIA's will or might be required, work is progressing on completing these.

7.10.12 The monitoring of savings delivery in 2020/21 has, notwithstanding the impact of Covid-19 on plans, provided a growing assurance that services have a greater understanding of, and capacity to deliver, budget reduction proposals.

7.11 Summary Revenue Budget Position 2021/22 – 2025/26

The summary revenue budget position, including current projected gaps is identified below.

Table 7.5 – Summary Revenue Budget Position

	2020/21 Budget	2021/22 Draft Budget	2022/23 Projected	2023/24 Projected	2024/25 Projected	2025/26 Projected
Priority Area	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing	16,382	16,102	15,762	15,711	15,699	15,698
People - Children	55,189	58,721	57,083	57,189	57,459	57,459
People - Adults	83,784	83,375	80,827	82,977	86,079	86,079
Place	24,915	22,372	19,255	20,571	19,277	19,117
Economy	1,006	7,642	7,542	7,442	7,342	7,272
Your Council	35,999	32,893	30,063	29,757	29,757	29,757
Non-Service Revenue	25,017	30,902	45,487	56,687	62,953	66,153
Council Cash Limit	**242,292**	**252,006**	**256,019**	**270,333**	**278,565**	**281,534**
Planned Contributions from Reserves	-	(5,440)	-	-	-	-
Further Savings to be Identified	-	-	(10,041)	(18,125)	(18,576)	(16,677)
Total General Fund Budget	**242,292**	**246,566**	**245,978**	**252,208**	**259,989**	**264,857**
Council Tax	107,805	113,132	116,536	120,673	124,952	128,713
Council Tax Surplus	2,175	1,700	1,700	1,700	2,200	2,200
RSG	21,993	22,169	22,502	22,952	23,411	23,645
Top up Business Rates	58,412	58,880	62,305	63,524	64,743	65,391
Retained Business Rates	22,100	20,642	21,656	22,080	22,504	22,729
NNDR Surplus/(Deficit)	(1,654)	(900)	(900)	(900)	0	0
NNDR Growth	400	-	-	-	-	-
Total (Main Funding)	**211,231**	**215,623**	**223,799**	**230,029**	**237,810**	**242,678**
Core/Other External Grants						
New Homes Bonus	2,199	2,089	0	0	0	0
Public Health	20,228	20,228	20,228	20,228	20,228	20,228
Other core grants	8,634	8,626	1,951	1,951	1,951	1,951
TOTAL (Core/Other External Grants)	**31,061**	**30,943**	**22,178**	**22,179**	**22,179**	**22,179**
Total Income	**242,292**	**246,566**	**245,978**	**252,208**	**259,989**	**264,857**

7.11.1 The draft General Fund Budget 2021/22 presently has a budget gap of £5.4m, which is expected to be covered from reserves.

7.11.2 In undertaking this multi-year financial planning, the levels of uncertainty and risk increase substantially beyond the immediate budget for next year. Reference has been made above to the scale of the assumption made in regard to current and future years grants. This report elsewhere highlights the many other risks that may impact and increase the size of the gaps forecasted above for years 2 and beyond. This authority, like all other social care councils, must be particularly concerned about the risks regarding its care services finances. While the year-on-year cash limit profiles for our care services detailed above have been prepared with reference to best intelligence on future years grants, demographics, savings and other pressures, these need to be kept under closest review.

7.12 Review of assumptions and risks 2021/22 – 2025/26

7.12.1 The Council's Section 151 Officer has a statutory responsibility to assess the robustness of the Council's budget and to ensure that the Council has sufficient contingency/reserves to provide against known risks in respect of both expenditure and income. This formal assessment will be made as part of the final report on the Council's budget in February 2021 and will draw on independent assessments of the Council's financial resilience where available however, it is critical that this report outlines the assumptions and approach to risk taken when arriving at the budget proposals included in the draft Budget & MTFS.

7.12.2 Given the increased financial pressure that is falling upon this council's budget and the uncertain national political picture, this statutory role is acquiring more and more significance. The number and breadth of potential risks and level of uncertainty, particularly around the Covid-19 pandemic and Government funding, underlines the need to maintain both a budgeted resilience contingency and keep general and earmarked reserves at current levels.

7.12.3 The main uncertainties and risks identified to date which my impact on the Council's budget for 2021/22 and over the period of the MTFS are:

- Funding assumptions for 2021/22 are subject to the final local government settlement expected in January 2021 and therefore there may be changes; at this point we have yet to receive the provisional figures which places more risk on the assumptions.
- On-going uncertainty about the impact of the Covid-19 pandemic on 2020/21 budget and also future years. It is likely that Covid-19 will also impact on the level of Government resources for future years of the MTFS
- Brexit, with or without a trade deal with the EU, could put pressure on costs and increase inflation; staffing in critical social care & health services, on local tax income levels and potentially numbers presenting as No Recourse To Public Funds (NRPF)
- The shift to a one-year spending review with no announcements about funding beyond 2021/22. Therefore, professional judgement has had to be used in forecasting funding for the later years of the MTFS. These assume that Government funding generally increases at an inflationary level, and that specific grants are not discontinued by the government. Should this assumed funding not be realised it will have a significant impact on the current forecast gap across those years. This will be kept under close review.

- The implications arising from the next Spending Round and the period that will be covered are not known
- Uncertainty over whether the London business rates pool will continue into 2021/22 and lack of clarity of the financial implications if it does
- The continued pressure on High Needs Block Dedicated Schools Block (DSG) resources, lack of a clear strategy for resolution from the DfE, although it is now confirmed that deficits are not currently to be funded by general fund resources
- The expected Fair Funding Review and redesign of the Business Rates Retention scheme did not complete during 2020/21 as expected. The impact on funding for the Council on the eventual outcomes of both are not known at this time
- Increases in London Living Wage in future years.
- The impact of pay and general inflation pressures above current assumptions
- General population increases that are expected over the next 5 years and any associated growth in demand - other than specifically allowed for – may lead to financial pressure.
- Planned actions to increase Council managed temporary accommodation options do not progress at the pace expected and/or are potentially exacerbated by Covid-19
- The Council’s Transformational Programmes do not deliver the required savings, do not deliver savings quickly enough, or are impacted by demographic trends particularly in critical areas such as Children’s and Adults Social Care and Temporary Accommodation.
- Any further deterioration in the forecast 2020/21 position including non-delivery of in year savings
- Business rates base negatively impacted by the impact of Covid-19, permanent shifts to on-line services and any economic slowdown

8. Council's Capital Strategy and Capital Programme 2021/22 – 2025/26

8.1 Introduction

8.1.1 This is the third capital strategy report that has been prepared since it became a mandatory requirement of local authorities to produce one. It gives a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of public services. It also provides an overview of how the risks of the capital programme are managed and the implications for future financial sustainability.

8.1.2 The Covid-19 pandemic has affected the Council's capital strategy as it responds to the ravages wrought by Covid-19. In particular the capital programme for 2020/21 has been redirected to provide for an acceleration of the school streets programme, revisions to the public realm works to create Covid-19 safe public spaces through widening pavements, works around school streets to make them safe and an early start to the capital works required for the Good Economy Recovery Plan. In addition, resources have been directed to providing emergency temporary accommodation for rough sleepers.

8.1.3 Looking forward, the Council's capital proposals include provision for a new youth hub in Wood Green £1m, a significant increase in investment in education with a further £33m allocated for condition works in schools, £12m into the Alternative Provision strategy and an £4.6m additional funding for Pendarren.

8.1.4 The proposals also include for overall investment of £5.5m in the Good Economy Recovery Plan, further investment in the economic future of the borough through its workspace creation programme and investment in Haringey Adults Learning Service (HALS).

8.1.5 The Council is also investing in the public realm through the Streetsplan scheme as well as further investment in pavements and the wider public realm all of which link to the Good Economy Recovery Plan through making high streets safe and welcoming places.

8.1.6 The Council continues to invest in housing through its new homes programme. This expenditure is contained within the housing revenue account (HRA) and is reported here in summary form and elsewhere on the agenda in detail.

8.1.7 There is additional investment in the empty homes scheme of £5m. This scheme aims to bring back into use homes that have been left empty for various reasons. Ultimately this may require the Council to exercise its compulsory purchase order powers (CPO) but to do so the Council must show that it has the resources available to complete the purchase. This budget supplies that evidence.

8.1.8 Finally, the proposals provide for significant investment in the Civic Centre to provide a place of civic pride for the borough.

8.1.9 **Background**

8.1.10 Capital expenditure in local government is defined in statute and accounting practices/codes and as such must be complied with. Within these rules, capital budgets and capital expenditure decisions offer the opportunity for the Council to profoundly affect the lives of its residents, businesses, and visitors in both the immediate and the longer term.

8.1.11 Capital programmes can shape the local environment (e.g. through the provision of new housing, traffic schemes or regeneration schemes); positively impact people's lives (e.g. through creating appropriate housing for adults with learning difficulties or investment in parks and open spaces); transform the way the Council interacts with local residents (e.g. through the libraries investment programme or proposals for a new customer service centre); and deliver fit for purpose schools. The advent of Covid-19 has highlighted how capital expenditure can be used to positively impact people's lives.

8.1.12 The key objectives for the Council's capital programme are to deliver the borough plan and assist the Council in meeting the financial challenges that it continues to face.

8.2 Capital expenditure and financing

8.2.1 Capital expenditure is where the Council spends money on a project, with the view to derive economic benefit from the outcome of the expenditure, for a period longer than twelve months. This also includes spending on assets owned by other bodies, loans and grants to other bodies enabling them to buy assets.

8.2.2 The table below shows a high-level summary of the Council's outline capital spending in the medium-term i.e. for the financial years 2021/22-205/26 which shows the continued and growing capital investment that is being undertaken to support the achievement of the borough plan objectives.

Table 8.1: Capital expenditure plans overview 2021/22 - 2025/26

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	Total (£'000)
Previously Agreed							
General Fund Account (GF)	217,762	213,535	170,420	139,435	96,888		**838,040**
Housing Revenue Account (HRA)	236,331	214,146	204,392	165,200	194,501		**1,014,570**
Total =	**454,093**	**427,681**	**374,812**	**304,635**	**291,389**		**1,852,610**
Proposed							
General Fund Account (GF)		287,504	188,713	150,613	120,687	62,869	**810,385**
Housing Revenue Account (HRA)		246,071	307,941	303,515	198,722	159,846	**1,216,095**
Total =		**533,575**	**496,654**	**454,128**	**319,409**	**222,715**	**2,026,480**

8.2.3 The capital programme is composed of individual priority programmes. Within these priority totals there are schemes and within most schemes there are individual projects. For instance, Scheme 302, Borough Roads, will contain individual projects on individual roads.

8.2.4 Where additional funding is proposed for an existing scheme this has been added to the project rather than creating a new scheme.

8.2.5 About a third of the capital programme is composed of schemes that are wholly funded by Council borrowing and that are *not* self-financing. These schemes largely reflect the statutory duties of the council. In large part these schemes are not able to garner external resources to either supplement or supplant Council borrowing.

8.2.6 The Children's Services capital programme is largely reliant on Council borrowing. For the period 2021/22-2025/26 the Council is planning to spend £105m on schools, of which approximately £27m is funded through government grant leaving a borrowing requirement of £78m. The majority of the cost of the increased investment in schools falls on the Council through increased borrowing costs.

8.2.7 Within the Place priority the proposed capital programme for the period 2021/22-2025/26 is broadly estimated at £74.8m of which approximately £14.6m is externally funded, leaving a borrowing requirement of £60.2m.

8.2.8 The Economy capital programme has an estimated value of £433m. The majority of the programme is either funded through contributions from developers or are self-financing. The level of Council borrowing in this part of the capital programme is proportionately lower than in others at £55m. The majority of this borrowing is to match fund to the Tottenham Hale Regeneration project, the Tottenham High Road Strategy and the Wood Green Regeneration Strategy.

8.2.9 The basic premise for the economy programme is to provide a funding envelope within the budget and policy framework which enables the council to respond to opportunities in a timely way. This means that this capital programme is both front loaded and prone to reporting slippage.

8.2.10 The General Fund housing programme has no schemes that rely on borrowing as they are all self-financing.

8.2.11 The Your Council capital programme is estimated at £83.6m with the majority, £53.8m funded through borrowing. £40m of this borrowing relates to the asset management function of the Council and to the Civic Centre refurbishment. The balance of the investment relates to the Responsiveness Fund, £2m and the approved capital programme contingency, £6m.

8.2.12 The inclusion of a scheme within the capital programme is not necessarily permission to spend. Most schemes will be subject to the completion of an approved business case that validates the high-level cost and time estimates contained within the programme. An integral part of the business case will be an assessment of the risks that a project faces and once a project is agreed, the review of the risk register is a standing item on the agenda for the project's governance arrangements.

8.2.13 There are a range of schemes within the General Fund capital programme that will only proceed, if they are estimated to result in a net reduction in expenditure. That reduction will include the cost of financing the capital expenditure and contribute to the MTFS through making savings or increasing income. These schemes are known as self-financing schemes. The decision to proceed with these schemes will follow the production of a detailed business that supports the investment and identifies reductions in expenditure.

8.2.14 Service managers bid annually as part of the Council's budget setting process. The bids are assessed against their "fit" in relation to the Borough Plan, the asset management plan and meeting the objectives of the medium-term financial strategy (MTFS). In addition, schemes have been considered for their contribution to economic recovery, to growth, to jobs, and to creating a Covid-19 safe public realm.

8.2.15 The Housing Revenue Account (HRA) is a ring-fenced account, which ensures that the Council's housing activities are not subsidised by the Council's non-housing activities. It also ensures that the Council's non-housing activities are not subsidised by its HRA. HRA capital expenditure is recorded separately.

The table below details the proposed capital expenditure plans by priority.

Table 8.2: Capital expenditure plans by priority

	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	Total (£'000)
People - Children's	26,471	23,909	24,006	20,101	10,731	**105,218**
People - Adults	26,220	26,970	12,400	4,470	2,377	**72,437**
Place	25,809	13,382	13,360	11,495	10,795	**74,841**
Economy	177,498	105,171	84,316	66,971	32,316	**466,271**
Housing (GF)	6,000	1,000	1,000	0	0	**8,000**
Your Council	25,506	18,281	15,531	17,650	6,650	**83,618**
Total General Fund (GF)	**287,504**	**188,713**	**150,613**	**120,687**	**62,869**	**810,385**
Housing (HRA)	**246,071**	**307,941**	**303,515**	**198,722**	**159,846**	**1,216,095**
Overall Total	**533,575**	**496,654**	**454,128**	**319,409**	**222,715**	**2,026,480**

8.2.16 Appendix 4 includes the previously agreed schemes plus any changes since the last budget (up to and including the December 2020 Cabinet), plus the new schemes proposed. Additionally, Appendix 5 provides details of the new schemes. The following paragraphs provide a high-level description of each priority's new capital proposals.

8.2.17 **Children's Services**

Extensive work has been undertaken during 2019/20 and 2020/21 to understand the extent of the investment required in the Children's Services estate. This work has provided comprehensive information on the condition of the estate and has provided the foundation of the Children's Services asset management plan. The asset management plan provides a framework for the decisions on where and when the investment in the estate best serves the needs of our young people so that they are educated in facilities that are fit for today and the future.

The proposed capital programme has further, significant investment in the school estate. An additional £33m is proposed over the next five years. This additional funding will bring the Council's investment in the condition of the Children's Services to £105.5m over the period 2021/22-2025/26.

In addition, the proposed capital programme has provision for the delivery of a new Youth Hub in Wood Green as well as investment in the Alternative Provision Strategy and Pendarren.

8.2.18 **Adult Services**

The continued focus of the Adults Services capital programme is to enhance the lives of disabled and older adults. The 2020/21 capital programme delivery has been severely affected by Covid-19 and is therefore delayed. Accordingly, the aim for the coming period is to deliver those schemes that are delayed There is one new proposal for capital expenditure, the renewal of the Mosaic ICT system, which is the Adult social care case work system. Currently a procurement exercise is underway which could result in the upgrading of the current system or its total replacement. The proposed bid is based on the complete replacement of the current system. Should the procurement exercise result in an upgrade to the existing system then there will be an overall cost which will result in a lower level of capital spend.

8.2.19 **Place**

The existing Place priority capital programme is designed to make the borough a cleaner and safer place where residents can lead active and healthy lives. The proposed new capital schemes build on these priorities with additional investment.

A previously significant source of funding for the borough's infrastructure were grants received from Transport for London (TfL). Due to the financial situation of TfL these grants have largely ceased. Even though these grants have ceased the works still need to be undertaken.

Part of the new investment is to offset the TfL reductions but there is additional investment in the borough's pavements, and additional funding for the Parkland Walk Bridges programme as well as investment in our depots to provide greener and more comfortable spaces. The programme also allows for the continuation of investment in street lighting and borough roads.

8.2.20 **Economy**

The existing Economy capital programme directly supports wealth creation, regeneration and community aspirations in the borough. The considerable investment in the Council's own commercial property, along with the potential acquisition of other properties, will allow for the expansion of industrial, commercial and office space. Once invested in or acquired, these can be used to expand existing businesses or to attract new businesses.

The new proposals build on this existing programme through the funding of the Good Economy Recovery Plan, further investment in creating workspaces and investment in HALS.

8.2.21 **Your Council**

The Communities First initiative will help transform the way in which the Council engages with its residents. The investment in the library stock sits beside the Connected Communities initiative and will improve the accessibility of libraries and the range of services that they offer.

There are three new capital proposals. The first relates to the approved capital programme contingency that is being replenished with £4m. The second is the responsiveness fund which is being topped up with £2m and the third is for additional funding for the Civic Centre works.

8.2.22 **Financing**

All capital expenditure must be financed from either external sources (government grant and other contributions), the Council's own resources (revenue, reserves or capital receipts) of debt (borrowing, leasing, Private Finance Initiative). The Council's capital programme has moved to a financing strategy that seeks to ensure that investment via the capital programme is self-financing or funded from external resources. The new schemes proposed to be added to the programme for 2020/21-2024/25 are analysed in the table below and show that the majority of schemes being proposed (77%) are either self-financing or funded via external resources:

Table 8.3: Financing Strategy

	General Fund Borrowing		External	Total
	Met from General Fund (£'000)	Self Financing met from Savings (£'000)	(£'000)	(£'000)
People - Children's	77,259	0	27,959	**105,218**
People - Adults	3,785	54,170	14,482	**72,437**
Place	55,863	4,400	14,578	**74,841**
Economy	73,225	143,916	249,131	**466,272**
Housing - GF	0	8,000	0	**8,000**
Your Council	52,863	30,755	0	**83,618**
Total	**262,994**	**241,241**	**306,150**	**810,385**

8.2.23 The self-financing schemes will normally only proceed if they produce a reduction in expenditure that includes reductions enough to cover the cost of financing the investment. This is necessary to ensure that the investment contributes to meeting the financial challenges that the Council faces. It is noted however, that in some limited circumstances, that schemes may proceed even if they do not produce a reduction in expenditure enough to cover the cost of financing the investment.

8.2.24 As debt needs to be repaid the Council is required by statute to set aside from its revenue account an annual amount sufficient to repay borrowings. This is known as the minimum revenue provision (MRP). The MRP for the period is set out below:

Table 8.4: Estimated MRP

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)
MRP	5,533	8,734	16,438	22,455	25,807	29,043

8.3.16 The Council's cumulative outstanding amount of debt is measured by the capital financing requirement (CFR). This increases when new debt financed expenditure is incurred and reduces when MRP is made. The increase in MRP in 2022/23 is due to the end of the MRP holiday and will be addressed in detail in the Treasury Management Strategy to be considered by Council in February 2021.

Table 8.5: Prudential Indicator: Estimates of Capital Financing Requirement

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)
CFR	1,073,041	1,300,885	1,590,485	1,836,902	1,999,393	2,016,930

Asset Management

8.3.17 The Asset Management Plan is the subject of a separate report due to be considered by Cabinet in February 2021.

Asset Disposals

8.3.18 When a capital asset is no longer needed, it may be sold and the proceeds (known as capital receipts) can be spent on new assets or can be used to repay debt. Repayments of grants, loans and non-treasury investments also generate capital receipts. The Council is currently permitted by legislation to spend capital receipts to deliver cost reductions and/or transformation until 2021/22. This is known as the flexible use of capital receipts and this flexibility is currently due to expire on the 31st March 2022.

8.3.19 As stated above, capital receipts can be used to fund capital expenditure or repay debt. The budget assumption is that capital receipts will not fund capital expenditure or debt repayment. It is anticipated that the capital receipts received in the MTFS period covered by the flexibility (up to 31st March 2022) will be used to deliver cost reductions and/or transformation. There is a separate policy statement and schedule of proposed initiatives to utilise capital receipts flexibly.

Treasury Management

8.3.20 The Council has a separate Treasury Management Strategy Statement (TMSS) that deals in detail with treasury management matters. The Capital Strategy document repeats some of the information contained within the TMSS but places the information in the context of the capital programme and Borough Plan.

8.3.21 Treasury management is concerned with keeping enough but not excessive cash balances available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. This is to avoid excess credit balances or overdrafts at the bank. The Council is typically cash rich in the short term as cash revenue income is received before it is spent but cash poor in the long-term as capital expenditure is incurred before it is financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce borrowing.

Borrowing Strategy

8.3.22 The council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should its plans change in the future. These objectives are often in conflict as the Council seeks to strike a balance between cheap short-term loans and long-term fixed loans where the future cost is known, but higher.

8.3.23 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leasing) are shown below and compared to the capital financing requirement.

Table 8.6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/20 Actual (£'000)	31/3/21 Budget (£'000)	31/3/22 Budget (£'000)	31/3/23 Budget (£'000)	31/3/24 Budget (£'000)	31/3/25 Budget (£'000)	31/3/26 Budget (£'000)
Borrowing Debt	531,693	811,902	1,076,962	1,370,737	1,621,512	1,786,520	1,804,057
PFI & Lease Debt	31,800	27,932	24,099	20,100	15,926	11,567	9,050
Total Debt	**563,493**	**839,834**	**1,101,061**	**1,390,837**	**1,637,438**	**1,798,088**	**1,813,108**
Capital Financing Requirement	**723,447**	**1,073,041**	**1,300,885**	**1,590,485**	**1,836,902**	**1,999,393**	**2,016,930**

8.3.24 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the above, the Council expects to comply with this requirement.

Affordable Borrowing Limit

8.3.25 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower operational boundary is also set as a warning level should debt approach the limit.

Table 8.7: Prudential Indicator: Authorised limit and operational boundary for external debt

	2020/21 limit (£'000)	2021/22 limit (£'000)	2022/23 limit (£'000)	2023/24 limit (£'000)	2024/25 limit (£'000)	2025/26 limit (£'000)
Authorised limit – borrowing	979,646	1,206,785	1,500,385	1,750,976	1,917,826	1,937,880
Authorised limit – PFI & leases	30,882	31,811	26,532	21,022	15,269	11,946
Authorised limit – total external debt	1,010,528	1,238,596	1,526,917	1,771,998	1,933,095	1,949,826
Operational boundary - borrowing	929,646	1,156,785	1,450,385	1,700,976	1,867,826	1,887,880
Operational boundary – PFI & leases	28,075	28,919	24,120	19,111	13,881	10,860
Operational boundary – total external debt	957,720	1,185,704	1,474,505	1,720,087	1,881,707	1,898,740

8.3.26 Although capital expenditure is not charged directly to the revenue account, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs. This is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 8.8: Proportion of financing costs to net revenue stream

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)
Financing Costs General Fund	9,343	12,653	16,677	20,076	22,343	27,299
Proportion of net revenue stream	3.87%	5.16%	6.65%	7.82%	8.51%	10.40%
Financing Costs HRA	16,426	18,591	23,287	28,823	33,001	35,825
Proportion of net revenue stream	15.44%	17.08%	20.60%	24.37%	26.39%	27.44%

8.3.27 It can be seen that over the MTFS period that the General Fund ratio increases. However, whilst costs of financing investment increases there will be offsetting revenue savings from those schemes which are self-financing, and these savings will be reflected in reduced service area budgets. It is also possible that once business cases are prepared that some of the schemes within the capital programme may well not proceed. The ratio also increases for the HRA. This level of ratio has been modelled into the current version of the evolving HRA business plan and capital programme and is affordable.

Governance

8.3.28 Decisions on treasury management investment and borrowing are made on a daily basis and are delegated to the Director of Finance. There is a further sub-delegation to members of the Director of Finance's staff to facilitate day-to-day operations. Whoever is making the decision(s) will need to act in line with the treasury management strategy as approved by full Council.

Flexible use of capital receipts

8.3.29 This strategy sets out the Council's approach to the flexibility afforded by the government's change to the rules surrounding the use of capital receipts. Capital receipts can only be used for specified purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which is made under Section 11 of the Local Government Act 2003. The main permitted use of capital receipts is to fund capital expenditure and the use of capital receipts to support revenue expenditure is not permitted by the regulations.

8.3.30 The Secretary of State is empowered to issue directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Were such a direction is made, the specified expenditure can be then be funded by utilising capital receipts.

8.3.31 The then Secretary of State for the Department for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms over how capital receipts can be used to finance expenditure. The direction allows for the following expenditure to be financed by utilising capital receipts:

"Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

8.3.32 In order to comply with this direction, the Council must consider the Statutory Guidance issued by the Secretary of State. The guidance requires authorities to prepare, publish and maintain a flexible use of capital receipts strategy with the initial strategy being effective from the 1st April 2016 with future strategies being included within future annual budget document.

8.3.33 The Statutory Guidance for the flexible use of capital receipts strategy states that the strategy should include a list of each project that is intended to be funded via this flexibility, together with the expected savings that the projects will realise. The strategy should also include the impact that the flexibility has on the affordability of borrowing by including updated prudential indicators.

8.3.34 The Secretary of State for Ministry of Housing, Communities and Local Government issued revised directions for the flexible use of capital receipts which extended the period of the flexibility to the financial year 2021/22.

8.3.35 The Council's strategy for capital receipts will be focused on transformation of services and will be presented to Cabinet in early February 2021 and for decision by Council later that month.

9. Housing Revenue Account (HRA)

9.1 The HRA is the Council's record of the income and revenue expenditure relating to council housing and related services. Under the Local Government and Housing Act 1989, the HRA is ring-fenced and cannot be subsidised by increases in council tax. Equally, any surplus in the HRA or balances held in reserves cannot be transferred to the General Fund. Since April 2012, the HRA has been self-financing. Under self-financing Councils retain all the money they receive from rent and use it to manage and maintain their homes.

HRA 10 Year Financial Plan Overview

9.1.1. The HRA is made up of the Revenue account (Income and Expenditure) and Capital account (Investments and Financing). Following the abolition of HRA borrowing cap in October 2018, the Council embarked on expansion of its investment in its existing and new housing stock. This is laid out in its HRA Business Plan and HRA 10 Year Financial Plan, which is now in its third year.

9.1.2. In this revised plan, a more granular approach was taken in the costing of our new homes and acquisition programmes, drawing upon our increased knowledge from the first two years. The change in the PWLB borrowing rate and updated inflation (CPI) which informs the rent charges and affects cost have been incorporated.

9.1.3. This revised 10 Year Financial Plan, compared to the current one, supports the delivery of increased number of new homes in the borough, with greater proportion of these new homes being developed for social rents.

9.1.4. The proposed increase in spends on Major works (existing homes), Temporary accommodation and Fire Safety further highlights the Councils commitment to improving the quality of life of residents, ensuring homeless households are provided a safe place to live, and maintaining the overall safety of our dwellings.

9.1.5. These all-encompassing delivery and financial plans address the affordability of the entire HRA capital programmes, which includes the new homes build and homes acquisition programmes, and existing stock maintenance, carbon reduction programmes for both existing stocks and new stocks, fire safety programmes and the BWF estate renewal programme.

9.1.6. It includes a long-term assessment of maintenance, improvement, and management requirements, as well as forecasts on income streams such as rents, in line with rent standards, and other future developments. The impact of the current pandemic on rent collection and delay in capital programmes informed the update of the HRA financial plan.

9.1.7. The Revised Financial plan has highlighted a weakened revenue position in the early years of the plan because of the reduction in CPI from 1.7% to 0.5% and the impact of COVID 19 on rent collection. Alongside these, some heavy capital investment in the early years of the plan added to the pressures. It is expected that these pressures can be dealt with through better than expected rent collection and further Efficiencies through HfH Transformation programme, as built into the plan.

The main sources of income to the HRA: Rents and Service Charges.

9.2 Housing rents

9.2.1. Rent limits for council-owned housing are set by the government through the Rent Standard which prescribes the formula for calculating social housing rents. These rents are also called formula rents and excludes service charges.

9.2.2. The formula for setting social housing rents is complex but involves the value of the property and average regional earnings compared to the national averages for these and is increased/decreased according to the number of bedrooms.

9.2.3. From 2020/21, at least until 2024/25, the government has permitted Local Authorities in England to increase rents every year by no more than the Consumer Price Index (CPI) at September of the previous year plus 1%.

9.2.4. The current rent for 2020/21, approved by Cabinet on 11 February 2020, was set at the 2019/20 rent uplifted by 2.7%. The rent increase is due to the CPI inflation rate in September 2019 of 1.7% plus 1% allowed by the government.

9.2.5. Haringey Council must set the rents for 2021/22 using the formula set out in the Rent Standard. Given that the CPI at September 2020 was 0.5%, rents in council-owned housing will increase by no more than 1.5% (CPI plus 1%) from 5 April 2021 (the first Monday in April).

9.2.6. Applying the maximum rent increase of 1.5% will give £1.08m of additional rental income to the Housing Revenue Account (HRA) from tenants. However, the HRA business plan had assumed annual rent increases of 3% (CPI of 2% plus 1%) which was expected to produce additional rental income of £3.78m in 2021/22 (a reduction of £2.7m).

9.2.7. The 10-year HRA financial plan has been revised to reflect the lower rent increase in 2021/22. An assumed annual rent increases of current CPI plus 1% in 2022/23 and reversion to CPI of 2% plus 1% for the remaining 2 years of this current rent regime (2024/25) has been built in. It also assumed annual rent increases of CPI only, for the remaining five years of the HRA financial plan.

General needs and sheltered / supported housing

9.2.8. Provisional rents for general needs and sheltered / supported housing for 2021/22 have been calculated so that the weekly rents paid by tenants increase by no more than 1.5% from 5 April 2021. On this basis, the average weekly rent will increase by £1.57 from £104.57 to £106.14.

9.2.9. There is a range of rents across different sizes of properties. Table 1 sets out the provisional average weekly rents for 2021/22 and the proposed rent increase by property size.

Table 9.1 - Average General needs and sheltered / supported housing rent

Number of Bedrooms	Number of Properties	Current average weekly rent 2020/21	New average weekly rent 2021/22	Proposed average rent increase	Perce
Bedsit	130	£84.84	£86.11	£1.27	1.5%
1	5,236	£89.85	£91.20	£1.35	1.5%
2	5,129	£104.72	£106.29	£1.57	1.5%
3	3,663	£119.91	£121.71	£1.80	1.5%
4	597	£136.52	£138.57	£2.05	1.5%
5	105	£159.71	£162.10	£2.40	1.5%
6	15	£165.96	£168.45	£2.49	1.5%
7	2	£157.04	£159.39	£2.36	1.5%
8	1	£177.77	£180.44	£2.67	1.5%
All dwellings	**14,878**	**£104.57**	**£106.14**	**£1.57**	**1.5%**

9.2.10. As some properties have not reached the formula rent, the current policy of increasing rents to the formula rents on re-let to new secure tenants will continue.

Affordable rent housing

9.2.11. There are eighteen properties, built under the New Homes Infill Programme, currently let at affordable rents.

9.2.12. It is **proposed** that the rent on these properties will be changed to **social rents** from 5 April 2021. This is to bring these rents in line with the Council's new homes rent. On this basis, the current average weekly affordable rent of £253.31 will decrease by 34.3% to social rent levels at an average of £166.38 per week. There is a range of rents across different sizes of properties. Table 2 sets out the proposed average weekly social rents for 2021/22 by property size.

Table 9.2

Conversion of affordable rents to social rents

Number of Bedrooms	Number of Properties	Current average weekly affordable rent 2020/21	Proposed average weekly social rent 2021/22	Proposed average rent increase	Per
1	1	£210.79	£148.88	-£61.91	-29
2	5	£234.29	£157.62	-£76.67	-32
3	7	£235.00	£166.38	-£68.62	-29
4	3	£294.78	£175.12	-£119.66	-40
5	2	£324.03	£183.89	-£140.14	-43
All dwellings	**18**	**£253.31**	**£166.38**	**-£86.94**	**-34**

Temporary accommodation

9.2.13. All properties acquired since 1 April 2020 for housing homeless households held in the HRA are leased to Haringey Community Benefit Society (HCBS) and let by HCBS at Local Housing Allowance (LHA) rent levels.

9.2.14. The HRA financial plan includes these rental incomes from 2021/22 to 2027/28. From year eight, it recognises incomes from these properties at formula rent plus CPI as these properties will revert to the HRA.

9.2.15. From 5 April 2021, all other council-owned properties used as temporary accommodation but not leased to HCBS will have their rents increased by 1.5% from their current levels.

9.3 Tenants’ service charges

9.3.1. In addition to rents, tenants pay charges for services they receive which are not covered by the rent. The Council’s policy has been to set tenants’ service charges at the start of each financial year to match budgeted expenditure.

9.3.2. Service charges must be set at a level that recovers the cost of the service, and no more than this. Charges are calculated by dividing the budgeted cost of providing the service to tenants by the number of tenants receiving the service.

9.3.3. Therefore, a flat rate is charged to tenants receiving each service and the weekly amount is fixed. The amount tenants pay increases where the cost of providing the service is anticipated to increase. Equally, charges are reduced when the cost of providing the service reduces or where there has been an over-recovery in the previous year.

9.3.4. Tenants currently **pay for the following services:**

- Concierge
- Grounds maintenance
- Caretaking

- Street sweeping (Waste collection)
- Light and power (Communal lighting)
- Heating
- Integrated reception service (Digital TV)
- Estates road maintenance
- Door entry system maintenance
- Sheltered housing cleaning service
- Good neighbour cleaning service
- Converted properties cleaning
- Window cleaning service.
- TV aerial maintenance

Tenants living in sheltered and supported housing also pay the following additional support charges:

- Sheltered Housing Charge
- Good Neighbour Charge
- Additional Good Neighbour Charge

The applicable charges for 2021/22 will be calculated and presented to Cabinet and Full Council for approval in February 2021.

Rent and Service charge consultation

9.3.5. There is no requirement for tenant consultation as Haringey council's rents are set in accordance with government rent standard and no new charges are being introduced for the tenants' service charges.

9.3.6. However, a four weeks' written notice will be served on all tenants prior to April 5, 2021. The Council must give written notice to tenants at least four weeks before the new rents for 2021/22 start on 5 April 2021. This will follow the consideration by Cabinet in February 2021 and will include:

- Council housing rent charges for 2021/22
- Proposed weekly tenants service charges for 2021/22
- HRA hostel rent charges for 2021/22

9.4 HRA Expenditure

9.4.1. The Council's Arms' Length Management Company (ALMO), Homes for Haringey (HfH) manages the dwellings stock and garages on behalf of the Council. The management fee the council pays for these services is budgeted at £41.2m for 2021/22. This includes £19.4m for repairs and about £1.9m for housing demand.

9.4.2. Other significant items of expenditure include the capital financing charge and depreciation. The capital financing charge is the interest on HRA loans and internal funding and is budgeted at a higher level than 2020/21 due to increase in the level of capital works programme and New build programme.

Draft Update of HRA 10 Year Financial Plan – Capital Programmes

9.4.3. The HRA long term financial plan has been updated in order to determine how the council might best use the new HRA borrowing capability (still of course constrained by the prudential borrowing code) to both fulfil its responsibilities in respect of its existing stock and deliver the council's objectives for its provision of additional housing.

9.4.4. The HRA financial plan recognises certain risks such as the impact of the current pandemic, COVID-19 on collection of rent, the impact of government policy changes in respect of types of tenancy, rent levels, right to buy, and treatment of voids.

9.4.5. The plan assumes a revenue contribution to capital outlay (RCCO) minimum of £8m. This means that the surplus after expenditure should not be below £8m. It also assumes a working balance of £14.2m.

9.4.6. The draft Housing Revenue Account (HRA) revenue budget and HRA Capital programme incorporates the work to date on updating the HRA Business Plan. This is a complex plan and Members should be aware that further changes are anticipated before the final budget package is presented in February, though this will not affect the rent proposals for 2021/22 included here.

9.4.7. A finalised version will be presented to Cabinet and Full Council for approval in February 2021. It should be noted that any changes in the final version will not affect the rent proposal contained in this draft report.

Draft HRA 5 Years MTFS (2021/22-2025/26)

9.4.8. The HRA budget for 2021/22 is a balanced budget maintaining a reasonable revenue contribution to capital of £8.1m. This report sets out the proposed HRA 5 years Budget/MTFS in the Table below. It accommodates the scale of development presently assumed within the business and financial planning in terms of its impact of the future years HRA revenue position. It also takes into consideration further cost savings measures in years 2 & 3, to ensure that the RCCO is kept at above £8m year on year.

Table 9.3 - Draft HRA 5-Year Revenue Budget (2021/22 – 2025/26)

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income & Expenditure	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**5 Years**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Income						
Dwellings Rent Income	(85,647)	(89,630)	(95,213)	(102,374)	(108,166)	**(481,030)**
Void Loss	856	896	952	1,024	1,082	**4,810**
Hostel Rent Income	(2,263)	(2,292)	(2,331)	(2,371)	(2,412)	**(11,669)**
Service Charge Income	(11,539)	(11,808)	(12,237)	(12,801)	(13,363)	**(61,748)**
Leaseholder Income	(7,374)	(7,475)	(7,614)	(7,756)	(7,978)	**(38,197)**
Other Income (Garages /Aerials/Interest)	(2,255)	(2,266)	(2,289)	(2,312)	(2,358)	**(11,480)**
Total Income	**(108,222)**	**(112,575)**	**(118,732)**	**(126,590)**	**(133,195)**	**(599,314)**
Expenditure						
Repairs	19,410	19,507	19,702	20,610	21,515	**100,744**
Housing Management	19,861	19,960	20,160	20,362	21,256	**101,599**
Housing Demand	1,879	1,888	1,907	1,926	1,965	**9,565**
Management Fee (HfH)	**41,150**	**41,355**	**41,769**	**42,898**	**44,736**	**211,908**
Further Cost Reduction Measures in year 2 & 3	0	(1,150)	(1,450)	0	0	**(2,600)**
Estates Costs (Managed)	10,219	10,270	10,373	10,851	11,328	**53,041**
Provision for Bad Debts (Tenants)	2,625	1,948	1,220	927	956	**7,676**
Provision for Bad Debts (Leaseholders)	88	90	91	93	96	**458**
Total Managed Expenditure	**12,932**	**12,308**	**11,684**	**11,871**	**12,380**	**61,175**
Other Costs (GF Services)	4,357	4,379	4,423	4,467	4,556	**22,182**
Other Costs (Property/Insurance)	2,224	2,235	2,257	2,280	2,326	**11,322**
Capital Financing Costs	19,285	25,096	31,463	35,884	37,875	**149,603**
Contribution to Major Repairs (Depreciation)	20,197	20,298	20,501	20,706	21,120	**102,822**
Revenue Contributions to Capital	**8,077**	**8,054**	**8,085**	**8,484**	**10,202**	**42,902**
Total Expenditure	**108,222**	**112,575**	**118,732**	**126,590**	**133,195**	**599,314**
HRA (Surplus) / Deficit	0	0	0	0	0	0

Draft HRA 5 Years Capital Programme (2021/22 – 2025/26)

9.4.9. This represents the capital implications of the new HRA financial plan where the current pandemic has placed a strong emphasis on meeting the needs of homeless households while ensuring that the needs of the existing stock are met. It also focuses on the delivery of new homes, renewal of BWF estate, carbon reduction in existing stock, and fire safety of the entire stock.

9.4.10. The HRA MTFS is geared towards maximising the use of other available resources and use borrowing as last resort. The MTFS capital programme funding assumes a mix of grant funding, S106 monies, revenue contribution and prudential borrowing. The total capital investment in 2021/22 is £246.1m fully funded from revenue contribution, grants, RTB retained receipt, Major Repairs Reserve and borrowing.

Table 9.4 - Draft HRA 5 Year Capital Programme (2021/22 – 2025/26)

Housing Revenue Account (HRA) Investment & Financing	Year 1 2021-22 £'000	Year 2 2022-23 £'000	Year 3 2023-24 £'000	Year 4 2024-25 £'000	Year 5 2025-26 £'000	Total 5 Years £'000
Capital Investment						
Existing Stock Investment (Haringey Standard)	65,278	56,835	69,868	53,412	25,348	**270,741**
New Homes Build Programme	70,080	174,669	154,594	48,319	23,156	**470,818**
New Homes Acquisitions	41,760	6,337	15,405	27,705	44,202	**135,409**
TA Acquisitions	33,877	34,216	34,558	34,904	35,951	**173,506**
New Homes Zero Carbon	76	151	605	1,183	140	**2,155**
Existing Stock Carbon Reduction (Affordable Energy)	5,142	5,142	6,285	17,597	17,597	**51,763**
Fire Safety	15,329	13,771	11,000	4,400	4,500	**49,000**
Broadwater Farm	14,529	16,820	11,200	11,202	8,952	**62,703**
Total Capital Investment	**246,071**	**307,941**	**303,515**	**198,722**	**159,846**	**1,216,095**
Capital Investment Financing						
Grants (GLA Allocation)	35,124	1,204	0	0	0	**36,328**
Grants (Additional Bid)	0	26,896	55,524	22,510	7,600	**112,530**
Major Repairs Reserves	20,197	20,298	20,501	20,706	21,120	**102,822**
Revenue Contributions	8,077	8,054	8,085	8,484	10,202	**42,902**
RTB Capital Receipts	10,163	10,265	10,367	10,088	10,655	**51,538**
Leaseholder Contributions to Major Works	10,134	9,883	9,746	8,139	7,256	**45,158**
S.106 Contributions	1,000	1,000	1,000	0	0	**3,000**
Market Sales Receipts (at cost)	1,898	0	1,661	23,362	57,104	**84,025**
Market Sales Contributions	360	0	332	4,672	11,421	**16,785**
Borrowing	159,118	230,341	196,299	100,761	34,488	**721,007**
Total Capital Financing	**246,071**	**307,941**	**303,515**	**198,722**	**159,846**	**1,216,095**

The current business and financial plan highlight an improvement, over a 10-year period, in the number of new homes planned to be delivered and the ratio of social rent homes to market sales homes.

10 Dedicated Schools Budget (DSB)

10.1 The Dedicated Schools Budget (DSB) is substantially funded from the ring-fenced Dedicated Schools Grant and two other funding streams (Pupil Premium and Post 16 Grant) which are, in effect, passported to schools. Spending must be consistent with the requirements of the prevailing Schools and Early Years Funding Regulations. There are requirements for Schools Forum to act as a decision-making and/or a consultative role in determining budget levels for each year.

10.2 The financial position reported at Quarter 2 2020-21 set out the forecast year end position. This highlighted the budget pressures in the High Needs Block which is estimated to add an additional £5.3m to the existing deficit of £10.2m.

10.3 Table 10.1 below sets out Haringey's Dedicated Schools Grant allocations for 2019-20, the minimum rebased DSG baseline allocation for 2020-21 and Provisional National Funding Formula (NFF) allocation for 2021-22.

Table 10.1 Haringey's Dedicated Schools Grant Allocation Dedicated Schools Grant

Dedicated Schools Grant	2019-20 NFF £m	2020-21 NFF £m	2021-22 Provisional NFF £m
Schools Block	**196.97**	**200.15**	**211.98****
Central School Services Block	**3.02**	**2.95**	**2.87**
Early Years Block	**20.09**	**20.83**	**20.36**
High Needs Block	**36.14**	**40.99**	**44.46**
Total DSG	**256.22**	**264.91**	**279.67**

****** Includes £6.193m Teachers Pay Grant and Teachers Pension and Employer Contribution Grant, both previously paid separately.

10.4 Overall, Haringey's provisional NFF allocation for 2021/22 is an increase of 3.23% equivalent to £8.57m and a further £6.19m teacher's pay and pension grants. This is based on 2019 October pupil census numbers and the final allocation will be based on the October 2020 pupil census numbers. Bearing in mind the pupil numbers will change from year to year, the cash impact of this provisional funding by block is:

- Schools Block - uplift of 2.82% equivalent to £5.64m.
- Central School Services Block - has lost 2.7% equivalent to £0.08m.
- Early Years Block – has lost 1.34% equivalent to £0.47m
- High Needs Block – uplift of 8.47% equivalent to £3.47m.

10.4 The actual financial position for the Dedicated Schools Grant is dependent on the final school's finance settlement for 2021-22, which is due in December 2020.

10.5 The Schools Forum will consider these figures at their December 2020 and January 2021 meetings.

DSG Reserves

10.6 As at Quarter 2, the DSG Reserves is expected to close with a cumulative deficit of £15.49m at the end of 2020-21. The pressure is mainly in the High Needs Block and is mainly due to the general increase in pupil numbers with special educational needs within the borough.

Table 10.2 2020/21 Year End DSG reserves forecast

Blocks	Opening DSG at 01/04/2020	P06 Forecast Outturn Variance	Forecast Closing DSG Reserves Quarter 2 2020-21
Schools Block	0	0	0
Central Block	10,260	34	10,294
Early Years Block	107,530	48,857	156,387
High Needs Block	10,066,960	5,255,940	15,322,900
Total	£ 10,184,750	£ 5,304,830	£ 15,489,580

10.7 The pressure on the DSG budget is acknowledged by government as a national issue. The outcome of the Government's SEND Review will influence policy (and budgets) and will factor into any future deficit recovery plans. This still is awaiting publication. The School's Forum is aware of the need to produce a Deficit Recovery Plan as a matter of good financial practice and in preparation for the expected contact from the DfE.

11 Consultation & Scrutiny

11.1 The Council, as part of the process by which it sets its budget, seeks the views and opinions of residents and service users which is used to inform the final decision of the Council when setting the budget.

11.2 As such a formal consultation is being planned, the result of which is expected in January, and will be shared with Cabinet to enable them to consider and reflect any amendments in the final February report.

11.3 Statutory consultation with businesses will also take place during this period and any feedback will be considered and, where agreed, incorporated into the final February report. A detailed consultation plan is attached at Appendix 6.

11.4 Additionally, the Council's budget proposals will be subject to a rigorous scrutiny review process which will be undertaken by the Overview and Scrutiny Panels and Committee during December/January on a priority themed basis. The Overview and Scrutiny Committee will then meet in January 2021 to finalise its recommendations on the budget package. These will be reported to Cabinet for their consideration. Both the recommendations and Cabinet's response will be included in the final Budget report recommended to Full Council in February.

12. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

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

12.2 Ensuring the robustness of the Council's 2021/22 budget and its MTFS 2021/22 – 2025/26 is a key function for the Council's Section 151 Officer. This includes ensuring that the budget proposals are realistic and deliverable and that they will be achieved in a number of ways including consideration of the budget setting process itself, the quality and extent of both statutory and non-statutory consultation, the assessment and management of risks, feedback and challenge via scrutiny processes, and the coherence of the working papers supporting budget proposals. The process this year has been made more challenging and complex due to the impact of the coronavirus pandemic.

12.3 The draft General Fund Budget 2021/22 requires the one-off draw down from reserves and this position will be reviewed and addressed in the February report.

12.4 The formal Section 151 Officer assessment of the robustness of the council's budget, including sufficiency of contingency and reserves to provide against future risks will be made as part of the final budget report to Council in February and will draw on independent assessments of the Council's financial resilience if available. This statutory role is acquiring more and more significance given the increased pressure falling upon this council's budget as a result of the C19 pandemic following years of austerity and the uncertainty surrounding the implications of Brexit.

Procurement

12.5 Strategic Procurement notes the contents of this report and will continue to work with services to enable cost reductions.

Assistant Director of Corporate Governance

12.6 The Assistant Director, Corporate Governance has been consulted in the preparation of this report and makes the following comments.

12.7 The Local Authorities (Standing Orders) (England) (Regulations) 2001 and the Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution, set out the process that must be followed when the Council sets its budget. It is for the 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.

12.8 The Council must ensure that it has due regard to its public Sector Equalities Duty under the Equalities Act 2010 in considering whether to adopt the recommendations set out in this report.

12.9 Where detailed savings proposals are yet to be developed, the Cabinet will need to ensure that where necessary, consultation is carried out and equalities impact assessments are undertaken, and the outcomes of these exercises inform any final decisions.

12.10 In view of the conclusion reached by the Director of Finance at paragraph 1.12 above on the ability to set a balanced budget for 2021/22, coupled with the assurance provided at paragraph 7.12.1 above, and the Equalities comments below in relation to the proposed use of EqIAs as appropriate, there is no reason why Cabinet cannot adopt the Recommendations in this report.

Equality

12.1 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

12.2 The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.

12.3 This report sets out details of the draft Budget for 2021/22 and MTFS to 2025/26, including budget reductions, growth and capital proposals. The details the impact of COVID-19 on the financial planning process and the Council's response. COVID-19 affects everything local authorities do. The Council is continuing to focus on responding to the pandemic and its concomitant impacts while ensuring normal critical services are resumed. As the virus remains prevalent in the community and public health restrictions remain in place, the future financial impacts of the virus in the short, medium and long-term remain uncertain. Further risks include the end of the transition period as the UK exits the European Union.

12.4 The proposed decision is for Cabinet note the budget proposals detailed and agree to commence consultation with residents, businesses, partners, staff and other groups on the 2021/22 Budget and MTFS. The decision is recommended in order to comply with the statutory requirement to set a balanced budget for 2021/22 and to ensure the Council's finances on a medium-term basis are secured through the four-year Medium-Term Financial Strategy.

12.5 The impact of COVID-19, along with budget pressures, has led the Council to reconsider its corporate planning through a 'Recovery and Renewal' process. Undertaken alongside key partners, this process surfaced renewed priorities, with impacts across the Council's functions. Three key themes emerged from the work: economic recovery; health and wellbeing; strengthening communities.

12.6 The Council's priorities are underpinned by a focus on tackling inequality. This was key principle emerging from the Recovery and Renewal work and aligns with the principles embedded within the Borough Plan equalities objectives. COVID-19 has served to widen existing inequalities with adverse impacts experienced by protected groups across a number of health and socioeconomic outcomes. The Council is committed to targeting its interventions to reduce inequality despite the financial constraints detailed in this report. This is evident through ongoing investment in policies that seek to improve outcomes for individuals with protected characteristics, such as Free School Meals, Local

Welfare Assistance, Youth Services, and the Haringey University Bursary Scheme, despite financial constraints.

12.7 During the proposed consultation on Budget and MTFS proposals, there will be a specific focus on considering the implications of the proposals on individuals with protected characteristics, including any potential cumulative impact of these decisions. Responses to the consultation will inform the final package of savings proposals presented in February 2021.

12.8 Additionally, budget savings proposals are undergoing an equalities screening process to identify where negative impacts to protected groups may arise. Where such impacts are identified, a full Equalities Impact Assessment will take place to understand the impacts in full and describe action to mitigate those impacts. Haringey Council believes the Equality Impact Assessment process is an important way of informing our decision-making process. At this stage, the assessment of potential impact of decisions is high level and, in the case of many individual proposals, has not been subjected to detailed analysis. This is a live process and, as plans are developed further, each service area will assess the equality impacts and potential mitigating actions of their proposals in more details. Final EQIAs will be published alongside decisions on specific proposals.

12.9 Initial Equality Impact Assessments for relevant savings proposals will be published in February 2021 and will reflect feedback regarding potential equality impacts gathered during the consultation period. If a risk of disproportionate adverse impact for any protected group is identified, consideration will be given to measures that would prevent or mitigate that impact. Where there are existing proposals on which decisions have been taken, existing Equalities Impacts Assessments will be signposted.

13. Use of Appendices

Appendix 1 – Summary of Draft Revenue 2021/22 Budget and Medium Term Financial Plan 2020-2025
Appendix 2 – Summary of new budget reduction proposals
Appendix 3 – Summary of total budget reduction proposals by year
Appendix 4 – Draft General Fund Capital Programme 2021/22 – 2025/26
Appendix 5 – Summary of new proposed capital investment
Appendix 6 – Budget Consultation Plan

14. Local Government (Access to Information) Act 1985

2020/21 Qtr 1 and Qtr 2 Budget Reports
2020/21 Budget & MTFS 2020-2025

Detailed pro-formas for individual budget reduction proposals are available online at the following location:

https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9452&Ver=4

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Appendix 1 - Summary of General Fund Revenue 2021/22 Budget and Medium Term Financial Plan 2021-2026

	2020/21 Budget	Movement	2021/22 (Draft) Budget	Movement	2022/23 Projected	Movement	2023/24 Projected	Movement	2024/25 Projected	Movement	2025/26 Prolected
Priority Area	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing	16,382	(280)	16,102	(340)	15,762	(51)	15,711	(12)	15,699	(1)	15,698
People - Children	55,189	3,532	58,721	(1,638)	57,083	106	57,189	270	57,459	0	57,459
People - Adults	83,784	(409)	83,375	(2,547)	80,827	2,149	82,977	3,102	86,079	0	86,079
Place	24,915	(2,543)	22,372	(3,117)	19,255	1,316	20,571	(1,294)	19,277	(160)	19,117
Economy	1,006	6,636	7,642	(100)	7,542	(100)	7,442	(100)	7,342	(70)	7,272
Your Council	35,999	(3,106)	32,893	(2,830)	30,063	(306)	29,757	0	29,757	0	29,757
Non-Service Revenue	25,017	5,885	30,902	14,585	45,487	11,200	56,687	6,266	62,953	3,200	66,153
Further Savings to be Identified	0	0	0	(10,041)	(10,041)	(8,084)	(18,125)	(451)	(18,576)	1,899	(16,677)
Council Cash Limit	**242,292**	**9,714**	**252,006**	**(6,028)**	**245,978**	**6,230**	**252,208**	**7,781**	**259,989**	**4,868**	**264,857**
Planned Contributions form Reserves	-	(5,440)	(5,440)	5,440	0	0	0	0	0	0	0
Total General Fund Budget	**242,292**	**4,274**	**246,566**	**(589)**	**245,978**	**6,230**	**252,208**	**7,781**	**259,989**	**4,868**	**264,857**
Funding											
Council Tax	(107,805)	(5,327)	(113,132)	(3,405)	(116,536)	(4,136)	(120,673)	(4,279)	(124,952)	(3,762)	(128,713)
Council Tax Surplus	(2,175)	475	(1,700)	0	(1,700)	0	(1,700)	(500)	(2,200)	0	(2,200)
RSG	(21,993)	(176)	(22,169)	(333)	(22,502)	(450)	(22,952)	(459)	(23,411)	(234)	(23,645)
Retained Business Rates	(58,412)	(468)	(58,880)	(3,425)	(62,305)	(1,219)	(63,524)	(1,219)	(64,743)	(647)	(65,391)
Top up Business Rates	(22,100)	1,458	(20,642)	(1,014)	(21,656)	(424)	(22,080)	(424)	(22,504)	(225)	(22,729)
NNDR Growth	(400)	400	0	0	0	0	0	0	0	0	0
NNDR (Surplus)/Deficit	1,654	(754)	900	0	900	0	900	(900)	(0)	0	(0)
Total (Main Funding)	**(211,231)**	**(4,392)**	**(215,623)**	**(8,176)**	**(223,799)**	**(6,230)**	**(230,029)**	**(7,781)**	**(237,810)**	**(4,868)**	**(242,678)**
New Homes Bonus	(2,199)	110	(2,089)	2,089	0	(1)	(0)	0	(0)	0	(0)
Public Health	(20,228)	0	(20,228)	0	(20,228)	0	(20,228)	0	(20,228)	0	(20,228)
Other core grants	(8,634)	8	(8,626)	6,675	(1,951)	(0)	(1,951)	0	(1,951)	(0)	(1,951)
TOTAL (Core/Other External Grants)	**(31,061)**	**118**	**(30,943)**	**8,765**	**(22,178)**	**(1)**	**(22,179)**	**0**	**(22,179)**	**(0)**	**(22,179)**

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REF	Priority	Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Savings Total - (£'000)	Capital Investment - (£'000)
HO101	Housing	Housing Team Salaries - increase HRA contribution	274	-	-	-	-	**274**	-
HO102	Housing	HfH taking over the lease of PSL properties on their expiry	209	68	51	12	1	**341**	-
		TOTAL - Housing	**483**	**68**	**51**	**12**	**1**	**615**	**-**
AS101	People - Adult Services	Fast Track Financial Assessments	1,050	-	-	-	-	**1,050**	-
AS102	People - Adult Services	Client Contributions	487	-	-	-	-	**487**	-
		TOTAL - Adults	**1,537**	**-**	**-**	**-**	**-**	**1,537**	**-**
CH102	People - Children's Services	Maya Angelou Assessment and Contact Centre Traded Service	82	50	-	-	-	**132**	-
CH103	People - Children's Services	Delivering residential mother and baby assessments	239	269	30	30	-	**568**	-
		TOTAL - Children's Services	**321**	**319**	**30**	**30**	**-**	**700**	**-**
PL20/1	Place	Remodelling of the proposed Selective Licensing Scheme	-	100	-	-	-	**100**	-
PL20/3	Place	Reduction in Management of ASB Enforcement	78	100	-	-	-	**178**	-
PL20/9	Place	Full Cost recovery of services	130	100	70	50	-	**350**	-
PL20/14	Place	Commercial Waste	-	30	35	35	10	**110**	400
PL20/15	Place	Fleet	-	-	50	50	-	**100**	-
PL20/17	Place	Increase green waste subscriptions	-	15	15	20	20	**70**	-
PL20/18	Place	Crematorium Lease and Parks Property	20	20	20	20	-	**80**	-
PL20/20	Place	PL12 (Stage 2) Fuel Savings from Electric Vehicles	-	-	-	25	-	**25**	-
PL20/21	Place	Reduction of Events team from three to two.	45	-	-	-	-	**45**	-

REF	Priority	Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Savings Total - (£'000)	Capital Investment - (£'000)
PL20/22	Place	Visitors Vouchers Pricing Structure change	198	50	50	50	50	**398**	-
PL20/25	Place	Pay for Parking - Introduce a minimum 30 minute purchasable sessions, (currently 15 minutes)	250	-	-	-	-	**250**	-
PL20/26	Place	NSL contract negotiation	-	300	-	-	-	**300**	-
PL20/27	Place	Back office services efficiencies.	100	-	-	-	-	**100**	-
PL20/28	Place	Introduce Sunday charges - Car Park Pricing Structure	27	-	-	-	-	**27**	-
PL20/29	Place	Introduce Sunday charges - Pay for Parking Pricing Structure	73	-	-	-	-	**73**	-
PL20/30	Place	Targeted recovery of PCNs issued to persistent evaders. Dedicated resources introduced as part of new operational model and PMIS	80	80	80	80	80	**400**	-
PL20/31	Place	Concessionary Fares	1,200	600	(1,800)	-	-	**-**	-
PL20/32	Place	Visitors Vouchers Pricing Structure change -	-	180	-	-	-	**180**	-
PL20/33	Place	Residents Permits Pricing Structure	-	-	-	200	-	**200**	-
PL20/34	Place	Change 2 hour restrictions to full day	-	-	-	230	-	**230**	-
PL20/35	Place	Night Time Enforcement	-	-	-	80	-	**80**	-
PL20/36	Place	Pay for Parking - Introduce a minmum 1 hour purchaseable sessions,	-	-	-	100	-	**100**	-
PL20/38	Place	Moving Traffic PCN - expansion of moving traffic enforcment such as virtual road closures to support LTN	-	-	100	360	-	**460**	350
PL20/39	Place	Management and Support structure review	160	-	-	-	-	**160**	-
		TOTAL - Place	**2,361**	**1,575**	**(1,380)**	**1,300**	**160**	**4,091**	**750**

REF	Priority	Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Savings Total - (£'000)	Capital Investment - (£'000)
EC101	Economy	Additional Recharge to Housing Services	300	-	-	-	-	**300**	-
EC102	Economy	Additional Planning income from introducing new charges	200	-	-	-	-	**200**	-
EC103	Economy	Reduction in Energy Consumption on corporate buildings	50	-	-	-	-	**50**	50
		TOTAL - Economy	**550**	**-**	**-**	**-**	**-**	**250**	50
YC101	Your Council	Finance Savings	202	-	-	-	-	**202**	-
YC104	Your Council	Highway Searches	24	-	-	-	-	**24**	-
YC105	Your Council	Digital Services - Establishment Savings	250	-	-	-	-	**250**	-
YC109	Your Council	HR Savings	207	138	-	-	-	**345**	-
YC106	Your Council	Reduction in Legal Services Support	163	-	-	-	-	**163**	-
		TOTAL - Your Council	**846**	**138**	**-**	**-**	**-**	**984**	**-**
		TOTAL - Savings Proposals	**6,098**	**2,100**	**(1,299)**	**1,342**	**161**	**8,177**	**800**

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Appendix 3 - Total Savings Proposals 2021-2026

Priority	2021/22	2022/23	2023/24	2024/25	2025/26	Total Proposals
Pre-Agreed Saving Proposals (a)						
Housing	709	136	136	136	0	1,117
People - Adults	3,245	3,270	(376)	0	0	6,139
People - Children's Services	909	419	100	200	0	1,628
Place	2,067	1,059	70	0	0	3,196
Economy	120	130	120	0	0	370
Your Council	542	790	6	0	0	1,338
Total	**7,592**	**5,804**	**56**	**336**	**-**	**13,788**
Pre-Agreed Saving Proposals - C19 Budget Adjustments (b)						
Housing	136	136	(136)	(136)	0	0
People - Adults	(1,621)	710	911	0	0	0
People - Children's Services	(1,455)	941	0	0	0	(515)
Place	(200)	(50)	0	0	0	(250)
Economy	(220)	(30)	(20)	100	70	(100)
Your Council	(570)	2	0	0	0	(568)
Total	**(3,930)**	**1,709**	**755**	**(36)**	**70**	**(1,433)**
New Saving Proposals (c)						
Housing	483	68	51	12	1	615
People - Adults	1,537	0	0	0	0	1,537
People - Children	321	319	30	30	0	700
Place	2,361	1,575	(1,380)	1,300	160	4,016
Economy	550	0	0	0	0	550
Your Council	846	138	0	0	0	984
Subtotal	**6,098**	**2,100**	**(1,299)**	**1,342**	**161**	**8,402**
Cross-Cutting Proposals	750	2,250	0	0	0	6,850
Total	**7,411**	**5,813**	**651**	**1,292**	**161**	**15,027**
Total Savings Proposals - 2021/2026 (a+b+c)						
Housing	1,328	340	51	12	1	1,732
People - Adults	3,161	3,980	535	0	0	7,676
People - Children	(225)	1,679	130	230	0	1,814
Place	4,228	2,584	(1,310)	1,300	160	6,962
Economy	450	100	100	100	70	820
Your Council	818	930	6	0	0	1,754
Subtotal	**9,760**	**9,613**	**(488)**	**1,642**	**231**	**20,758**
Cross-Cutting Proposals	750	2,250	0	0	0	6,850
Total	**10,510**	**11,863**	**(488)**	**1,642**	**231**	**27,608**

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PROPOSED CAPITAL PROGRAMME PLAN FOR 2021/22 - 25/26

SCHEME REF	SCHEME NAME	2021/22 Budget £,000	2022/23 Budget £,000	2023/24 Budget £,000	2024/25 Budget £,000	2025/26 Budget £,000	2021/22 - 25/26 Total £,000
101	Primary Sch - repairs & maintenance	1,000	1,000	1,000	1,000	1,000	**5,000**
102	Primary Sch - mod & enhance (Inc SEN)	21,355	17,525	17,480	15,000	8,000	**79,360**
110	Devolved Sch Capital	531	531	531	531	531	**2,655**
114	Secondary Sch - mod & enhance (Inc SEN)	750	110	0	0	0	**860**
121	Pendarren House	745	2,243	1,495	70	0	**4,553**
123	Wood Green Youth Hub	790	0	0	0	0	**790**
122	Alternative Provision Strategy	1,300	2,500	3,500	3,500	1,200	**12,000**
People - Children's		**26,471**	**23,909**	**24,006**	**20,101**	**10,731**	**105,218**
201	Aids, Adap's & Assistive Tech -Home Owners (DFG)	2,193	2,193	2,193	2,193	2,200	**10,972**
208	Supported Living Schemes	2,500	2,500	1,000	1,000	0	**7,000**
209	Assistive Technology	500	500	0	0	0	**1,000**
211	Community Alarm Service	177	177	177	177	177	**885**
213	Canning Crescent Assisted Living	1,750	250	0	0	0	**2,000**
214	Osborne Grove Nursing Home	15,000	19,250	8,430	500	0	**43,180**
217	Burgoyne Road (Refuge Adaptations)	2,250	250	0	0	0	**2,500**
218	Social Emotional & Mental Health Provision	600	600	600	600	0	**2,400**
221	Mosaic System Implementation	1,250	1,250	0	0	0	**2,500**
People - Adults		**26,220**	**26,970**	**12,400**	**4,470**	**2,377**	**72,437**
301	Street Lighting	1,300	1,300	1,300	1,300	1,300	**6,500**
302	Borough Roads	4,373	4,769	6,044	6,924	6,924	**29,034**
304	Flood Water Management	650	680	710	0	0	**2,040**
305	Borough Parking Plan	321	321	321	321	321	**1,605**
307	CCTV	830	1,000	550	0	0	**2,380**
309	Local Implementation Plan(LIP)	1,000	1,000	1,000	1,000	1,000	**5,000**
310	Developer S106 / S278	250	250	250	250	250	**1,250**
311	Parks Asset Management:	300	300	300	300	300	**1,500**
313	Active Life in Parks:	230	230	230	230	230	**1,150**
314	Parkland Walk Bridges	0	496	85	0	0	**581**
322	Finsbury Park	600	600	600	0	0	**1,800**
328	Street & Greenspace Greening Programme	100	100	100	100	0	**400**
329	Park Building Carbon Reduction and Improvement Programme	800	800	800	0	0	**2,400**

SCHEME REF	SCHEME NAME	2021/22 Budget £,000	2022/23 Budget £,000	2023/24 Budget £,000	2024/25 Budget £,000	2025/26 Budget £,000	2021/22 - 25/26 Total £,000
331	Updating the boroughs street lighting with energy efficient Led light bulbs	3,500	0	0	0	0	**3,500**
333	Waste Management	200	200	0	0	0	**400**
119	School Streets	600	600	600	600	0	**2,400**
444	Marsh Lane	4,700	266	0	0	0	**4,966**
447	Alexandra Palace - Maintenance	470	470	470	470	470	**2,350**
621	Libraries IT and Buildings upgrade	85	0	0	0	0	**85**
334	Parks Depot Reconfiguration	400	0	0	0	0	**400**
335	Streetsplan	5,100	0	0	0	0	**5,100**
Place - Safe & Sustainable Places		**25,809**	**13,382**	**13,360**	**11,495**	**10,795**	**74,841**
401	Tottenham Hale Green Space	810	2,961	5,096	3,794	0	**12,661**
402	Tottenham Hale Streets	7,930	850	600	350	0	**9,730**
4003	Tottenham Hale Housing Zone Funding	6,663	4,326	0	3,663	0	**14,652**
411	Tottenham Heritage Action Zone (HAZ)	1,007	2,000	1,200	0	0	**4,207**
421	HRW Acquisition	90,000	3,940	6,830	6,000	0	**106,770**
429	Site Acq (Tott & Wood Green)	14,750	14,000	10,000	12,000	0	**50,750**
430	Wards Corner CPO	10,000	0	0	0	0	**10,000**
464	Bruce Castle	4,000	6,000	8,500	0	0	**18,500**
465	District Energy Network (DEN)	1,500	6,500	3,500	0	0	**11,500**
480	Wood Green Regen (2)	4,900	8,000	7,750	8,664	0	**29,313**
481	Strategic Investment Pot	1,987	1,950	0	0	0	**3,937**
482	Strategic Property	1,273	254	3	0	0	**1,530**
4001	Maintenance of Tottenham Green Workshops	50	0	0	0	0	**50**
4002	Northumberland Park estate area public realm	500	0	0	0	0	**500**
4005	SME Workspace Intensification	2,000	3,500	4,000	0	0	**9,500**
4006	Acquisition of head leases	10,000	12,000	0	0	0	**22,000**
4007	Tottenham Hale Decentralised Energy Network (DEN)	1,814	2,000	5,000	7,000	7,500	**23,314**
4008	Wood Green Decentralised Energy Network (DEN)	1,614	2,000	2,500	7,500	7,500	**21,114**
4009	Additonal Carbon Reduction Project	3,000	3,000	3,000	3,000	0	**12,000**
4010	Selby Urban Village Project	5,000	25,000	25,000	15,000	17,316	**87,316**
473	Enterprising Tottenham High Road (ETHR)	1,730	451	0	0	0	**2,181**
474	Tottenham High Road Strategy	600	587	0	0	0	**1,187**
475	Heart of Tottenham (HOT)	866	0	0	0	0	**866**
488	Liveable Seven Sisters (LSS)	1,227	2,250	1,019	0	0	**4,496**
493	Bruce Grove Yards (BGY)	1,300	1,670	218	0	0	**3,188**
4993	Pride in the High Road (PITHR)	400	432	0	0	0	**832**
404	Good Economy Recovery plan	1,400	500	100	0	0	**2,000**
453	New workspace scheme at Stoneleigh Road car park	400	1,000	0	0	0	**1,400**

SCHEME REF	SCHEME NAME	2021/22 Budget £,000	2022/23 Budget £,000	2023/24 Budget £,000	2024/25 Budget £,000	2025/26 Budget £,000	2021/22 - 25/26 Total £,000
454	HALS Improvement Programme	125	0	0	0	0	**125**
455	Replacement Cloud based IT solutions for Planning, Building Control & Land Charges	652	0	0	0	0	**652**
Economy - Growth & Employment		**177,498**	**105,171**	**84,316**	**66,971**	**32,316**	**466,271**
509	CPO - Empty Homes	6,000	1,000	1,000	0	0	**8,000**
Housing (GF) Homes & Communities		**6,000**	**1,000**	**1,000**	**0**	**0**	**8,000**
604	Continuous Improvement	950	950	950	950	950	**4,750**
607	Financial Management System Replacement	2,000	650	0	0	0	**2,650**
622	Customer First	500	0	0	0	0	**500**
639	Ways of Working	255	0	0	0	0	**255**
650	Connected Communities	700	0	0	0	0	**700**
653	Capital Support for IT Projects	450	450	450	450	450	**2,250**
698	Responsiveness Fund	2,000	0	0	0	0	**2,000**
316	Asset Management of Council Buildings	4,651	4,331	1,381	4,000	4,000	**18,363**
330	Civic Centre Works	5,000	5,500	4,500	5,000	1,250	**21,250**
470	Wood Green HQ, Library & Customer Service Centre	5,000	6,400	7,000	6,000	0	**24,400**
699	P6 - Approved Capital Programme Contingency	4,000	0	1,250	1,250	0	**6,500**
Your Council		**25,506**	**18,281**	**15,531**	**17,650**	**6,650**	**83,618**
TOTAL GF CAPITAL PROGRAMME		**287,504**	**188,713**	**150,613**	**120,687**	**62,869**	**810,385**
Housing (HRA) Housing Revenue Account							
	Existing Stock Investment (Haringey Standard)	65,278	56,835	69,868	53,412	25,348	**270,741**
	New Homes Build Programme	70,080	174,669	154,594	48,319	23,156	**470,818**
	New Homes Acquisitions	41,760	6,337	15,405	27,705	44,202	**135,409**
	TA Acquisitions	33,877	34,216	34,558	34,904	35,951	**173,506**
	New Homes Zero Carbon	76	151	605	1,183	140	**2,155**
	Existing Stock Carbon Reduction (Affordable Energy)	5,142	5,142	6,285	17,597	17,597	**51,763**
	Fire Safety	15,329	13,771	11,000	4,400	4,500	**49,000**
	Broadwater Farm	14,529	16,820	11,200	11,202	8,952	**62,703**
TOTAL HRA CAPITAL PROGRAMME		**246,071**	**307,941**	**303,515**	**198,722**	**159,846**	**1,216,095**
OVERALL CAPITAL PROGRAMME		**533,575**	**496,654**	**454,128**	**319,409**	**222,715**	**2,026,480**

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Adults

Mosaic System Implementation. This bid is to upgrade the current adult social care system to enhance its functionality and to future proof the system either through enhancing the existing system or implementing a new one. This will enable clients and providers of care to engage with each other directly through the system cutting down on manual processes. It will also enable mobile working by providing an interface between care providers and the system thus having real time access to information and real time updating. Currently the council is in a procurement process for a new system. If the current supplier is chosen, then it is estimated that the upgrade cost will be c£650k. However, if a new supplier is chosen then it is estimated that a budget of £2.5m will be required to implement the new system. The budget profile is £650k in 2021/22 should the current supplier be chosen. If a new supplier is chosen, then the budget profile would be £1.25m in 2021/22 and £1.25m in 2022/23.

Children's Services

Schools Capital Estate Maintenance. This bid has been developed after extensive surveys have been undertaken to determine the condition of the estate. These reviews have identified a works requirement of £227m. The majority of costs are in envelope (roof, windows), mechanical and electrical services, and fire related works and if not done could pose health and safety or closure risks at schools or education facilities. The surveys undertaken, on which the data above is based, were non-invasive for structural elements. There is a risk that structural work could add to project costs. Some allowance is included in the £227m above for intrusive surveys and associated works including structural surveys, damp surveys, roof surveys. A budget of £227m would resolve all the condition and suitability issues in the school estate (note, this sum excludes Pendarren and the Alternative Provision Strategy funding request). Based on the data received to date, we have the following condition backlog costs:

- Primary estate condition backlog cost: £146m
- Secondary estate condition backlog cost: £76m
- Children's Centres & Other condition backlog cost: £4.9m

The bid is for £33m and profiled as £6m in each of the years 2021/22 to 2024/25 and £9m in 2025/26.

The programme proposed would allocate a further £33m to the programme which, when combined with existing allocations, provides a budget of over £119m.

Alternative Provision Strategy. The option being proposed is for the establishment of an Alternative Provision Capital Programme within the MTFS. The programme will support the delivery of a comprehensive transformation plan for alternative provision and SEND in Haringey and contribute to the achievement of a deficit recovery plan for the Dedicated Schools Grant. It is suggested that a robust capital investment plan for alternative education provision, over a programme number of years, will deliver significant cost benefits and realise more sustainable, long term savings. In March 2020, Cabinet agreed to the implementation of a strategic change plan, Model for Change, 2020-2023 for the delivery of alternative provision in Haringey. Alternative Provision is 'Education arranged by Local Authorities for pupils who, because of exclusion, illness or other reasons would not otherwise receive suitable education: education arranged by schools for pupils on a fixed term exclusion and pupils being directed by schools to offer off-site provision to improve their behaviour'.

Local authorities are responsible for arranging suitable full-time education for permanently excluded pupils, and for other pupils who, because of illness or other reasons, would not receive suitable education without such provision. This applies to all children of compulsory school age resident in the local authority's area whether they are on the roll of a school or not, and whatever type of school they attend. The Model for Change, 2020-2023 document sets out key areas for transformational change with a view to reshaping how schools, partner organisations, parents, young people and the Council work together to deliver positive changes in the outcomes for some of our most vulnerable, and at risk, children and young people.

Our strategy for alternative provision aligns with the ambitions set out in the Borough Plan, 2019-2023, to improve outcomes for children, young people and their families. Our aims and objectives for the future of alternative provision delivery in the borough, also contribute to achieving the outcomes set out in the Council's Young People at Risk Strategy, 2019 – 2029, the emerging Early Help Strategy, BAME Attainment Strategy and the refreshed SEND Strategy. The case for change in alternative provision, is not only located in the substantial evidence pointing to poor, lifelong outcomes for children excluded from school and the significant number of young people excluded from school becoming vulnerable to, or involved, in the criminal justice system. We are also clear about the prevalence of children and young people with Special Educational Needs and Disabilities (SEND) facing barriers within mainstream education, ending up at risk of exclusion or being excluded requires some targeted attention.

Our strategy for alternative provision is located within a local and national context of increasing numbers of children and young people with identified SEND and also significant pressures on Council budgets to meet these needs. As is the case for local authorities across the country, in Haringey, Alternative Provision and the wider education offer for SEND is funded, in the main, through the High Needs Block (HNB) within the wider Dedicated Schools Grant (DSG). Projections indicate the numbers of pupils with additional needs are on an upward trajectory and becoming increasingly complex, particularly in respect of Social, Emotional and Mental Health (SEMH). For Haringey, we face challenges from: rising demand, lack of a strong early intervention tier of support, lack of appropriate targeted and specialist provision in the borough.

The overall strategic drive is to slow, and where possible, reverse the upward trajectory in demand and costs. In addition to this, a major strategic drive on inclusion is likely to be shaped around three broad tenets: Inclusive Practice, Inclusive Schools and Inclusive Neighbourhoods. The Inclusive Schools element considers how school buildings and environment can contribute to how we are able to tackle current challenges and those we anticipate arising in future years.

Proposals within the alternative provision strategy recognise these issues and set out plans that seek to address:

- Prevention and Early Intervention - creating the culture and environment within Haringey's mainstream education landscape to reduce school exclusions and the risk of school exclusion.

- Increase and improve local access - develop more local, targeted and specialist provision to improve access to support. Contribute to MTFS and DSG long term savings.

- Develop and increase in borough place capacity to reduce demand for high cost, out of borough placements and transport.

The bid is for £12m and is profiled as £1.3m 2021/22, £2.5m 2022/23, £3.5m, 2023/24, £3.5m 2024/25 and £1.2m for 2025/26.

Pendarren Outdoor Centre. A Condition and Suitability Survey was undertaken at the Pendarren Outdoor Education Centre in May 2019, which identified approximately £5.6 million of remedial works to bring the Centre back to fit for purpose condition. A budget allocation of £2m was made to address urgent condition and compliance issues in the main house as well as works to the Annexe to facilitate two schools using the Centre simultaneously. Based on the original condition survey and taking into account H&S items already being addressed (£1.7m) and adding inflation, fees and on costs, there are remaining condition costs from 2021/22 to 24/25 of £4.56m which would address residual fabric mechanical electrical and external condition issues. The surveys undertaken, on which the data above is based, were non-invasive for structural elements. There is a risk that structural work could add to project costs.

The budgeted profile of the additional budget is £0.745m in 2021/22, £2.243m in 2022/23, £1.495m in 2023/24 and £0.07m in 2024/25.

Economy

The Good Economy Recovery Plan. The plan was published in August 2020 and includes a set of subsidiary strategies. The High Streets Recovery Action Plan was published alongside and includes a list of both funded and unfunded projects. Of the unfunded projects, some can be capitalised. Officers have produced outline costings for these activities, which this bid seeks to cover. Costs that can be capitalised include:

- Making High Streets Fit for purpose - £500k (building on short-term Reopening High Streets Safely interventions and targeting high streets not covered by that grant)
- Meanwhile...in Haringey - £400k (capital works to bring vacant shops into use, new signage treatment, fit out and occupation with Haringey SMEs/creatives/producers - focus on Council premises but with investigations for private vacant buildings, to be match funded in return)
- Shutter Gallery - £250k build on pilot project, circa £30k per parade for 10 creative murals/treatments
- Market trading investment - £30k capital investment for TGM, £30k for Crouch End / other Town Centres
- 'Welcome Back' to town centres - signage/commissions at key gateways
- Shopfront improvement schemes - £550k for schemes in 4 town centres, circa 20 businesses
- Unallocated - £240k

It is intended that this is a borough-wide allocation, which would concentrate activities on areas with highest concentrations of businesses to maximise impact. This would address existing area gaps (no capital funding currently for Crouch End or any other businesses outside Wood Green and Tottenham) and gaps in uncommitted spend (existing allocations of capital for Tottenham and Wood Green are project-specific and do not include allocations for the above projects). This allocation would deliver against the Place and Economy priorities of the Borough Plan and would be pivotal in allowing the Council to meaningfully respond to the pressures created by the Covid-19 pandemic.

An allocation from the approved capital programme contingency has been made for 2020/21 of £0.25m. The balance of funding for the scheme is £1.4m in 2021/22, £0.5m in 2022/23 and £0.1m in 2023/24.

The 551b High Road. This bid is to expand the existing proposal for a mixed-use development. The current scheme at the site is not viable and initial studies indicate that a larger project would be viable. The project sits within the 'Enterprising Tottenham High Road' scheme. The bid is seeking to cover the costs of delivering a larger building, with increased outputs. The project has been included as part of the Council's Future High Streets Fund bid which seeks a contribution of £2m of grant funding from MHCLG, with the result announced in the Autumn. As it is unclear whether the bid will be successful, this new Capital Bid is intended to allow the larger project to continue if the MHCLG funding is not secured. The project is high priority within the repair and renewal plans for the following reasons:

- A viability appraisal has concluded that the larger option is viable if let at market rents
- The project is supported by contractually committed external match funding
- It is part of a wider programme (Enterprising Tottenham High Road) and forms evidence to support a current bid to Future High Streets Fund
- The building is a Council owned asset, and so further investment will allow the Council to extract social value through new employment opportunities
- The project delivery is in line with Community Wealth Building principles, targeting a locally orientated multi-disciplinary design team and maximising opportunities for paid local commissioning
- The project's ambitious sustainability targets align with the Council's target to become a Carbon Neutral Borough by 2041
- The project supports the GERP's top priorities, including helping businesses into work/training through offering work experience/apprenticeships and delivering new, high quality workspace
- The project represents significant investment into the physical environment of the High Street (Tottenham High Road) through delivery of publicly accessible yard space and a new F&B facility. If the Council is successful with FHSF in the autumn the capital bid would be reviewed in consultation with lead and ward members.

The funding for the scheme is £0.750m in 2021/22, £1.250m in 2022/23.

Stoneleigh Walk Car Park. This project covers a range of schemes to develop mixed use housing and employment space on several council owned car parks. The car parks involved are:

Stoneleigh Rd Car Park C:
Stoneleigh Rd Car Park B
Stoneleigh Rd Car Park A
Tottenham Green Workshop Car Park
Somerset Rd Car Park

The scheme is part of the Future High Streets Fund bid. Should the bid be successful then this bid will not be required. Should it not be successful then it will be funded through existing resources. This is a new bid for a capital scheme covering the mixed use development of 7 Council owned car park sites supporting employment uses, housing delivery (c. 82 homes) and placemaking. This bid is for the non housing costs only. The housing related costs will be contained within the HRA capital programme.

The project is included as part of the Council's Future High Streets Fund bid which seeks a contribution of £2.39m of grant funding from MHCLG, with the result announced in the Autumn. As it is unclear whether the bid will be successful, this new Capital Bid is intended to allow the project to continue if the MHCLG funding is not secured.

The bid cost includes:

Design team fees for masterplanning and development of the employment elements of the scheme to RIBA 4 (tender). The housing elements of the project will be separated at the commencement of RIBA Stage 2 and will be delivered and funded by the Housing Delivery Team.

- Masterplanning design fees to assist with early viability appraisals and brief development - £100k
- Design fees for employment uses from RIBA 0-4 - £450k
- Surveys and due diligence - £100k
- QS fees - £50k
- Planning fees (Pre app and QRP) - £20k
- Legal fees - £15k
- Procurement/DPS fees - £15k
- Delivery costs for 1 workspace element - £1m
- Total - £1.75m

Currently the early stages of the project are being funded through the existing capital programme. The proposed allocation for future years is £0.4m in 2021/22, £1.0m in 2022/23.

HALS Improvement. The HALS bid is to remodel their existing accommodation to facilitate new models of service delivery as well as investment in ICT to improve the online learning experience for learners and the wider Haringey workforce. This bid provides for deploying a multi-modal learning solution, that will allow HALS to offer a hybrid approach to delivering courses, supporting learners at its Wood Green Facility, online in their homes, and out in the community. It includes a project to procure and deploy a corporate Learning Management Solution, taking advantage of an opportunity to combine the requirements of HR Workforce to replace the Fuse Learning Solution, with HALS need for a VLE and learning delivery needs from services across the council. The proposal will increase HALS capacity and reach, improve the quality of their facilities and online delivery, increasing their engagement with the community and opportunities to secure future funding. While the corporate LMS solution will provide a more compliant workforce, delivering better knowledge retention, and improved rates of training completion, while streamlining administration and course management contributing to improved opportunities and outcomes for learners. The risks in not progressing with this piece of work are, a severely degraded learner experience, an inability to meet the learning needs of our community in light of the Coivd-19 restriction to the operating model, and an increasing risk of critical failure of HALS infrastructure. The Fuse contract would also have to be extended beyond Aug-21, and/or alternative service specific LMS solutions procured, at greater council wide expense. The combined cost of these solutions is £300k over the next two financial years (through to Dec-21). The 2020/21 cost of £175k will be met from the existing IT Capital Budget and this bid is to fund the additional expenditure of £125k.

Cloud Based ICT for planning and building control. The planning and building control service have identified a need to move to a cloud based online system that will reduce risks and costs and improve the service offer. The project will commence and complete in 2021 so the spend profile will be £652k in 2021/22

Housing

Expansion of CPO budget. In response to the growing number of empty homes in the borough, Cabinet agreed a refreshed version of the Council's existing empty homes policy in July 2020 - the Policy's overarching aim is to bring all empty homes back into use. Building on the work already carried out to manage empty homes, the refreshed Policy offers a variety of tools and balances support and advice for landlords and an enforcement approach when efforts to work with the owner fails. The strengthened enforcement approach requires an increase in capital funding and Cabinet agreed at its meeting in July to - Note that a capital bid of £5m will be made to increase the CPO budget to £6m as part of the 2021/22 budget setting process. The increase in capital will meet the increase in CPO action and the introduction of Empty Dwelling Management Orders.

Compulsory Purchase Orders (CPO). Where it can be proven that no other means is available to the Council which will result in the property being returned to use, the Council can seek to use Compulsory Purchase Orders (CPO). The Council's CPO powers are used as a final option and are governed by legislation and must be in accordance with Government guidance. In pursuing a CPO the Council must show that all necessary funding is likely to be available to bring this property back into use as housing accommodation, failure to do so is likely to result in the Secretary of State refusing the application. Capital funding is currently available for the purchase of empty homes, however the current market value of homes in the borough often allows for only one or two purchases to be made at any one time.

Empty Dwelling Management Orders (EDMOs). Cabinet agreed to extend enforcement powers to include EDMOs. EDMOs bridge the gap between voluntary measures and CPOs. The process is complex, resource-intensive, and requires two stages, an interim and final stage, at the end of which the council can let and renovate the property and then recover the costs of that process through rental income.

The bid is for £5m in 2021/22.

Place

The Parkland Walks Bridges. This scheme is already within the approved capital programme. This bid is to seek additional funding to complete works to three of the seven Parkland Walk Bridges that the Parks Service is responsible for. Of the agreed 2020/21 capital budget, £300k was redirected to the Covid reserve. Further review has identified additional scheme costs of a further £280k. Therefore, the total additional bid is for £0.581, which is profiled £0.496m in 2022/23 and £0.085m in 0223/24. The additional £280k costs relate work required to investigate and prepare design solutions for the three additional bridges (St James Lane Viaduct, MP Villas and Northwood Road). The additional cost also includes an allowance for temporary works in the period between now and when the full works can take place. At the end of this phase works will have been completed on the bridges at Upper Tollington, Vicarage Road and Stanhope Road. Design solutions and tender packages will have been prepared for Stapleton Hall Road, St James Lane, MP Villas and Northwood Road. The works on these bridges will be subject to a separate capital bid which is expected to be made in 2023/24.

Principal Road Maintenance. This bid covers the planned maintenance for the Principal Road Network (PRN). These roads are the most important borough managed transport routes and carry the highest volumes of vehicles including buses, cyclists, and pedestrians. Funding for maintenance of the PRN has historically come from Transport for London via an annual settlement as part of the Annual Spending Submission (ASS) through the Local Implementation Plan process. TfL initially suspended funding for maintenance of the PRN for 2 years in 2018/19 due to financial difficulties. This has now extended into a 3rd year. In 2019/20 and 2020/21 due to the deteriorating network and level of member and public concern a one-off allocation has been made to undertake essential maintenance of the PRN. With the full suspension of all TfL ASS programmes due to financial difficulties and a redirection of emergency DfT funding for TfL to social distancing, it is unclear whether any principal road maintenance (PRM) funding will be made available in 2021/22. We are unclear when TfL will be able to provide further clarify on the matter which is likely to be dependent on future DfT funding. This bid level takes into account the continued deterioration of the highways network represents the minimum level required to be able to be able to maintain the operation of PRN during 2021/22 at which point it is hoped that TfL will reinitiate funding of the programme, or at least provided clarity for future arrangements. Failure to secure this level of funding is likely to result in the need to divert essential funding from other programmes and may well impact on the ability to meet walking and cycling aspirations. Should TfL decide to restart mainstream funding for PRM within 2021/22 via the ASS, or alternative mechanisms, then that funding will replace this requirement through the council's capital programme. The budget is proposed for 2021/22 and is for £0.5.

Investing In Pavements. There is the legal obligation on any authority to maintain its highways and they must provide for a safe and expedient movement to, from and around our borough. Decisions on the way the Council manages its highways have economic, social, and environmental impacts and need to be made carefully. Like many other boroughs in London and across the country, Haringey has historically underinvested in its highway maintenance, and the condition of the highway network in Haringey has been declining. This underinvestment was confirmed in recent condition surveys indicating that the borough's highway assets were in a relatively poor condition. Assessments forming part of a recent review of the Council's Highway Asset Management Strategy established that some 16% of the Council's unclassified roads (carriageway) network was in need of maintenance and that some 59% of footways required treatment. Having regard for the generally poor condition of the highway infrastructure, the review also sought to establish the level of funding needed for a combination of reactive and planned maintenance using benchmarking across London. It was concluded that reactive maintenance funding needed to be increased by £1.1m per annum, and that funding for planned footway maintenance would need to be increased from £1.9m to £3.5m per annum. The budget proposal is for £0.896m in 2022/23, £2.171m 2023/24, £3.051m 2024/25 and £3.051m in 2025/26.

Borough Parking Plan. The funding requested here is to be able to respond to requests for new CPZ's and any changes to existing CPZ's arising from consultation. The new Tottenham Hotspur Stadium has prompted an increase in parking complaints. The stadium complex hosts many more events and employs many more staff; thereby adding to parking congestion in the area. The wider area development plan includes high-density housing, much of which may be designated car free. It also includes a hotel, a museum, a community health centre and other sports and leisure facilities. All of these will result in increased activity in the area with even greater parking pressure on local roads. Other developments, including increased rail services and several railway station upgrades in the local area together with a major new housing regeneration to be located at the northern boundary of the borough, are likely to see a marked increase in demand for parking by commuters using the improved transport connections. The regeneration project will also see a significant increase in the population of the local area, again adding to parking demand. Our current and future programmes will prioritise CPZ areas that have not been recently reviewed providing an opportunity for the council to establish how effective the operational times and days are and if they continue to provide a good use of kerb space. The planned schemes listed in the table are to address the following issues:

- Parking in Finsbury Park during events that has been addressed using temporary measures, however this is proving to be unnecessarily costly and it is the Councils intention to consider a more permanent solution.
- Parking changes in the areas around the Tottenham Hotspur Stadium (Tottenham North) are now out of date with the new stadium and its changes in use. As these zones have not been reviewed it is necessary that a more tailored approach is needed to ensure that events are properly catered for in the interests of resident, businesses and visitors.
- Interzonal commuting have been reported between Wood Green inner and Wood Green outer zones. As with the Tottenham North zone these zones are overdue for a review and issues of congestion and intra zonal parking have been raised by residents. The need to address vehicle displacement is a regular theme and is the case for Hornsey North and Bruce Castle, with Hornsey North being the result of a successful smaller zone and Bruce Castle being a consequence of new neighbouring zones. Following an agreed review of feedback from residents White Hart Lane will be assessed to see if changes to the operational days and hours best meet the needs of residents and businesses.

The profile of investment is £0.321m in each of the years 2021/22 through to and including 2025/26.

CCTV Monitoring. This is a new capital scheme to purchase 14 mobile cameras to further enhance and expand the moving traffic enforcement initiative. These cameras will support virtual road closures and the low traffic neighbourhood initiative. They will also support the delivery of MTFS savings of £500k and will contribute towards the transport strategy and clean air policy. CCTV. A complete desktop survey is required to identify correct camera location, lamp column and commardo socket. Surveys will need to be commissioned from contractors to ensure sites are sound and suitable for installation. Further surveys will need to be commissioned to identify contravention captured for new potential sites. Order, complete structural testing, install and configure cameras. Full implementation is expected to be complete by 31st March 2024. Following implementation there will be on-going revenue costs estimated at £50k to support back office activities; software licence charges, warranty (after one year) maintenance & repair, and processing costs. Successful implementation will be measured by capturing contraventions. Likely Performance Indicator will be how many contraventions captured. The cost of this bid is estimated £0.35m in 2023/24.

Parks Depot Reconfiguration. There is an opportunity to dispose of the Parks Depot at Keston road for sale as a development site. However, in order to release the site other parks depots will have to be improved to accommodate the staff welfare facilities, materials and equipment storage and secure vehicle parking that will be displaced. The capital funding will be used to reconfigure other parks depots as part of a wider Building Asset Management plan and carbon reduction programme already agreed in parks. The sale is expected generate a further £0.4k in a capital receipt for the council as part of the councils cross cutting property workstream and the achievement of the MTFS.

The reconfiguration will also support the provision of improved welfare conditions for Parks staff. The profile of the spend is £0.4m in 2021/22.

Waste Containment. This proposal is to enable delivery of proposed MTFS saving PL20-14 on Commercial Waste. PL20-14 seeks to deliver net savings of £0.110m by increasing income from commercial waste. Delivery of the saving will be achieved by investing in waste containment infrastructure and bin storage capacity in areas of time banded collections. The profile of expenditure is £0.2m in 2021/22 and £0.2m in 2022/23.

Streetspace Plan. Projects to support active travel and reducing carbon emissions in line with the Borough Plan, Transport Strategy, Climate Change Action Plan and Air Quality Action Plan. The interventions also support social distancing during Covid19, the local economy, employment, businesses, and high streets, and are referenced in the Good Economy Recovery Plan. A range of projects were submitted to TfL/DfT for funding bids totalling around £7m. £1.1m was secured in Summer 2020. The remaining bids not yet funded externally are around £5.7m. We expect up to approximately £0.6m to be confirmed by TfL/DfT in December 2020 but this is not guaranteed. If confirmed, this would leave around £5.1m to be funded. There may be future TfL/DfT funding tranches announced but this is not confirmed and highly unlikely to cover the whole cost of the projects. These walking and cycling projects are eligible for funding from Strategic Community Infrastructure Levy (SCIL). The budget proposed is £5.1m for 2021/22.

Your Council

Civic Centre Refurbishment. Additional funding to enable the refurbishment and improvement works at the Civic Centre. The project will provide modern, fit-for-purpose Civic and office accommodation, supporting a variety of strategic aims in the Borough Plan objective Your Council. It will renew a Listed Building in a Conservation Area, providing improved amenity value for the community. The project will address environmental issues with the existing building, supporting the Council's Zero Carbon objectives, reducing energy costs, and improving liveability for building users. The project will deal with a variety of H&S compliance issues. The effect of not proceeding would be to have a significant heritage building remaining vacant. The budget profile for the additional expenditure is £4m in 2022/23, £4m in 2023/24, £5m in 2024/25, and £1.25m in 2025/26.

Approved Capital Programme Contingency. It is prudent for a capital programme of Haringey's size that a contingency is included. The contingency will enable the Council to respond to pressures that the capital programme may experience. The budget allowance is £4.0m in 2021/22.

Responsiveness Fund. The proposed budget will enable the Council to respond to in year requests for match funding from external bodies. It is anticipated that the Government will respond to the Covid-19 pandemic with economic stimulus. An effective route is through capital spending. This budget would enable the Council to respond to such requests. Failure to have such a budget may risk opportunities for inward investment in the borough. The proposed budget is £2m in 2021/22.

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APPENDIX C

Appendix 3

MTFS Savings Tracker (2020/21 - 2024/25)
Priority: People (Childrens)
Period: Quarter 2 Period 6

						Red
						Amber
						Green
MTFS Savings Ref	**Saving proposal**	**Description**	**2020/21 £'000s**	**2020/21 Projected Full Year Savings £'000s**	**2020/21 Savings (surplus)/ shortfall £'000s**	**RAG Status (Delivery of 2020/21 Saving)**
People (Childrens)						
PC1	Reduce the number of agency staff	Reduce the the number of agency staff through delivering an effective recruitment and retention strategy.	61	157	(96)	Green
PC4	Safeguarding and Social Care and Early intervention and preventing demand	Prevent demand and costs through an effective prevention and intervention approach that means children and families are supported to avoid the care system and that where children are in care (particularly young adolescents) they are supported to return home	250	0	250	Red
PC3	Reduce the costs of placements	Reduce the costs of placements through an effective inhouse foster carer recruitment and retention strategy and through effective brokerage and negotiation of	90	90	0	amber
20/25-PE03	Invest to Save - Edge of Care	Prevent demand and costs through an effective prevention and intervention approach that means children and families are supported to avoid the care system and that where children are in care (particularly young adolescents) they are supported to return home	857	142	715	red
20/25-PE04	Invest to Save proposal - In-House Fostering	Recruit and retain in-house foster carers and reduce the reliance on more expensive independent fostering agency foster carers.	282	322	(40)	amber
20/25-PE05	Invest to Save - SEND Transport	Transform the SEND transport service with a focus on reducing transport costs through increasing competition.	168	(46)	214	red
20/25-PE06	Invest to Save - Pause Project	Implement the national programme which is voluntary for women who have experienced, or are at risk of, repeat removals of children from their care.	(186)	(322)	136	amber
20/25-PE07	Invest to Save - Family Assessment Centre	Aims to bring in-house the parenting assessments where children are subject to Public Law Outline or are in care proceedings – currently these are commissioned through independent social workers and mother and baby assessment residential units.	321	399	(78)	Green
20/25-PE08	Invest to Save - Foster Carer Room Extension	Aims to increase fostering placement capacity through the funding of housing adaptations for existing in-house foster carers who have homes with Homes for Haringey.	193	0	193	amber
20/25-PE09	0-19 year old public health commissioned services - a new integrated commissioned service delivery model	Public Health is working with the commissioned service provider to change the current service provision of three separate services into one integrated service model. Currently three commissioned services are within the Council's Section 75 Agreement with the CCG. These are the Health Visiting Service (including the HENRY programme), the School Nursing Service and the Family Nurse Partnership programme. All services are provided by Whittington Health NHS Trust.	125	125	0	green
20/25-PE10	Reducing placement costs through effective management of the market	This proposal considers ways to shape the local residential care market for children by taking demand off the free market and creating some diversity in the care market. This will be done through reviewing the feasibility of a number of delivery approaches including opening	(100)	(100)	0	green
20/25-PE11	UASC Accommodation	Insourcing accommodation for unaccompanied asylum seekers from expensive private providers to local properties leased directly by Homes for Haringey.	150	6	144	amber
20/25-PE12	Reduce operational costs in Schools and Learning and Commissioning	Identify any residual discretionary spend in Schools and Learning and reduce to deliver savings. Identify and reduce operational costs in Commissioning.	50	50	0	green
20/25-PE13	Review of spend on transport and taxis	Review of existing transport policy applicable to staff and foster carers to ensure: -Consistent application of policy -Clear statement of eligibility -Improved value for money by considering both transport chosen and cost of time spent travelling by individual staff members	0	0	0	green
Total: People (Childrens)			**2,261**	**823**	**1,438**	

MTFS Savings Tracker (2020/21 - 2023/24)							
Adults	Month 6 - Quarter 2						
MTFS Savings Ref	**Saving proposal**	**Description**	**2020/21 Target £'000s**	**2020/21 Saving achieved £'000s**	**2020/21 Variance £'000s**	**2020/21 Slippage £'000s**	**RAG Status (Delivery of 2020/21 Saving)**
B2.7	Haringey Learning Disability Partnership	The Haringey Learning Disability Partnership, working jointly with Children's Services and with key partners such as the Clinical Commissioning Group and the London Borough of Islington, will implement a coherent strategy that aims to bring Haringey's demand and spending on adults with learning disabilities in line with our statistical neighbours and limit growth in spending in line with population growth.	1,490	358	297	835	Amber
B2.8	Mental Health	Working with our delivery partner, Barnet, Enfield & Haringey Mental Health Trust, the Clinical Commissioning Group and our communities to strengthen the prevention and 'enablement' pathways for mental health and to ensure the support we provide minimises the long-run dependency of adults with mental health issues. For those whose needs require a social care intervention, we will develop the market and look at new commissioning arrangements to improve value for money as well as promoting choice and control for the service user.	550	72	253	225	Red
B2.9	Adults OP / PS / SS	Working with the CCG, acute providers and primary care to extend independence, choice and control to those with physical support needs and further strengthen the pathways that prevent, reduce and delay the need for social care.	1,130	659	471	0	Green
PA4	Transfer of High Cost Day Opps	Lease three ex-day centre premises to a local provider to support 15-20 service users at reduced cost, and closer to their existing support networks (Ermine Road).	525	19	81	425	Amber
PA5	In-House Negotiator	Expand in house Care Negotiator capacity to work with providerson reducing the cost of care packages in relation to overcharging against service user needs.	344	0	144	200	Red
	Osbourne Grove	Closure of existing 30-bed nursing home. Re-development for 70-bed nursing home scheduled to open 2023-24.	1,034	1,034	0	0	Green
		Main Savings	5,073	2,142	1,246	1,685	
	Early Help and Prevention	Draft pro forma received. A final version required mid Sept	188	0	46	142	Red
	Carers Support Impact	Early identification of carers, invest in carer support and avoid breakdown of care	36	0	36	0	Green
	Early Intervention for Dementia	Outreach and extension of dementia testing and identifying early support: increased quality of life and avoiding crisis and more intensive care packages	97	0	97	0	Green
	Increase % of DPs - to 42%	The cost of Direct Payment is approx. £5p/h cheaper than direct provision. By offering more clients direct payments in total cost will be reduced	400	0	214	186	Red
	Outcomes and reablement	By targeting reablement to additional cohorts the outcomes would be improved and as a consequence reduced home care hours would be needed	175	0	175	0	Green
Total: People (Adults)		**Savings with Mitigations**	**5,969**	**2,142**	**1,814**	**2,013**	

MTFS Savings Tracker (2020/21 - 2024/25)

Priority: Housing

Period: Quarter 2 Period 6

								Red
								Amber
								Green
MTFS Savings Ref	**Cabinet Decision Date**	**Saving proposal**	**Description**	**2020/21 £'000s**	**2020/21 Saving achieved YTD £'000s**	**2020/21 Projected Full Year Savings £'000s**	**2020/21 Savings (surplus)/ shortfall £'000s**	**RAG Status (Delivery of 2020/21 Saving)**
Housing								
PL1	43508	Additional HMO Licensing Scheme for HMO	Extend the current Additional Licensing scheme for HMOs not governed by Mandatory Licensing and introduce a Selective Licensing scheme to 20% of its geographical area for all other private sector dwellings covered by the Housing Act 2004. All licensing schemes are intended to address the impact of poor quality housing, rogue landlords and anti-social tenants.	400	0	232	168	**Amber**
HO1	12-Feb-19	Temporary accommodation reduction plan	Reduce TA costs, as detailed in the TA Reduction Plan. Proposals include initiatives to prevent homelessness, improve economic position of those in TA, and help support those in TA to move on. Revenue costs covered by the Flexible Homelessness Support Grant. Plan also includes proposals to increase supply of low cost TA through new purchase, repair and management joint venture partnership, and capital investment in new Community	708	382	0	326	**Amber**
20/25-HO01	11-Feb-20	Transferring PSLs to the CBS	Private Sector Leasing properties are leased by the Council from private landlords for between one and five years with a guaranteed rent for the term of the lease. Leases are mainly based on 90% of the 2011 LHA plus a £40 a week management fee (the latter being a transfer from FHSG). The CBS has been established to lease properties purchased by the Council to use them as TA or to discharge homelessness. Unlike the Council, the CBS can charge the current (2019) Local Housing Allowance (LHA) for the area the property is located in. Therefore moving these leases could mean total additonal rental income of £1.19m if all leases were transferred. This would require, in each	68	0	36	32	**Amber**
Total: Housing				**1,176**	**382**	**268**	**526**	

MTFS Savings Tracker (2020/21 - 2024/25)

Priority: Place

Period: Quarter 2 Period 6

MTFS Savings Ref	Cabinet Decision Date	Saving proposal	Description	2020/21 £'000s	2020/21 Saving achieved YTD £'000s	2020/21 Projected Full Year Savings £'000s	2020/21 Savings (surplus)/ shortfall £'000s	RAG Status (Delivery of 2020/21 Saving)
								Red
								Amber
								Green
Place								
PL4	12-Feb-19	Increase in Moving Traffic Enforcement	The parking and traffic enforcement service enforces moving traffic contraventions at a number of locations. Moving traffic enforcement is undertaken by CCTV camera. Capital investment £40k - Infrastructure measures	40	10	30	**0**	Green
PL7	12-Feb-19	Litter Enforcement	The proposal is to consider the option for an in-house service provision based on a pilot with an external contractor, Kingdom, from November 2016 to September 2017. An in-house litter enforcement provision would enable the Council to retain 100% of all Fixed Penalty Notice (FPN) income received.	100	0	35	**65**	Red
PL8	12-Feb-19	Soft FM Efficiency	Re-commissioning of soft FM services and services delivered through Amey contract (e.g. efficiencies in postage & franking, front of house, security).	25	0	25	**0**	Amber
PL12	12-Feb-19	Waste Service Programme	Review of all waste and street cleansing services to identify potential savings	500	0	344	**156**	Red
PL13	12-Feb-19	Parking Transformation Programme	Parking Transformation Programme to deliver significant improvements to this service over the coming three years. Includes a CPZ rollout programme taking the borough to 100% coverage, and extending parking permit charging models to tackle emissions from Diesel vehicles	500	0	125	**375**	Red
20/25-PL02	11-Feb-20	Debt Recovery	Dedicated team of officers to proactively chase payment of outstanding debts from unpaid PCN's. Use of new IT system, additional CEO's and nuisance vehicle contract to remove offending vehicles and encourage payment of outstanding debt and improve overall recovery rate percentage. PL09 is an invest to save proposal, there is a required £150k Service Revenue investment to generate £360k income, with a net savings of £210k	210	0	58	**152**	Red
20/25-PL03	11-Feb-20	CCTV enforcement of weight limits and emissions through ANPR/DVLA check	Use of new technology cameras to record vehicle reg plates and immediately look up DVLA database to establish vehicle weight and emissions. Will require significant investment in infrastructure and back office arrangements.	62	7	6	**49**	Red
20/25-PL04	11-Feb-20	Increase permit charges for highest emitting 'petrol' vehicles	A flat fee increase in Permit charge for the most polluting petrol emission band(s). Note a flat fee increase for diesel vehicles is already under consideration within Parking Action Plan and Parking Transformation. The new IT system would allow us to implement more dynamic permit and on street charges. The IT system will also allow us to determine the number of vehicles in each of the emissions band, so we will have accurate data to base decisions	75	0	75	**0**	Green
PL05	11-Feb-20	Increased trade waste	Invest to save model by increasing enforcement of trade waste to drive up compliance and income. Ensure time banding is adhered to and traders do not use residential collection services for their waste. Offending traders to be visited by Veolia-Haringey sales team. A three-month trial is recommended to quantify the overall benefits of this project to LBH . Traders who appear to be without contracts and traders who appear to have insufficient capacity will be visited.	25	0	0	**25**	Red
20/25-PL10	11-Feb-20	Crematorium Lease	The council's Parks Service manages the lease on the borough's crematorium operated by Dignity. There is a contractual inflation rise each year in the income on this lease, plus a general increased share of their profits.	20	0	20	**0**	Green
20/25-PL13	11-Feb-20	EV Charging	Lamp Column, Standard and Rapid - will increase this year. Income is based on medium or high uptake of EV charging. 38 CP' shave been installed and work is progressing on Phase 2. Work is also continuing on TfL funded (rapid) charging Points and GULC's funded charging points. However, progress for all EVCPs has stalled because of change in design specification (as per ULEV action plan) to prioritise installation on carriageway and not footways. Suppliers are resistant as this adds c£2000k to costs for a build-out. Carbon Management negotiating with suppliers to fund build-outs.	100	0	50	**50**	Red
20/25-PL14	11-Feb-20	Parking Transformation Programme	The Parking Transformation Programme (PTP) is a series of parking related projects and workstreams, which seeks to increase income and provide and more efficient and effective service.	1,360	0	680	**680**	Red
20/25-YC09	11-Feb-20	Maximising filiming income & venue management	To make Haringey more attractive to film companies by identifying vacant buildings for meanwhile use as production bases, and by making parking easier in order to generate income	6	0	0	**6**	
Total: Place				**3,023**	**17**	**1,448**	**1,558**	0

MTFS Savings Tracker (2020/21 - 2024/25)
Priority: Economy
Period: Quarter 2 Period 6

Red | Amber | Green

MTFS Savings Ref	Cabinet Decision Date	Saving proposal	Description	2020/21 £'000s	2020/21 Saving achieved YTD £'000s	2020/21 Projected Full Year Savings £'000s	2020/21 Savings (surplus)/ shortfall £'000s	RAG Status (Delivery of 2020/21 Saving)
Economy								
20/25-EC03	11-Feb-20	Alternative funding model for sites delivery work	Regeneration officers are engaged in a significant amount of work on the delivery of sites which will result in new housing (including affordable housing). This proposal is to review that activity and identify where general fund revenue could be displaced by either S106 funding or new capital budgets.	100	50	30	20	Amber
EC5	12-Feb-19	Outdoor media adverstising	Proposal to generate new income from outdoor media, utilising the council's landholdings by identifying sites suitable for outdoor installations. It is estimated that net income in 2020/21 would be at least £100k, and increasing significantly over future years.	15	0	0	15	Red
20/25-EC02	11-Feb-20	Reduction of North Tottenham Regeneration revenue budgets	The proposal is to reduce general fund revenue costs in North Tottenham budgets (Northumberland Park and High Road West) by reducing expenditure on e.g. some community engagement activities and events.	75	15	40	20	Amber
20/25-EC01	11-Feb-20	Head Lease Acquisition Programme	The proposal is to allocate capital budget to enable the acquisition by the Council of as many head-leases as possible on sites where the Council already owns the freehold, in order for the Council to stop paying rent to these landlords and to receive all of the passing rent from those properties which are tenanted by commercial or other tenants.	100	0	50	50	Red
20/25-EC04	11-Feb-20	Use of Strategic Acquisitions budget for sites delivery work	The Regeneration service has submitted a bid for new capital funding for Employment-Led sites delivery. This proposal would seek to offset the impact of these costs on revenue budgets. The proposal is to identify costs within the service that are eligible for this funding, and to apply LBH Capital to offset LBH revenue spend. Achieving these savings will require a corresponding capital allocation.	75	30	0	45	Amber
20/25-EC05	11-Feb-20	Increased capitalisation of staff time and project costs	As of 19/20, the Regeneration service has rapidly increased its capitalisation of costs, which is now high in all Area Regeneration budgets. The proposal is to capitalise further, using an increased capital budget for Tottenham Hale. A bid to increase the existing Streets & Spaces and Green & Open Spaces capital lines (Schemes 401 and 402) has been submitted, on the grounds of construction inflation and increased capitalisation requirements.	75	30	30	15	Amber
20/25-EC06	11-Feb-20	Increased recharge to HRA	The service is now engaged in a significant amount of work on estates and on the delivery of new affordable housing, which would be eligible for HRA spend. The proposal is to increase the amount of revenue funding provided from the HRA each year. A review of the HRA budget is underway, and it is proposed that this work accomodates an increased recharge from Regeneration on a yearly basis, reflecting new workstreams on estates and towards the delivery of affordable housing.	100	60	0	40	Amber
20/25-EC07	11-Feb-20	HRP Senior Restructure	In June 2019, the S&R commitee approved the senior managment restructure within Housing, Regeneration & Planning. With a number of changes taking place within the Directoraite, the restructure was an opportunity to streamline the structure, align responsibilities to achieve maximum efficiency and eliminate duplication while recognising the need to build a confident and stable approach to Housing, Regeneration and Planning.	30	30	0	0	Green
20/25-EC08	11-Feb-20	Strategic Property Unit – New Income Outdoor Media	This proposal comprises an opportunity to achieve new income potential by securing rental payments from outdoor media companies. This includes digital billboards and an innovative building wrap with a digital display for advertising purposes and council messages.	100	50	0	50	Amber
20/25-EC09	11-Feb-20	Strategic Property Unit – New Income Rent Reviews	The saving arises from rent reviews that have been identified as overdue. Two agency employees have achieved the target savings in the years 2018/2020 to date and further savings have been identified and agreed with tenants as rent increases.	100	0	0	100	Amber
20/25-EC10	11-Feb-20	Strategic Property Unit – New Income 5g	This proposal comprises an opportunity to achieve new income potential by securing rental payments from Mobile Operators and Infrastructure providers.	20	0	0	20	Red
20/25-HO02	11-Feb-20	HfH and Council Housing Programme- funding for Carbon Management team time	The Carbon Management Team undertakes a significant amount of work for Homes for Haringey and the Council housing delivery team. This proposal would make provision for the Carbon Management Team to recharge the Housing Revenue Account for this work. This work is undertaken by staff funded through general fund revenue budgets, and as such an equivalent saving can be made to the general fund revenue budget through recharge from the HRA.	40	0	40	0	Green
20/25-PL08	11-Feb-20	FM Transformation	Terminating the Amey contract for FM Services and bringing Soft FM back in-house, and transferring Hard FM to Homes for Haringey. Approximately 100 staff will be in scope for a TUPE transfer. The proposed saving will be achieved through improved efficiency and returning Amey overhead and profit to the council. The transformation will include purchase of a new Property IT system, and service improvements particularly relating to building repairs and maintenance.�	150	0	0	150	Red
Total: Economy				**980**	**265**	**190**	**525**	0

MTFS Savings Tracker (2020/21 - 2024/25)
Priority: Your Council
Period: Quarter 2 Period 6

Red
Amber
Green

MTFS Savings Ref	Cabinet Decision Date	Saving proposal	Description	2020/21 £'000s	2020/21 Saving achieved YTD £'000s	2020/21 Projected Full Year Savings £'000s	2020/21 Savings (surplus)/ shortfall £'000s	RAG Status (Delivery of 2020/21 Saving)
Your Council (incl Council-Wide)								
A6.3 and A6.4	13-Feb-18	FOBO - SSC and Customer Services	A series of individual service improvement / efficiency opportunities within the SSC.	1,760	738	0	1,022	Amber
YC1	12-Feb-19	Out of home advertising income generation	The proposal is to recommission the street furnishing advertising contract. Moving to digital display to ensure communication messages can be updated quickly, and to remove printing costs.	5	0	0	5	Amber
20/25-YC01	11-Feb-20	The service will continue to reduce the amount of paper being used, stored and transported and this has lead to financial savings.	The service will continue to reduce the amount of paper being used, stored and transported and this has lead to financial savings.	13	13	0	0	Green
20/25-YC02	11-Feb-20	Income from joining the London Counter Fraud Hub	The London Counter Fraud Hub, managed by CIPFA, is a counter fraud service developed to supply data analytics, investigations and recoveries service for London local authorities and the City of London Corporation. Unlike traditional data matching hubs, this project is an end-to-end service providing expert advice and operational support around sophisticated analytics. The overarching objective for the service is to increase fraud and corruption detection, and improve fraud prevention, share common risks across London, minimise losses and maximise recovery, so that fraud and corruption does not pay. Three data sources (Council Tax - Single Person Discount, Housing Tenancy and Non Domestic Rate records are entered into the analytics part of the Hub through a secure transfer. Using sophisticated technology, the Hub will analyse the data to identify frauds against the 32 London local authorities and the City of London Corporation.	25	25	0	0	Green
20/25-YC03	11-Feb-20	The proposal is to increase the income target of providing legal services to Haringey Clinical Commissioning Group (CCG) by £30K.	The proposal is to increase the income target of providing legal services to Haringey Clinical Commissioning Group (CCG) by £30K. In December 2017, the Council's Legal Services entered into a Service Legal Agreement (SLA) with Haringey CCG to provide legal support with the CCG cases within the Haringey Learning Disability Partnership. These are cases relating to incapacitated patient that requires an application to the Court of Protection to safeguard their welfare. They include cases in the Transforming Care Programme.. Since the SLA, Haringey CCG has been referring cases to Legal Services and the feedback of the support has been positive. The arrangement has enabled the CCG to access the Council's in-house legal expertise which is more cost effective. The support and encouragement of Adult Social Care, Children Services, Commissioning and Public Health for the CCG to utilise our in-house provision is crucial. The proposal compliments the Borough Plan - Priority 2 - People The proposal is dependent on a slight increase in the level of new instructions from CCG to Legal Services.	30	30	0	0	Green
20/25-YC04	11-Feb-20	Finance Savings	The proposal seeks to make efficiency savings across the Finance function from a combination of: * Increased income - from providing services to external bodies and further revisions to recharging to non-GF heads * Reductions to the staff establishment enabled by the embedding of the Business Partner model * Longer term staff savings arising from the planned update or replacement of the Council's current finance system. These savings are not expected to be realised until 2022/23	340	340	0	0	Green
20/25-YC08	11-Feb-20	The proposal is to use Flexible Capital Receipts to fund ALL posts in the CPMO.	The proposal is to use Flexible Capital Receipts to fund some posts in the CPMO. The justficiation is that, while it is difficult to estimate the proportion of time that each 'delivery' staff member will spend on individual projects in a year, most will by definition be working on change projects for the majority of their time.	92	0	47	45	Amber
20/25-YC10	11-Feb-20	Additional sites for on street digital advertising	The proposal is to generate an income from the advertising opportunities in the borough. While we have recently awarded contract for our digital on street advertising, we are now looking at other forms of advertsing, which are sympathetic to the surroundings and maximise the councils commercial returns. This is in the form of street advertising, out of home advertising, and libraries/customer services advertising.	110	0	0	110	Red
20/25-YC11	11-Feb-20	Review of Corporate Centre	We are looking at ways to reconfigure the corporate centre in the light of the LGA Corporate Peer Review recommendations as set out in their final report published in February 2019. One aspect of this is the recommendation to bring together the teams with skills in policy and strategy, data analysis, and problem solving, which, the LGA peers argued, would in itself help to provide better support to the organisation. There are currently 5 senior posts leading these teams: Head of Policy and Cabinet Support at Head of Service level, and leads at PO7 and above in Policy, the Leader's office, the Corporate Delivery Unit (CDU), and Performance and Business Intelligence. The proposal is to reduce the number of senior posts to 4.	214	157	30	27	Amber
20/25-YC12	11-Feb-20	Digital Services - Proposed Contribution	The proposal is for the Capitalisation of infrastructure staff who support the delivery of programmes/projects. This will either be via Captial receipts used to pay for staff who work on tranformative initiatives or Capital funds where staff produce a tangible asset in relation to the work undertaken.	345	345	0	0	Green
Total: Your Council				**2,934**	**1,648**	**77**	**1,209**	

MTFS Savings Tracker (2020/21 - 2024/25)
Priority: Your Council
Period: Quarter 2 Period 6

Red
Amber
Green

MTFS Savings Ref	Cabinet Decision Date	Saving proposal	Description	2020/21 £'000s	2020/21 Saving achieved YTD £'000s	2020/21 Projected Full Year Savings £'000s	2020/21 Savings (surplus)/ shortfall £'000s	RAG Status (Delivery of 2020/21 Saving)
Your Council (incl Council-Wide)								
A6.3 and A6.4	13-Feb-18	FOBO - SSC and Customer Services	A series of individual service improvement / efficiency opportunities within the SSC.	1,760	738	0	1,022	Amber
YC1	12-Feb-19	Out of home advertising income generation	The proposal is to recommission the street furnishing advertising contract. Moving to digital display to ensure communication messages can be updated quickly, and to remove printing costs.	5	0	0	5	Amber
20/25-YC01	11-Feb-20	The service will continue to reduce the amount of paper being used, stored and transported and this has lead to financial savings.	The service will continue to reduce the amount of paper being used, stored and transported and this has lead to financial savings.	13	13	0	0	Green
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20/25-YC04	11-Feb-20	Finance Savings	The proposal seeks to make efficiency savings across the Finance function from a combination of: * Increased income - from providing services to external bodies and further revisions to recharging to non-GF heads * Reductions to the staff establishment enabled by the embedding of the Business Partner model * Longer term staff savings arising from the planned update or replacement of the Council's current finance system. These savings are not expected to be realised until 2022/23	340	340	0	0	Green
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Total: Your Council				2,934	1,648	77	1,209	

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Agenda Item 8

Report for:	Overview & Scrutiny Committee 18 January 2021
Title:	Treasury Management Strategy Statement 2021/22
Report authorised by:	Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
Lead Officer:	Oladapo Shonola, Head of Finance (Treasury and Pensions) Oladapo1.shonola@haringey.gov.uk 020 8489 1860
Ward(s) affected:	N/A
Report for Key/ Non Key Decision:	Non Key decision

1. Describe the issue under consideration

1.1 To present the Treasury Management Strategy Statement for 2021/22 to this Committee for scrutiny before it is presented to Corporate Committee and then Full Council for final approval.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the proposed updated Treasury Management Strategy Statement for 2021/22 is scrutinised and comments made prior to its presentation to Corporate Committee and Council for approval.

4. Reasons for decision

4.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year.

5. Alternative Options Considered

5.1 None

6. Background information

6.1. The CIPFA Treasury Management Code of Practice requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management, is then subject to scrutiny before being approved by Full Council. In Haringey, the Corporate

Committee is responsible for formulating the Treasury Management Strategy Statement for recommendation to full Council through Overview and Scrutiny Committee. Any comments by Overview and Scrutiny will be reported to Corporate Committee. Training will be provided in advance of the meeting by Arlingclose, the Council's Treasury advisor.

6.2. The key updates to the proposed strategy being considered are summarised below:

- The Treasury Management Strategy Statement sets out a five year position throughout the report, which better aligns with the Council's medium term financial strategy and budget report.

- Now that PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield, a practice not previously undertaken by this Council, the strategy makes clear the Council's intention to continue to avoid this activity in order to retain its access to PWLB loans.

- As was the case in the last strategy, this Treasury Management Strategy Statement allows for the possibility of the Council diversifying its treasury investments into higher yielding asset classes (paragraph 5.4). Were this to proceed, this would represent a change in the Council's strategy from prior years, and is included in the strategy to allow for this as a possibility at this stage, not for final decision making purposes. This would be the subject of further reports for later in the financial year if this is to proceed further, and would return to Overview and Scrutiny prior to progression.

- The strategy maintains the maximum limit of £5m on any single investment on the basis that the Council's treasury reserve is of this level.

7. Contributions to Strategic Outcomes

7.1 The treasury strategy will influence the achievement of the Council's budget.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1 The approval of a Treasury Management Strategy Statement is a requirement of the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code.

8.2 Financial Comments are contained throughout the treasury management strategy statement.

Legal

8.3 The Assistant Director of Corporate Governance has been consulted on the content of this report. The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislation.

8.4 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.

8.5 As mentioned in this report the CIPFA Treasury Management Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available and any further oral advice given at the meeting of the Committee.

Equalities

8.6 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 Appendix 1 – Treasury Management Strategy Statement 2021/22.

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

London Borough of Haringey

Treasury Management Strategy Statement 2021/22

1. Introduction

1.1. Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

1.2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.3. Investments held for service purposes or for commercial profit are considered are considered in section 6 of this report, in line with the 2018 MHCLG Guidance.

2. External Context – provided by the Council's appointed treasury advisor, Arlingclose

2.1. **Economic background:** The impact on the UK from coronavirus, lockdown measures, the roll out of vaccines, as well as the trading arrangement with the European Union (EU), will remain a major influence on the Authority's treasury management strategy for 2021/22.

2.2. The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

2.3. UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

2.4. GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

2.5. GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

2.6. The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

2.7. Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization

2.8. **Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainty around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

2.9. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

2.10. Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

2.11. **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

2.12. Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

2.13. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A**.**

2.14. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate of 3%.

3. Local Context

3.1. On 30th November 2020, the Authority held £509.9m of borrowing and £46.4m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1a: Balance sheet summary – cumulative forecast Capital Financing Requirement (CFR) and borrowing balances

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
General Fund CFR	449.2	614.9	748.2	853.6	924.5	961.8	954.5
HRA CFR	274.3	424.9	552.9	737.2	912.9	1036.2	1058.6
Total CFR	**723.4**	**1039.8**	**1,301.1**	**1,590.8**	**1,837.4**	**1,998.0**	**2,013.1**
Less: Other debt liabilities *	-31.2	-27.3	-23.5	-19.5	-15.3	-10.9	-08.4
Loans CFR	**692.3**	**1012.5**	**1,277.6**	**1,571.3**	**1,822.1**	**1,987.1**	**2,004.7**
Less: Internal borrowing	-160.6	-200.6	-200.6	-200.6	-200.6	-200.6	-200.6
CFR Funded by External Borrowing	**531.7**	**811.9**	**1077.0**	**1,370.7**	**1,621.5**	**1,786.5**	**1,804.1**
Breakdown of external borrowing:							
Existing Borrowing**	531.7	495.4	480.9	473.5	452.3	445.6	441.1
New Borrowing to be raised	0.0	316.5	596.1	897.3	1169.3	1,340.9	1,363.0

* leases and PFI liabilities that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3. The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £1,363m over the forecast period.

3.4. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1a shows that the Authority expects to comply with this recommendation during the course of the MTFS.

3.5. The capital plans which underpin the borrowing requirement above are dealt with in the council's main budget report (in particular the Capital Strategy section). All of the Council's capital programme is robustly scrutinised and tested to ensure that the capital plans are affordable and prudent. The above shows the five year effects of the Council's capital programme, however all capital plans are assessed in their entirety (i.e. some schemes are for a greater than 5 year time frame).

3.6. The breakdown of the borrowing position at each financial year end for both the General Fund and the HRA is shown below:

Table 1b: Year end borrowing position summary

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
GF	242.0	386.6	523.7	633.1	708.3	750.0	745.1
HRA	289.7	425.3	553.2	737.6	913.2	1036.5	1058.9
Total	**531.7**	**811.9**	**1,077.0**	**1,370.7**	**1,621.5**	**1,786.5**	**1,804.1**

4. Borrowing Strategy

4.1. The Authority currently holds £495m million of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1a shows that the Authority expects to increase its borrowing by up to £596m by the end of 2021/22. The Authority may also borrow additional sums to reduce its existing internal borrowing to satisfy future years' borrowing requirements, providing this does not exceed the authorised limit for borrowing as set out in table 2 of this report.

4.2. **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.3. **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. However, given the size of the Council's capital programme, and the need to diversify the Council's debt portfolio to further minimise refinancing risk. Long term borrowing will also be required during 2021/22, so the strategy will be to fulfil the Council's borrowing requirement during the financial year with a mixture of long and short term borrowing.

4.4. By doing so, the Authority is able to reduce net borrowing costs. The benefits of short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.5. The Authority has in recent years raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, and may investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority has not done this in the past and has no plans to engage in such activity, and will thus retain its access to PWLB loans.

4.6. Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.7. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)

- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Haringey Pension Fund and the London Collective Investment Vehicle)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.8. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.9. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

4.10. **LOBOs:** The Authority holds £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £75m of these LOBOs have options during 2021/22, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so, however, it recognises that lenders are highly unlikely to offer this while the interest rates on existing loans remain above prevailing rates.

4.11. Some LOBO lenders are now open to negotiating premature exit terms from LOBO loans via payment of a premium to the lender. Haringey Council's policy will be to exit LOBO agreements if the costs of replacing the loans, including all premium, transaction and funding costs, generate a material net revenue saving for the Council over the life of the loan in net present value terms, and all costs are consistent with Haringey's approved medium term financial strategy. Whether to repay a LOBO loan will be determined by the S151 Officer, in line with Haringey's constitution.

4.12. When loans are prematurely repaid, there is usually a premium payable to the lender, to compensate them for interest forgone at the contractual rate, where prevailing interest rates are lower. Haringey would need to refinance LOBOs by raising borrowing for both the original sum borrowed, and the premium payable to the lender. However, this type of arrangement can prove beneficial where interest savings exceed premium costs. Replacing LOBOs, that contain an option for lenders to increase the rate, with fixed rate debt will reduce refinancing and interest rate risk.

4.13. As the Council's borrowing portfolio grows in line with its capital spending plans, the LOBOs will continue to shrink as a proportion of the Council's total borrowing.

4.14. **Short-term and variable rate loans**: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

4.15. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

4.16. **Borrowing Limits:** The council's total borrowing limits are set out in table 2 below.

4.17. 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 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.

4.18. 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.

4.19. The Chief Finance 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.

Table 2: Borrowing Limits

	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m
Authorised limit – borrowing	979.6	1,207.4	1,501.0	1,751.6	1,918.5	1,930.1
Authorised limit – PFI & leases	30.9	31.0	25.7	20.2	14.4	11.1
Authorised limit – total external debt	**1010.5**	**1,238.4**	**1,526.7**	**1,771.8**	**1,932.9**	**1,941.2**
Operational boundary - borrowing	929.6	1,157.4	1,451.0	1,701.6	1,868.5	1,880.1
Operational boundary – PFI & leases	28.1	28.2	23.4	18.4	13.1	10.1
Operational boundary – total external debt	**957.7**	**1,185.6**	**1,474.4**	**1,720.0**	**1,881.6**	**1,890.2**

5. <u>Treasury Investment Strategy</u>

5.1. The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £31.9 and £166.6 million, and similar levels are expected to be maintained in the forthcoming year. It is a requirement of the Markets in Financial Instruments Directive II (MiFID) that the Council maintains an average investment balance of at least £10m, in order to maintain professional client status (see also paragraph 11.7)

5.2. **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3. **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4. **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to maintain its policy of utilising highly creditworthy and highly liquid investments such as loans to other local authorities, AAA rated money market funds and the Debt Management Office (part of HM treasury). If the Authority were to consider diversifying into more secure and/or higher yielding asset classes during 2021/22, in particular for the estimated £10m that is available for longer-term investment due to being required for the MiFID professional client status, this would be the subject of further reports as it would represent a change in.

5.5. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.6. **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time Limit	Counterparty Limit	Sector Limit
The UK Government	50 years	£Unlimited	N/A
Local authorities & other government entities	25 years	£5m	Unlimited
Banks (secured)*	2 years	£5m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building Societies (unsecured) *	13 months	£5m	£20m
Reigstered providers (unsecured) *	5 years	£5m	£20m
Money market funds	N/A	£5m	Unlimited
Strategic pooled funds	N/A	£5m	Unlimited
Real Estate Investment Trusts	N/A	£5m	Unlimited

5.7. **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than

A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.8. **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

5.9. **Bank Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.10. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.11. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.12. **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over banks of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.13. **Pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

5.14. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

5.15. **Operational bank accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.16. **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.17. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.18. **Other information on the security of investments**: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.19. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.20. **Investment limits**: The Authority's revenue reserves available to cover investment losses are forecast to be £5 million on 31st March 2021. In order that no more than 100% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.21. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any single organisation, except the UK Central Government	£5 m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates	£5m in total
Money market funds*	£25m in total
Real estate investment trusts	£5m in total

* These limits apply for both Haringey Council and Haringey pension Fund, so the limit for Money Market Funds is £5m per MMF and £25m aggregate limit for the Council, and £25m for the Pension Fund.

5.22. **Liquidity management**: The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

6. Investment Strategy

6.1. Non Treasury Management Investments

6.1.1. The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

6.1.2. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

6.2. Treasury Management Investments

6.2.1. The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10 million and £50 million during the 2021/22 financial year.

6.2.2. **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

6.2.3. **Further details:** Full details of the Authority's policies and its plan for 2021/22 for treasury management investments are covered in the previous section, section 5 of this report.

6.3. **Service Investments**

6.3.1. **Contribution:** The Council lends money to third parties such as its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

6.3.2. **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, it will be ensured that any new loans made will remain proportionate to the size of the Authority. Balances as at 31.03.2020 were as follows:

Table 5: Loans for service purposes in £ millions

Category of borrower	31.3.2020 actual		
	Balance owing	Loss allowance	Net figure in accounts
Subsidiaries	16.9	-0.3	16.6
Local businesses	4.7	-0.7	4.0
Local charities	47.9	-43.5	4.3
Local residents	0.1	0.0	0.1
Employees	0.1	0.0	0.1
TOTAL	**69.7**	**-44.6**	**25.2**

6.3.3. The largest balance above relates to Alexandra Palace debts (shown under local charities). There are historic debt balances owed by the Trust that have not been legally discharged, totalling £47.9m. Much of this loan, £43.1m, is legally outstanding but does not currently have repayments being made, this debt dates back to previous decades when the Council expended funds on behalf of the Trust. Although the £43.1m debt has not been legally discharged, the Council has agreed that it will only seek to recover this when the Trust is in a position to repay amounts due. The remainder of the outstanding amount are more recent loans relating to works carried out on the Ice Rink and West Storage Yard – these are being repaid in line with the original loan agreements. The loans to local business include the opportunity investment fund, and a loan to a business who operates some of Haringey's leisure facilities.

6.3.4. Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2019/20 onwards are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

6.3.5. **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by weighing up the service outcomes any such loan could provide against the creditworthiness of the recipient. This is done on a case by case basis, given the low number of such arrangements. This forms part of the Council's capital programme, further details of which are in the Council's annual medium term financial strategy.

6.4. **Commercial Investments: Property**

6.4.1. Contribution: The Council holds properties which are classified as 'investment properties' in the Council's statement of accounts. These properties are all within the local area, therefore contributing to the Council's local placemaking duties, and include approximately 200 shops, offices and other commercial premises. The revenue stream associated with these (net of the costs of maintaining the properties) forms part of the Council's annual budget, therefore contributing to the resources available to the Council to spend on local public services. Any future acquisitions that the Council makes in this area will be made with reference to the CIPFA Prudential Property Investment guidance issued in 2019.

6.4.2. The value of investment properties disclosed in the 2019/20 statement of accounts was £88.6m.

7. Capacity, Skills, Culture and Advice

7.1. 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.

7.2. Given the significant amounts of money involved, it is crucial members have the necessary knowledge to take treasury management decisions. Training sessions are arranged for members to keep their knowledge up to date.

7.3. The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

7.4. The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is reviewed by the Council's treasury management staff.

7.5. Appropriately skilled and experienced finance and legal staff members work with service departments to ensure that the risks associated with any projects they undertake, and compliance with regulation and statutory guidance are properly understood, and form a key consideration in any decision making process.

7.6. The Council's constitution has clearly defined roles and responsibilities for treasury management responsibilities, both for members, committees, and officers.

8. Investment Indicators

8.1. The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.

8.2. **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses.

Table 6: Total investment exposure

Total investment exposure	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	92.3	15.0	15.0
Service investments: Loans	25.2	24.8	24.4
Commercial investments: Property	88.6	88.6	88.6
TOTAL INVESTMENTS	206.1	128.4	128.0

8.3. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 7: Investments funded by external borrowing

Investments funded by borrowing	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	0.0	0.0	0.0
Service investments:	19.3	19.8	20.5
Commercial investments: Property	68.1	71.1	74.7
TOTAL FUNDED BY BORROWING	87.4	90.9	95.2

8.4. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 8: Investment rate of return

Investments net rate of return	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	0.70%	0.75%	0.75%
Service investments:	1.19%	1.19%	1.19%
Commercial investments: Property	6.16%	4.00%	4.00%
ALL INVESTMENTS	3.11%	3.08%	3.08%

9. Treasury Management Indicators

9.1. The Authority measures and manages its exposures to treasury management risks using the following indicators.

9.2. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	*Above A-, score of 7 or lower*

9.3. **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3 month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£10m

9.4. **Interest rate exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£2m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£2m

9.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

9.6. **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

9.7. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

9.8. **Total short term borrowing:** the Council has used short term borrowing (under 1 year in duration) from other local authorities extensively in recent years, as an alternative to longer term borrowing from PWLB, due to the lower interest rates, and corresponding revenue savings. Short term borrowing could also be raised from other counterparties such as banks. Short term borrowing exposes the Council to refinancing risk: the risk that interest rates rise quickly over a short period of time, and are at significantly higher rates when loans mature and new borrowing has to be raised. With this in mind, the Authority will set a limit on the total amount of short term borrowing that has no associated protection against interest rate rises, as a proportion of all borrowing.

Short term borrowing	Limit
Upper limit on short term borrowing that exposes the Council to interest rate rises as a percentage of total borrowing	30%

9.9. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£10m	£10m	£10m

10. Minimum Revenue Provision Policy Statement

10.1. Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

10.2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

10.3. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

10.4. The Council's MRP policy was reviewed and revised to better reflect the rules set out in the prudential code and government guidance around prudent provision for repayment of borrowed capital. The revised policy, which took effect from 1 April 2016, ensured that provision for capital repayment is made over a period that is commensurate with the period in which the asset purchased provides benefits.

<u>General Fund MRP policy: borrowing before 2007/08</u>

10.5. The Council calculates MRP on historic debt based on the Capital Financing Requirement (CFR) as at 1 April 2007.

10.6. The Council calculates the MRP charge based on 2% of that CFR, fixed at the same cash value so that the whole debt is repaid after 50 years in total.

10.7. The historic MRP policy for borrowing incurred before 2007/08 led to MRP charges that exceeded what prudence required during the period from 1 April 2007 to 31 March 2016. This resulted in a cumulative charge at 31 March 2016 that was in excess of what is considered prudent and appropriate under the current policy. To reflect the historic over-provision the Council undertakes an annual review to determine whether to make a realignment of MRP charged to the General Fund, using the policy set out above, to recognise the excess sum charged to that point.

10.8. The following conditions will apply to the annual review:

- Total MRP after applying realignment will not be less than zero in any financial year.
- The cumulative total of the MRP realignment will never exceed the amount of historical over-provision calculated to 31 March 2016.

10.9. The table below summarises the historic overprovision position on pre 2008 General Fund expenditure:

Table 9: Summary of historic overprovision of MRP on pre 2008 GF expenditure

	£m
MRP provided between 2008-2016 under previous policy to 31.3.2016	78.0
MRP required to be provided between 2008-2016 under current policy	45.2
Overprovision as at 31.3.2016	32.9

10.10. The remaining overprovision of MRP as at 31.3.2020 was £12.7m. The estimated MRP charges relating to pre 2008 general fund expenditure are summarised in the table below, due to the historic overprovision, MRP charges are estimated to be nil until part way through 2022/23 at which point the historic overprovision will be cleared.

Table 10: Estimated MRP charges on GF pre 2008 expenditure

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m	£m
MRP charge on pre 2008 GF expenditure	5.0	5.0	5.0	5.0	5.0	5.0
Less: historic overprovision	-5.0	-5.0	-2.7	0.0	0.0	0.0
Net MRP charge for pre 2008 expenditure	0.0	0.0	2.3	5.0	5.0	5.0

General Fund MRP policy: prudential borrowing from 2007/08

10.11. For borrowing incurred on schemes described by the Government as Prudential Borrowing or Unsupported Borrowing, MRP will be calculated over the estimated remaining useful life applicable to the expenditure (usually the useful life of the asset it is financing) using the Annuity repayment method in accordance with Option 3 of the guidance.

10.12. This means that MRP will be calculated on an annuity basis (like many domestic mortgages) over the estimated life of the asset, at an appropriate interest rate. Estimated life periods will be determined by the Section 151 Officer under delegated powers.

10.13. In accordance with the provisions in the guidance, MRP will be first charged in the financial year following the one in which the entire asset to which the charge relates, becomes fully operational.

10.14. Financial agreements such as loans, investments or where assets are to be acquired for future development (including where capital receipts are part of the business case), will not, at the discretion of the CFO, attract MRP. This discretion will be applied where it is reasonable to assume that the initial capital investment will be returned to the Council in full at maturity or over a defined period.

HRA MRP policy

10.15. There is no statutory requirement to make an annual MRP charge for HRA assets, and the Authority does not currently plan to do this given the current low level of debt per property that the Council holds, and the fact that sums charged as depreciation in the HRA are spent on major repairs to the Authority's housing stock to ensure they remain in suitable condition. This policy will be kept under annual review.

Concession Agreements

10.16. MRP in relation to concession agreements (e.g. PFI contracts) and finance leases are calculated on an asset life method using an annuity repayment profile, consistent with the method for all prudential borrowing since 2007/08. Estimated life periods will be determined under delegated powers.

Finance Leases

10.17. For assets acquired by finance leases, including leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Statutory capitalisations

10.18. For expenditure which does not create a fixed asset, but is statutorily capitalised and subject to estimated life periods that are referred to in the guidance, these estimated periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

10.19. Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, at the discretion of the Section 151 Officer.

10.20. The Section 151 Officer may approve that such debt repayment provision may be made from capital receipts or from revenue provision.

11. Related Matters

11.1. The CIPFA Code requires the Authority to include the following in its treasury management strategy.

11.2. **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

11.3. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

11.5. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

11.6. **Housing Revenue Account:** On 1st April 2012, the Authority 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 their entirety 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. Differences between the value of the HRA loans 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 each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

11.7. **Markets in Financial Instruments Directive**: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this most appropriate status.

12. Revenue Budget Implications

12.1. The budget for investment income in 2021/22 is £0.2 million, based on an average investment portfolio of £25 million at an interest rate of 0.75%. This is assumed to remain constant throughout the MTFS.

12.2. The budget for debt interest paid in 2021/22 is detailed in the table below for both the General Fund and HRA. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

12.3. The table below demonstrates the revenue budgets in both the General Fund and HRA for both interest costs on borrowing, and Minimum Revenue Provision charges. The Council's capital programme is moving to a financing strategy that seeks to ensure that investment via the capital programme is self-financing. The self-financing schemes will normally only proceed if they produce a reduction in expenditure that includes reductions enough to cover the cost of financing the investment. The level of these savings is demonstrated in the table below.

Table 11: Revenue budget for interest costs and MRP:

	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
MRP - pre 2008 expenditure	0.0	0.0	2.3	5.0	5.0	5.0
MRP - post 2008 expenditure	5.5	8.7	14.2	17.4	20.8	24.0
Total MRP	**5.5**	**8.7**	**16.4**	**22.5**	**25.8**	**29.0**
Interest Costs (General Fund)	4.5	9.1	9.5	11.4	12.7	12.9
Total Gross Capital Financing Costs (General Fund)	**10.0**	**17.9**	**25.9**	**33.9**	**38.5**	**42.0**
Offsetting Savings for self financing schemes	-0.7	-5.2	-8.9	-12.3	-14.7	-15.2
Total Net Capital Financing Costs (General Fund)	**9.3**	**12.7**	**16.7**	**20.1**	**22.3**	**26.8**
Interest Costs (HRA)	**16.4**	**18.6**	**23.3**	**28.8**	**33.0**	**35.8**

13. Other Options Considered

13.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance (S151 Officer) having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast - November 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

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