

Report for: Cabinet Meeting 12th February 2019

Item number:

Title: 2019/20 Budget/Medium Term Financial Strategy (MTFS) 2019/20-2023/24

Report

authorised by: Jon Warlow, Director of Finance and Section 151 Officer

Lead Officer: Oladapo Shonola, Lead Officer – Budget & MTFS Programmes
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Ward(s) affected: All

Report for Key/

Non/Key Decision: Key decision

1 Describe the issue under consideration

- 1.1 Cabinet received a report on the Draft Budget on 11th December 2018 which set out the need for further work to be undertaken in order to arrive at this report and members agreed that consultation be undertaken on the proposals in that report. The 2019/20 budget and 2019/24 MTFS proposed here have due regard to the subsequent corporate Equalities Impact Assessment and the consultation feedback.
- 1.2 The Council has a statutory requirement to set a balanced budget for 2019/20 and this report forms a key part of the budget setting process by setting out the likely funding and expenditure for that year. Additionally, in order to ensure the Council's finances over the medium term are built on a sound basis, this report also sets out the funding and expenditure assumptions for the following four years (2020/24) in the form of a Medium Term Financial Strategy (MTFS). Cabinet's role in this is to recommend the budget and key policy proposals to Full Council for agreement and this report satisfies this duty.
- 1.3 In accordance with the Local Government Finance Act (LGFA) 1992, Full Council must approve the budget for the forthcoming year and agree the Council tax for that year, by the statutory deadline of 11th March.
- 1.4 Both the 2019/20 budget and 2019/24 MTFS have been developed with strong reference to the new Borough Plan 2019-2023, (being presented separately to Cabinet on this agenda) in order that the Council's resources are directed at supporting delivery of the new proposed priorities:
 - **Housing** - a safe, secure and affordable home for everyone, whatever their circumstances
 - **People** - Strong families, strong networks and strong communities nurture all residents to live well and achieve their potential
 - **Place** - Stronger connected communities where together we improve our environment by making it safer, cleaner and greener
 - **Economy** - A growing economy which provides opportunities for all our residents and supports our businesses to thrive
 - **Your Council** - The way the council works

- 1.5 Note the budget information including tables in this report are presented according to the current Corporate Plan priority structure pending approval of the new Borough Plan priority structure. Subsequently, the Budget will be structured so that from 1st April 2019 all financial information will be presented in the new Borough Plan priority structure.
- 1.6 The 2018/19 budget position provides the starting point for next year's financial planning. Members will be aware that the Quarter 2 forecast for the 2018/19 budget was an overspend of £9.3m after the application of £6.4m of the budget resilience reserve. An update will be provided to Cabinet in March. The corporate financial forecast is that while not all services will fully address their overspends before year end, other largely corporate financial developments will prevent the need for utilisation of the General Fund balance. This provides a positive opening position for the new budget/MTFS.
- 1.7 The Draft MTFS for 2019/24 comes after 8 years of reductions in funding and against a background of a rising demand for services, particularly for Adults and Children's Services. Demographic change continues to drive demand in Adults services, and to a degree in Children's services. The Council has also seen significant and ongoing pressures on budgets for temporary accommodation. Increasing housing costs combined with changes in the benefits and welfare system have placed more pressure on households. This leads to overcrowding, evictions and homelessness and makes it more difficult for families to cope. All these pressures further increase the support that families need from the Council, particularly in Children's and Housing services.
- 1.8 The planning work for the 2019/20 Budget and MTFS (2019/24) started early in recognition of the existing structural funding gap in the previous MTFS. This work has produced £7.1m of new budget reduction proposals for 2019/20 rising to £13m in 2024. Following the publication of the Draft Budget in December, officers and members continued to work to identify further budget reductions measures to mitigate the budget gap at that time. This exercise identified further service budget reductions/changes of £0.6m. Taking the above and pre agreed savings of £6m into account, the total budget reduction programme for 2019/20 is £13.7m.
- 1.9 Alongside this work, there was also a robust challenge of 2018/19 savings plans which led to Cabinet approving the write off of £9.8m of these. While this has meant that the ongoing structural gap has not significantly changed, there is greater confidence in the overall deliverability of the proposals now being taken forward. This coupled with the injection of close to £14m growth into the two people focussed directorates, should provide a sound basis for the Council to operate within the proposed 2019/20 budget envelope.
- 1.10 It should be noted that the £6.5m gap reported in December is now bridged in this report. The late solutions identified are a mixture of improvements in grant assumptions, technical changes and further service budget changes (one-off and on-going). There is an improvement to the cumulative ongoing budget gap over the 2020/24 period which is now £13.2m in 2020/21 (December – £18.4m) to £20.5m in 2023/24 (December - £26.4m).
- 1.11 Service pressures have meant that in the current year, both Adults and Children's budgets continue to overspend. Both services, and particularly children, have found it difficult to deliver some of the savings committed to in the previous MTFS as years of budget reductions have meant savings are increasingly difficult to identify and deliver, particularly alongside responding to increasing demand. Across the country, local authorities have seen a similar pattern.
- 1.12 The 2019/20 budget process has acknowledged these factors and, when including new grants, additional council funding and write off of some previous savings proposals, builds in additional funding to these two key service areas with £7m for Adults and £7.6m for Children's before application of the newly proposed budget reduction proposals.

- 1.13 The budget also supports delivery of some key components of the administration's manifesto commitments. Investment is going into the youth services programme and a schools meals pilot. The financial impact of the commitment to becoming a London Living Wage employer has been recognised and the 2019/20 budget assumes an increase of 2.99% in the Haringey element of the council tax which will generate circa £3m additional resource part of which will be used to underpin the extension to the Council Tax Reduction Scheme (CTRS) to a maximum of 100% for least well-off families with children. The Housing Revenue Account (HRA) capital programme included within this report proposes expenditure of £965.8m over the next 5 years to fulfil its responsibilities in respect of its housing stock but also importantly assumes delivery of a number of new council homes, again a key manifesto commitment.
- 1.14 The final 2019/20 Finance Settlement has confirmed the draft figures used in the December report. As highlighted in the December report, however, uncertainty from 2020/21 is significant as a result of national and international economic volatility created by Brexit, the impact of Spending Review 2019 (SR19) due in the Autumn, the outcomes of the Fair Funding review and reformation of the business rates retention system from 2020. Due to the absence of concrete information, the attached MTFS currently makes no assumptions around these but officers will provide updates in budget monitoring reports as more certainty emerges.
- 1.15 Planning work to address this future budget gap has already started and builds on some of the options and potential solutions outlined in the December report. This must now be augmented and further developed as a matter of urgency if the Council is going to be in a position to have a balanced budget for 2020/21 onwards. The proposed 2019/20 budget and MTFS assumes that the current General Fund reserve is maintained at a minimum level of £15m but does assume a contribution of £5.5m from the release of some earmarked reserves now assumed as not required. The continued reliance on reserves to balance budgets is not sustainable.
- 1.16 The MTFS proposes a significant increase in the Council's capital programme as this is seen as an increasingly important strand of the overall Council financial strategy. Capital budgets offer opportunities for the Council to really affect the lives of its residents and visitors for example by shaping the local environment (through the provision of new housing, traffic schemes, or regeneration schemes); positively impact people's lives (through creating appropriate housing for adults with learning difficulties or investment in parks); transform the way in which the Council interacts with local residents (through the libraries investment programme or proposals for a new customer service centre); and deliver fit for purpose schools. They are also integral in underpinning the delivery of the more transformational budget reduction proposals assumed in the MTFS.
- 1.17 The report considers all relevant components of the Council's revenue budget including the Housing Revenue Account (HRA) which is a ringfenced account for the delivery of the Council's social housing activities. Since December more detailed work has been undertaken by officers on the opportunities and wider financial implications that the lifting of the cap on HRA borrowing has had and these are now included within this report.
- 1.18 The Dedicated Schools Budget (DSB) which is ring fenced for the delivery of education services is also discussed and now reflects the final schools settlement announced in December.
- 1.19 In summary, this report finalises the Council's General Fund and HRA 2019/20 Budgets and the Medium Term Financial Strategy (MTFS) for the period 2019/24, and proposes approval of the following constituent elements of the strategy to Full Council on 25th February 2019, together with the Council's capital budgets for 2019/20:

- Appendix 1 – General Fund Revenue MTFS 2019/20-2023/24
- Appendix 2 – HRA Revenue Budget 2019/20
- Appendix 2A – Detailed Summary of 2019/20 Service Charges
- Appendix 3 – General Fund MTFS Capital Programme 2019/20-2023/24
- Appendix 4 – HRA Capital Programme 2019/20
- Appendix 5 – Dedicated Schools Budget 2019/20
- Appendix 6 – General Revenue Budget 2019/20
- Appendix 7 – Overview and Scrutiny Committee Recommendations and Proposed Response (**To Follow**)
- Appendix 8 – Summary of Consultation Responses
 - Annexe 8A – Haringey Business Alliance Response
 - Annexe 8B – Haringey Defend Council Housing Response
- Appendix 9 – Detailed Summary of MTFS Budget Reductions
- Appendix 10 – Calculation of 2019/20 Council Tax Base
- Appendix 11 – Flexible Use of Capital Receipts Policy
- Appendix 12 – Equalities Impact Assessment (EqIA) Report
 - Annexe 12A – Detailed Summary of Budget Reduction EqIAs
 - Annexe 12B – Completed Full EqIAs Proformas

PART 14

2 Council's Capital Strategy and Capital Programme 2019/20-2023/24

Introduction to Capital Strategy

- 2.1 This capital strategy report is a new report for 2019/20 as required by CIPFA. It gives a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of public services. It also provides an overview of how the associated risk is managed and the implications for future financial sustainability.

Background

- 2.2 Capital expenditure in local government is defined in statute and accounting practices/codes and as such must operate with them. Within those rules capital budgets offer opportunities for Council's to affect the lives of its residents and visitors. 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); transform the way in which 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.
- 2.3 The key objectives of the Council's capital programme are to deliver the borough plan and to assist the Council in meeting the financial challenges that it faces.

Capital Expenditure & Financing

- 2.4 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government, this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. For 2019/20 the Council is planning to spend £255.1m as summarised in the table below.

Table 14.1: Capital Expenditure Plans Overview 2019/20-2023/24

	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total £'000
General Fund	200,904	129,562	106,236	89,286	107,481	633,469
Council Housing (HRA)	54,183	119,257	365,215	236,314	190,840	965,809
Total	255,087	248,819	471,451	325,600	298,321	1,599,278

- 2.5 The capital programme is composed of individual priority programmes (most of which have been previously agreed by Cabinet and Council as part of the 2018/19 budget setting process or earlier). Within those priority totals there are schemes and within schemes there are individual projects. For instance, Scheme 302 Borough Roads, will contain individual projects on individual roads.
- 2.6 The inclusion of a scheme within the capital programme is not necessarily permission to spend. Most schemes will be subject to the completion of a satisfactory business case that validates the high-level estimates contained within the programme. An integral part of a satisfactory 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.
- 2.7 There are a range of schemes within the general fund capital programme that will only proceed if they produce a reduction in expenditure that includes reductions enough to cover the cost of financing the investment, known as self-financing schemes.
- 2.8 The Housing Revenue Account (HRA) is a ring-fenced account, which ensures that Council housing does not subsidise or is itself subsidised by other local services. HRA capital expenditure is recorded separately.
- 2.9 Service managers bid annually as part of the Council's budget setting process. The Capital Board assesses the bids against their "fit" in relation to the borough plan and meeting the objectives of the medium-term financial strategy.
- 2.10 The main previously agreed General Fund schemes are the: ongoing work to the education estate; development of supported living accommodation to allow clients to live in appropriate homes; creation of a depot on the Marsh Lane site; continued investment in regeneration in Tottenham Hale; funding for the community benefit society (CBS) to provide high quality temporary accommodation; and a range of transformation projects to enable the Council to change the way it delivers services.

Table 14.2: Capital Expenditure Plans by Priority

	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total £'000
Priority 1 - Children Services	11,752	20,713	17,686	8,566	13,011	71,729
Priority 2 - Adults Services	5,720	11,820	12,120	6,870	2,870	39,400
Priority 3 - Environment & Neighbourhoods	22,850	15,060	11,500	11,380	10,660	71,450
Priority 4 - Regeneration & Growth	118,110	66,480	52,140	51,870	70,990	359,590
Priority 5 - Housing Services	34,332	13,409	9,000	9,000	9,000	74,741
Priority X - Corporate Services	8,140	2,080	3,790	1,600	950	16,560
Total General Fund	200,905	129,562	106,236	89,286	107,481	633,470
Housing HRA	54,183	119,257	365,215	236,314	190,840	965,809
Total - Council	255,088	248,819	471,451	325,600	298,321	1,599,279

2.11 Appendix 3 contains a detailed list of the previously agreed and newly proposed schemes for the general fund capital programme. The following paragraphs highlight those new schemes that are being proposed for inclusion within the five-year capital programme.

PART 14.12

Children's Services

2.12 There are two new schemes proposed for Children's Services.

- i. Scheme 115, Fortismere Secondary School Development. This scheme is a proposed redevelopment of the Fortismere Secondary School site. The scheme involves the demolition and re-provision of sub-standard education accommodation. There would be residential development on the site which would pay for the re-provision of the education accommodation. The budgetary assumption is that this scheme will be self-financing with no call on the Council's general fund resources. A business case is being developed that would need approval before the scheme progressed.
- ii. 118, Education Estate. A strategic business case is being prepared for the whole of the education estate. As part of that business case preparation surveys have been undertaken and they have identified works that are required to be done now. The scheme will be combined with Scheme 102.

PART 19

3 Overview and Scrutiny

3.1 As part of the Council's governance arrangements for scrutiny of the Medium Term Financial Strategy, the Council's Overview and Scrutiny Committee and Panels have scrutinised all of the savings proposals presented to the 11th December 2018 Cabinet.

3.2 Following consideration by Cabinet, all four Scrutiny Panels met in December 2018 and January 2019 to scrutinise the draft budget proposals that fell within their portfolio areas:

- Children and Young People Scrutiny Panel (Priority 1)
- Adults and Health Scrutiny Panel (Priority 2)
- Environment and Community Safety Scrutiny Panel (Priority 3)

- Housing and Regeneration Scrutiny Panel (Priority 4 and Priority 5)

- 3.3 In addition, the Overview and Scrutiny Committee met on 14th January to consider proposals relating to Priority X (Enabling).
- 3.4 Cabinet Members, senior officers and finance leads were in attendance at each meeting to present proposals and to respond to questions from members. For some of the proposals, additional information was requested. These were considered by the Overview and Scrutiny Committee on 28th January, along with emerging recommendations from each Panel, ahead of final recommendations being agreed and referred to Cabinet.
- 3.5 The key recommendations from the Overview and Scrutiny Committee and Cabinet Member responses are attached at Appendix 8.
- 3.6 A further meeting of the Overview and Scrutiny Committee is planned for the 5th February 2019 to enable scrutiny of the additional proposals identified since the 11th December 2018 Cabinet report. The outcome of this meeting will be published as an addendum to this report.

4 Use of Appendices

- Appendix 1 – General Fund Revenue MTFS 2019/20-2023/24
- Appendix 2 – HRA Revenue Budget 2019/20
- Appendix 2A – Detailed Summary of 2019/20 Service Charges
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5 Local Government (Access to Information) Act 1985

5.1 Background papers are as follows:

- Budget reduction proformas -
<http://www.minutes.haringey.gov.uk/mgAi.aspx?ID=59349>

5.2 For access to the background papers or any further information, please contact Oladapo Shonola, Lead Officer – Budget and MTFS; Frances Palopoli, Head of Corporate Financial Strategy & Monitoring

APPENDIX 3

Appendix 3

Capital Programme 2019/20 - 2023/24		2019/20	2020/21	2021/22	2022/23	2023/24	Overall Total
SCHEME REF	SCHEME NAME	£,000	£,000	£,000	£,000	£,000	£,000
Priority One (Childrens)							
103	Primary Sch - new places	162	39	-	-	-	201
110	Devolved Sch Capital	531	531	531	531	531	2,655
114	Secondary Sch - mod & enhance (Inc SEN)	3,552	4,200	750	110	-	8,612
104	Early years	93	93	-	-	-	187
109	Youth Services	14	-	-	-	-	14
101	Primary Sch - repairs & maintenance	1,030	1,000	1,000	1,000	1,000	5,030
102	Primary Sch - mod & enhance (Inc SEN)	5,970	4,800	5,355	1,525	1,480	19,130
115	Secondary Estate Mixed Development	400	10,050	10,050	5,400	10,000	35,900
Total - Priority One (Children's)		11,752	20,713	17,686	8,566	13,011	71,729
Priority Two - Adults							
201	Aids, Adap's & Assistive Tech -Home Owners (DFG)	2,193	2,193	2,193	2,193	2,193	10,965
211	Community Alarm Service	177	177	177	177	177	885
216	Homelessness Hub	100	-	-	-	-	100
208	Supported Living Schemes	1,500	1,500	1,500	1,500	-	6,000
209	Assistive Technology	500	500	500	500	-	2,000
213	Canning Cresnet Assisted Living	500	4,200	1,750	250	-	6,700
214	Osborne Grove Nursing Home	500	1,500	6,000	2,250	500	10,750
215	Hornsey Town Hall Supported Living	250	1,750	-	-	-	2,000
Total - Priority Two (Adults)		5,720	11,820	12,120	6,870	2,870	39,400
Priority Three - Environment & Neighbourhoods							
309	Local Implementation Plan(LIP)	2,500	2,500	2,500	2,500	2,500	12,500
310	Developer S106 / S278	750	750	750	750	750	3,750
301	Street Lighting	1,300	1,300	1,300	1,300	1,300	6,500
302	Borough Roads	4,189	3,689	3,689	3,689	3,689	18,945
303	Structures (Highways)	394	0	0	0	0	394
304	Flood Water Management	590	620	650	680	710	3,250
305	Borough Parking Plan	322	0	0	0	0	322
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	1,000	1,000	0	0	0	2,000
316	Asset Management of Council Buildings	4,326	1,991	651	331	381	7,680
322	Finsbury Park	600	600	600	600	600	3,000
307	CCTV	2,109	0	830	1,000	200	4,139
319	Bull Lane MUGA	2,520	1,080	0	0	0	3,600
323	Parking Strategy	1,000	1,000				2,000
325	Parks Vehicles	720					720
Total - Priority 3 (Environment & Neighbourhoods)		22,850	15,060	11,500	11,380	10,660	71,450

Appendix 3

Capital Programme 2019/20 - 2023/24		2019/20	2020/21	2021/22	2022/23	2023/24	Overall Total
Priority 4 - Growth & Employment							
421	HRW business acquisition	54,580	15,521	15,670	12,770	32,830	131,371
427	White Hart Lane Public Realm (LIP)	500	-	-	-	-	500
430	Wards Corner CPO	5,000	-	-	-	-	5,000
481	Strategic Investment Pot	1,750	1,400	2,650	-	-	5,800
434	Wood Green Regeneration	100	-	-	-	-	100
435	Wood Green Station Road	120	-	-	-	-	120
438	Vacant possession Civic Centre	72	-	-	-	-	72
444	Marsh Lane	821	9,323	4,700	266	-	15,110
447	Alexandra Palace - Maintenance	470	470	470	470	470	2,350
464	Bruce Castle	1,000	500	4,000	6,000	8,500	20,000
472	JLAC Match Fund	500	500	-	-	-	1,000
475	Tottenham Green Public Realm Scheme Phase 2	-	156	-	-	-	156
477	Strategic Regeneration & Community Assets	3,000	3,000	-	-	-	6,000
411	Tottenham High Rd & Bruce Grove Stn	150	-	-	-	-	150
474	Tottenham High Road Strategy	1,638	5,402	3,980	1,027	1,027	13,074
480	Wood Green Regen (2)	2,997	4,632	5,901	12,141	13,610	39,279
401	Tottenham Hale Green Space	4,990	5,946	900	2,680	600	15,116
402	Tottenham Hale Streets	9,017	7,683	5,097	1,363	450	23,609
429	Site Acq (Tott & Wood Green)	10,000	8,867	-	-	-	18,867
452	Low Carbon Zones	15	-	-	-	-	15
465	District Energy Network (DEN)	800	-	1,500	6,500	3,500	12,300
470	Wood Green HQ, Library & Customer Service Centre	950	2,400	6,000	8,400	10,000	27,750
482	Strategic Property	19,640	680	1,273	254	3	21,850
Priority 4 - Growth & Employment		118,110	66,480	52,140	51,870	70,990	359,590
Priority Five - Housing							
514	Notting Hill Housing Group (4 Ashley Road)	2,970	-	-	-	-	2,970
509	CPO - Empty Homes	650	1,000	1,000	1,000	1,000	4,650
510	Temporary Accommodation Acquisition Programme	25,000	4,409	-	-	-	29,409
512	Wholly Owned Company	5,000	8,000	8,000	8,000	8,000	37,000
513	54 Muswell Hill Flats	712	-	-	-	-	712
Total - Priority 5 (Housing)		34,332	13,409	9,000	9,000	9,000	74,741
Priority X - Enabling							
604	Continuous Improvement	950	950	950	950	950	4,750
606	Hornsey Library Refurbishment	1,882	-	-	-	-	1,882
621	Libraries IT and Buildings upgrade	1,056	25	85	-	-	1,166
698	Responsiveness Fund	2,000	-	-	-	-	2,000
699	P6 - Approved Capital Programme Contingency	1,500	-	-	-	-	1,500
607	Financial Management System Replacement	-	350	2,000	650	-	3,000
622	FOBO Programme	500	500	500	-	-	1,500
639	Ways of Working	252	255	255	-	-	762
Total - Priority 6 (Enabling)		8,140	2,080	3,790	1,600	950	16,560
Total General Fund Capital Programme		200,904	129,562	106,236	89,286	107,481	633,469

