Haringey Council

Agenda Item

Cabinet	26 January 2010
Report title: **Financial Planning 2010/11 to 2012/13**	
Report of: **The Director of Corporate Resources and Chief Financial Officer**	
Ward(s) affected: **All**	Report for: **Key Decision**

1. Purpose

1.1 To consider the Cabinet's proposed budget package for 2010/11 and later years.

2. Introduction by Cabinet Member for Resources

2.1 The Council fully understands the financial pressures facing residents in the current recession and is determined to help and support people through these difficult times.

2.2 This is a budget reflecting traditional Labour values. It is proposing investment of over £7m of additional resources in front-line services, in particular for vulnerable groups in children's and adult's social care and to assist families in temporary accommodation. It is also proposed to increase volunteering and also investment in a credit union facility to help Haringey residents with management of financial matters and allow them to gain access to low cost finance.

2.3 In order to pay for this investment the Council will be delivering over £7m of efficiency savings across the Council. While the next few years will not be easy, I believe we must continue to reflect traditional Labour values. I believe there is room for further efficiency savings and no need to cut valuable and appreciated front-line services.

3. Recommendations

3.1 To agree the changes and variations set out at paragraph 9.3 and appendix B.

3.2 To note the outcome of the consultation processes set out at section 11.

3.3 To agree the revised and new investment proposals set out in appendix D.

3.4 To agree the revised and new savings proposals set out in appendix E.

3.5 To agree the proposals for the children's services (DSG) budget set out in the report and in appendix F.

3.6 To agree the proposals for the HRA budget set out in appendix G.

3.7 To approve the housing rent increases at an average of £0.98 per week (1.3%).

3.8 To approve the housing tenant service charge reduction at an average of £1.59 per week (10%).

3.9 To agree the proposals for the capital programme and funding set out in appendices H and J and the capital resource allocation policy at appendix I.

3.10 To agree the treasury management strategy and policy and prudential limits set out in appendix K and amended reporting processes in line with the revised CIPFA guidance.

3.11 To agree the proposed general fund budget requirement of £416.587m, subject to the decisions of precepting and levying authorities, and the consequences for council tax levels

3.12 To note that this budget report will go to Council on 8 February 2010 with the final decision on the budget and the council tax for 2010/11 to be considered at the Council meeting on 22 February 2010.

Report authorised by: **Gerald Almeroth, Chief Financial Officer**

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4. Executive Summary

4.1 The report sets out the Cabinet's budget package for recommendation to full Council. The proposed budget is based on a council tax freeze for 2010/11. The medium term plan shows a significant budget gap for 2011/12 onwards for which a strategic approach to meet this challenge has been set out.

4.2 The report proposes a balanced budget for the schools element of children's services within the ring-fenced dedicated schools grant (DSG).

4.3 The report proposes a balanced budget for the HRA based on an average rent increase of 1.3%.

4.4 The report proposes a capital programme based on the existing policy framework for capital expenditure.

4.5 The treasury management strategy and policy has been considered by the General Purposes Committee and is recommended for approval.

5. Reasons for any change in policy or for new policy development (if applicable)

5.1 The budget is designed to deliver the Council's existing policy framework.

6. Local Government (Access to Information) Act 1985

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

- The provisional local authority revenue support grant settlement 2010/11 issued 26 November 2009
- Report of the Chief Financial Officer and Director of Corporate Resources to Cabinet on 17 November 2009 – Financial Planning 2010/11 – 2012/13
- Report of the Chief Financial Officer and Director of Corporate Resources to Cabinet on 21 July 2009 – Financial Planning 2010/11 – 2012/13

7 Background

7.1 The reports to the Cabinet on 21 July and 17 November set out the key financial planning issues facing the Council and follow the agreed process for the detailed consideration of the Cabinet's business and financial planning process. This report sets out the medium term financial strategy for the three-year period and this will be reviewed on an annual basis. The budget for 2010/11 is the final one to be agreed by this administration. The initial financial planning report in July identified a new budget gap of £17.1m over the three year period in addition to the £5.7m of savings still to be identified. The business planning process this year has aimed to ensure there is balanced budget for 2010/11 as well as reviewing the pre-agreed savings totalling £9.2m.

7.2 This report proposes a budget package for the period 2010/11 to 2012/13 and is in 12 sections:

- government support;
- changes and variations;
- strategic approach;
- consultation;
- savings options;
- investment options;
- the children's service budget within the dedicated schools grant;
- the housing revenue account budget;
- the capital programme;
- the treasury management strategy;
- council tax, and;
- key risk factors.

7.3 The report is supported by various appendices as follows:

- appendix A sets out the gross budget trail;
- appendix B tracks the resource shortfall over the planning period;
- appendix C is the budget report of Overview and Scrutiny Committee and the Cabinet response;
- appendix D sets out proposed investments;
- appendix E sets out proposed efficiency savings;
- appendix F is the proposed budget for children's services within the dedicated schools grant (DSG);
- appendix G is the Housing Revenue Account budget;
- appendices H, I and J relate to the capital programme, and;
- appendix K is the treasury management strategy statement.

7.4 The Council will consider the budget package and the limits under the prudential code on 8 February and the final council tax (including the GLA precept) and the policy and decision on reserves on 22 February.

8 Government support

8.1 The budget for 2010/11 is the third year of a **three year grant settlement** that has provided certainty and allowed for a reasonable amount of stability for service planning over that period. There have been a number of significant changes in the formula grant system in recent years and the debate on the financing of local government is no doubt set to continue further in the near future.

8.2 The most recent significant changes in the **grant formula** were when there was a two year settlement position for 2006/07 and 2007/08. The key changes were as follows:

- the transfer of schools' resources from formula spending shares (FSS) to a ring-fenced dedicated schools grant (DSG);
- an alternative grant system based on separate blocks for relative needs, resources, a 'basic amount' and damping, replacing the previous formula spending shares by service (FSS);
- three-year settlements for individual local authorities based on frozen or projected data and linked to government spending review periods;
- use of projected population and tax base information, and;
- reduced weighting for deprivation in the formula for Children's and Younger Adults Social Care resulting in a significant shift of resources away from Haringey and London generally.

8.3 For the 2008/09 budget and the current three year settlement the government consulted on changes to the formula in which Haringey had particular interest in two aspects:

- **area cost adjustment** – provide a new geographical banding for East Inner London to include Haringey, Newham and Barking & Dagenham to reflect more accurately the actual labour costs in the area – this was not implemented and no changes were made, and;
- **removal of the separate damping floors** for Children's and Younger Adults Social Care introduced after significant changes were made in 2006/07 – this was removed and saw a shift in formula resources away from London.

8.4 The settlement provided indicative figures for the following two years as part of the government's proposal to move to three-year settlement announcements for individual local authorities. This is based on frozen or projected data and linked to spending review periods and therefore this time matches the Comprehensive Spending Review 2007 (CSR07) issued in October 2007.

8.5 The figures for 2010/11 were re-confirmed in the **provisional grant settlement** announcement issued on 26 November 2009. The three year grant settlement set overall floors for the three year period. The settlement for Haringey is shown in the table below:

Formula grant	**2008/09**	**2009/10**	**2010/11**
National average increase	3.7%	2.8%	2.6%
London average increase	2.4%	2.1%	2.0%
Floor increase	2.0%	1.75%	1.5%
Haringey increase	2.0%	1.75%	1.5%
Haringey grant increase (£m)	£2.7m	£2.4m	£2.1m

8.6 Haringey has received a **floor increase** for all three years. The majority of London boroughs are still on the grant floor. Haringey is calculated at being approximately £7.1m below the grant floor in 2010/11. This is mainly as a result of the removal of the separate floors for Children's and Younger Adults Social Care after the change in the formula as mentioned above as well as base under-funding through the area cost adjustment.

8.7 The Council continues to produce a medium term three year financial strategy and this year includes rolling further a year to include 2012/13 although the **future grant settlement** for the latter two years is not known. The previous planning assumption was that a continuation of the 1.5% floor increase. This has now been revised to a 1% reduction each year based on the current economic circumstances and the Chancellor's pre-budget report (December 2009) that commits to repaying 50% of the public debt by 2013/14.

8.8 The **population** projections used in the grant settlement have shown a small reduction over the three year period. The Office of National Statistics (ONS) mid-year review of the 2008 data has concluded that the population in Haringey is higher than previous projections. The figure used in the base 2008/09 grant settlement was a population of 221,500. The recent mid-year review by ONS has re-stated the Haringey population at 226,200. This is 4,800 (2.2%) higher. Attempts were made to get these latest figures included in the current grant settlement, but DCLG refused to contemplate re-opening the three year grant position. This should feed into future formula grant settlement calculations although unlikely in itself to take Haringey back above the grant floor. However, the ONS have been looking at improvements to their mid-year review methodology and are currently consulting on different indicative population figures, which suggest Haringey's population is only 219,700, as much as 6,500 less than the recently published figure of 226,200.

8.9 The **census** in March 2011 is likely to be used to re-set all of the population data held by ONS so it will be important that sufficient effort is put into making that as successful as possible. London regional planning meetings are being held with ONS and all London boroughs.

8.10 The **dedicated schools grant** (DSG) is the money that goes directly to fund schools and the pupil led services in support of an authority's dedicated school's budget. Education services continue to receive higher increases than other local government services although the increases over the three year settlement period are below that previously received. Haringey has received an increase of 3.9% per pupil for 2010/11, which is the minimum increase available.

DSG per pupil	2008/09	2009/10	2010/11
National average increase	4.6%	3.7%	4.3%
London average increase	4.4%	3.8%	4.3%
Haringey increase	4.1%	3.5%	3.9%

8.11 The 3.9% increase represents a 2.9% basic increase plus funding for ministerial priorities. This higher level of resources is designed to fund the minimum funding guarantee per pupil for all schools of 2.1% although the final cash sum available for each school will depend on the number of pupils as recorded in the January 2010 count. A number of **specific grants for schools** have increased or are new in excess of £3.5m. These relate mainly to 1-2-1 tuition, targeted support and extended schools subsidy. The implications for children's services budgets are explored later in the report.

8.12 Under the Council's policy on capital expenditure, increases in grant in relation to **capital financing** are earmarked to fund the revenue consequences of supported borrowing. The estimated increase in this part of the formula is £0.4m and this will be required to fund the increased costs of borrowing. However, due to the way the grant floors operate, the Council will not receive any actual additional cash grant to support this cost. The significant majority of the approvals relate to the capital programme for schools.

8.13 The draft settlement for 2010/11 provides the level of **specific grants** largely as reported previously in general fund terms. A significant amount of grant is now paid through the **area based grant** (ABG), which is not ring-fenced for any specific purpose, but is to be used for agreed local priorities, although some of the previous grant regimes were supporting mainstream Council services. The adjusted base for 2009/10 is £24.87m as there have been a number of small additions and revisions during the year. Recently the DCLG announced that they were bringing forward some of the Working Neighbourhood Fund reward grant from 2010/11 for use in 2009/10 in order to improve employment opportunities for long-term jobless families and Haringey's allocation is £0.65m. This has been added to the allocation for Enterprise Partnership Board. It is proposed that the allocation of the area based grant, particularly that which is not funding mainstream Council services, is agreed in conjunction with the Council's partners in the Haringey Strategic Partnership (HSP) as part of the Local Area Agreement (LAA).

8.14 The level of **supporting people grant** continues to reduce by approximately 5% each year. The grant is confirmed at £18.66m in 2010/11, a reduction of £0.98m (5%) from the £19.65m figure for 2009/10. A plan is in place to manage this grant reduction with the least amount of impact on services mainly through improved procurement. The position for specific grants for 2011/12 onwards is not yet known. This will be included in the detailed government spending review for 2010.

8.15 There are some smaller changes on other elements of the grant, which will be managed within the overall position for each theme board under the HSP. These resources are largely unchanged and therefore will not have a significant impact on achieving the priorities within the LAA. The proposed allocations to the theme boards is set out in the table below:

Area based grant – proposed theme board allocations	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Better Places Partnership	1.944	2.019	2.019
Children's Trust	9.910	11.250	11.161
Enterprise Partnership	1.200	2.256	1.561
Integrated Housing Board	0.223	0.223	0.223
Safer Communities Executive Board	2.066	2.183	2.230
Neighbourhoods and Capacity	1.793	1.795	1.795
Well Being Partnership Board	5.143	5.143	5.143
Sub total	**22.279**	**24.869**	**24.132**
Supporting People			18.666
Total	**22.279**	**24.869**	**42.798**

8.16 The LAA reward grant will start to filter through over the next two years. It is assumed that in line with current policy the allocation of this will be assessed at the time and directed to whatever the priorities and greatest needs are at the time rather than the grant going towards the priority that the grant arose from. If there are significant reductions in ABG in future years then this grant may assist in the transition planning for future services.

8.17 It is assumed that there will be no net financial impact arising from the planned **transfer of resources from Primary Care Trusts** to Local Authorities in respect of non-health care related expenditure for people with learning disabilities. This is has been effective from April 2009 and money will be transferred by local agreement for the next two years. Further work will be done for the funding arrangements for 2011 onwards.

8.18 The pre-budget report stated that additional funding for local authorities was being set aside in the form of housing / council tax **benefits administration grant** to assist Council's respond to the economic downturn and meet increased demands for benefit in an effective way. The amount allocated for Haringey in 2009/10 was an additional £0.5m. The amount notified in the recent draft settlement for 2010/11 was an additional £0.1m. Given the already planned reduction in this grant of £0.2m for next year, this represents a net reduction of £0.6m from 2009/10.

8.19 The Council has been successful at attracting other new specific grants recently. An award of £1.4m was granted by the DWP in respect of the **Future Jobs Fund**. This is aimed at providing work primarily for 18-24 year olds who have been out of work for nearly a year. The award was for the full amount in the bid and seeks to create up to 221 jobs. A second recent award was from the Department of Energy and Climate Change (DECC) to become one of twenty 'test bed' authorities in the **Low Carbon Communities Challenge**. The £369k will complement the existing Low Carbon Zone grant of £253k in the Muswell Hill area and will be invested in further carbon reducing measures.

8.20 The Leader wrote to the Minister in **response to the provisional grant settlement** by the 6 January deadline and incorporated the key points as set out in this section of the report.

9 Changes and variations

9.1 The 2009/10 budget was set as part of a process, which covered the second year of a three year planning period that follows the government spending review period. A number of budget changes and variations were recognised in the previous budget process and these are brought forward in the approved financial plans. During this year financial planning reports to the Cabinet in respect of 2010/11 onwards have agreed further changes and variations.

9.2 The changes and variations already agreed by the Cabinet are as follows:

- an update on inflation and assumptions for formula grant and council tax as the medium term financial strategy is rolled on a further year for **2012/13**;

- the actuary's triennial valuation of the **pension fund** up to 2007 was completed in November 2007. The next valuation will be available in late 2010 for the preparation of the 2011/12 budget. The interim deficit position as at March 2009 showed a worsening position so an assumption for increased employer contributions was made on this basis;

- a revision for the **revenue support grant assumptions** from an increase of 1.5% to a reduction of 1% each year, approximately a difference of £3.6m per annum;

- a stepped increase of £1m per annum as part of a build up for the anticipated increased costs for the procurement of new **waste disposal** facilities from 2014/15 through the NLWA as previously reported to Cabinet in October 2008;

- savings in the base provision for **pay award** in 2009/10 of £1.5m based on an average pay increase of 1% compared to the budgeted 2% and an expectation that the award in 2010/11 will be no more than a maximum of 1% again;

- additional revenue costs of **capital financing** in respect of the borrowing approvals, mainly in respect of Education capital schemes;

- a proposal to freeze **council tax** against the previous planning assumption of a 3% increase.

9.3 The additional changes and variations reported now are as follows:

- the ongoing cost of **single status** had been allowed for in previous budget processes noting that the final outcome would not be fully realised until the end of the implementation of the job evaluation process. As this has progressed this year it has become apparent that the final full year cost of this would be higher than previously modelled. A figure of £0.82m is added for this purpose;

- London Council's agreed to revise the allocation of the cost of the **concessionary fares** levy to move towards actual usage data and that this should be phased in over three years to allow for refinement of the collection of such usage date. The impact of moving to usage data for Haringey is estimated to be an increase of over £2m per annum and this is already factored in to the budget. In addition to this the national scheme appears to have caused some funding difficulties in certain district areas so the Department of Transport are consulting on redistributing £29m of the London grant around the country. If agreed this will increase the cost of the Haringey scheme by a further £1.05m in 2010/11;

- the funding of the proposed capital programme requires that £6m of **temporary borrowing** over the next three years, which will be repaid after capital receipt disposals. The revenue cost of this borrowing is included here;

- the **carbon reduction commitment** scheme is due to be implemented in 2010/11 although the requirement to purchase credits for trading will not come into effect until 1 April 2011. A detailed assessment of the possible net cost for Haringey is not feasible at this time so a prudent allowance of £0.5m has been included;

- the Chancellor’s pre-budget report on 9 December announced a further 0.5% increase in employer’s **national insurance** from April 2011. This is in addition to the existing planned increase of 0.5% announced at the same time last year. This further increase is estimated to cost the general fund approximately £0.7m per annum with a further estimated £0.6m being a cost to schools;

- as previously reported to Members one of the budget risks highlighted was in terms of **interest earnings** on cash flow balances if the base interest rate continued to remain at 0.5%, a record low level. The outlook for rates is still considered to be low through 2010 and therefore the one-off reserve created last year to manage the impact of this needs to be supplemented by a base budget adjustment of £0.8m. This can be re-appraised next year once the economic position improves;

- an announcement was made by central government at the end of November in terms of providing **free personal social care** in the future and a consultation has begun on the allocation of grant to fund that cost for local authorities. The implementation date is expected to be 1 October 2010. The Chancellor’s pre-budget report stated that £420m of grant would be available in a full year with local authorities being expected to find the estimated £250m difference through efficiencies. The consultation provides different methodologies for the distribution of grant with a range of outcomes for Haringey from £0.55m to £0.82m per annum. It is estimated that neither of these will cover the likely lost income from existing charges. A further issue is the potential of demand increasing for this service from clients who may currently fund their own private care. An initial estimate has been made at this stage of £0.5m as a total net cost, but this will need to be kept under review;

- following significant increases in oil and **energy prices** last year the Council has managed to secure a 40% reduction in prices from October 2009 for the next year. This is reflected in the energy contracts across the Council and including schools. The saving for the general fund is estimated at £1.6m in a full year. This doesn’t include continued activity and investment through the sustainable investment fund to reduce energy usage, which is reflected in the detailed savings proposals where appropriate;

- on **pay and general inflation** the November position shows the retail price index for inflation at 0.3% with the consumer prices index at 1.9%. This was a rise in November driven by higher oil and petrol prices. It is expected that there will be some short term volatility on inflation, particularly with the temporary reduction in VAT coming back from 1 January 2010. The medium term position is still one of low inflation as the UK moves slowly out of recession. The Chancellor's pre-budget report also signalled an expectation that pay awards in the public sector would not be more than 1% over the next few years. The Council's current budget assumptions allow for 2.0% generally on costs (including pay) and fees and charges income in 2010/11 and 2.5% in later years. It is proposed to reduce this by 1% each year in line with the above expectations. Negotiations with contractors and suppliers will continue to be done on the basis of minimising any cost increases at all;

- a further saving on **insurance** costs has been secured through a consortium contract arrangement with six other London boroughs in the region of £0.5m per annum. This replaces the previous mutual arrangement at least in the short term;

- the latest budget projection for the apportioned costs for the **waste disposal** levy is based on the December report to the North London Waste Authority (NLWA). This shows that the 2010/11 levy could be at a standstill charge to the boroughs on the basis of utilising the current year underspend for that purpose. The Council has previously provided for a significant increase in line with the budget reports last year. The final position will be agreed at the NLWA meeting in February 2010;

- the Local Authority Business Growth Incentive (**LABGI**) grant payments for Haringey have continued to flow in 2009/10, the final substantial year of this scheme. It is proposed to utilise this funding in 2010/11 within the revenue budget where a number of one-off investments are proposed thereby matching the one-off nature of this grant;

- a general base **contingency** sum of £2.0m exists in the current budget plans up to 2010/11. It is proposed that this is reduced to £1.0m to allow for any continued recessionary pressures and for any potential downside risk in respect of the free personal social care impact.

9.4 These changes and variations are summarised at appendices A and B.

10 Strategic approach

10.1 The key drivers for the strategic context in business planning process have been derived from the current jointly agreed Community Strategy, the majority party Manifesto and the approved **Council Plan priorities** as follows:

- Making Haringey one of London's greenest boroughs
- Creating a Better Haringey: cleaner, greener and safer;
- Encouraging lifetime well-being at home, work, play and learning;
- Promoting independent living while supporting adults and children when needed, and;
- Delivering excellent, customer focused, cost effective services.

10.2 The Council Plan for 2007/10 has a set of key short and medium term actions that contribute to meeting the above priorities, which in turn will contribute to the **Community Strategy** as agreed by the Haringey Strategic Partnership. The financial plans arise from the business planning process, through Pre-business plan reviews (PBPR) and allocate resources to priorities as well as delivering efficiency savings and contributing to the value for money agenda. Local needs information including the borough profile informs the service planning at this stage. The final budget proposals will form the medium term financial strategy and will be aligned to the Council Plan. Individual annual business plans will be published in April 2010.

11 Consultation

11.1 Consultation on budget options is as follows:

- consideration of financial strategy and the pre-business plan reviews (PBPRs) by the Overview and Scrutiny Committee;
- a discussion of the Council's medium term financial plans with partners within the Haringey Strategic Partnership;
- consideration of the Children and Young People's Service budget issues by schools at the School's Forum;
- consultation with tenants and leaseholders via Homes for Haringey on rent increases and budget proposals;
- presentation of the Council's strategic plans at local business events;
- separate focussed consultation sessions with residents;
- trade union representatives; and,
- other stakeholders.

11.2 Overview and Scrutiny

11.2.1 The Overview and Scrutiny Committee met during November and December to consider the Council's financial strategy and the general fund revenue savings and investment options included in the PBPR's for each of the business units. The conclusion and comments of the Overview and Scrutiny Committee are attached in their report at appendix C2.

11.2.2 The Cabinet has given careful consideration to the specific budget issues that have been raised as part of the process and the responses are set out in appendix C1. The Cabinet concur with many of the recommendations made by Overview and Scrutiny Committee and budget proposals have been amended or further actions noted as a result.

11.3 Haringey Strategic Partnership

11.3.1 Key partners have been consulted individually through this budget process. A presentation was also made to the Haringey Strategic Partnership (HSP) meeting on 21 January 2010 setting out the Council's medium term financial position and strategy in the context of this being the final year of the current three year settlement; the strategy for dealing with potentially significant budget gaps in future years and opportunities for a partnership approach to delivering efficiencies and improving outcomes with less resources.

11.4 Schools

11.4.1 The School's Forum has a key consultative role in the agreement of the budget strategy for the dedicated schools budget. Budget planning issues and the detailed report on the dedicated schools budget were considered by the Schools Forum at its meeting on 10 December 2009. The recommendations extracted from the minutes of that meeting are attached at appendix F and these are reflected in the proposed budget plans.

11.4.2 The School's Forum has recently been giving particular consideration to the implementation of a new single funding formula for Early Years provision. However, it was announced by DCSF on 10 December that implementation of this would be deferred until April 2011. It was originally envisaged that any headroom available within the overall grant settlement could be directed to ensuring a smooth transition to this new funding formula, however this has been re-appraised in light of the late change in government policy.

11.4.3 The recommended budget changes together with the grant settlement position result in £0.8m of 'headroom' being available above the minimum funding guarantee in 2010/11. The Forum agreed that this should be distributed in line with the previously agreed Cabinet policy of targeting additional educational needs (AEN) factors, although it would like to review the impact of possible inclusion of the private and voluntary sector. Given the late changes above it is recommended that the headroom is allocated in line with previous policy for 2010/11.

11.4.4 Further details on schools funding and the proposed budget are set out later in this report.

11.5 Housing tenants

11.5.1 The draft housing subsidy determination was issued on 10 December 2009 by DCLG, approximately six weeks later than normal. This has considerably restricted the amount of time available for consultation on rents and service charges. Previously consultation has been carried out using a number of methods, including leaflets, on-line, e-mail, local media adverts, direct mailing and telephone as well as discussions at the Resident's Finance Panel. The response in previous years has been low and also given the tight timescale the consultation this year will combine the rent and service charge consultation in to one letter to individual tenants. The budget position was also discussed at the Resident's Finance Panel meeting on 5 January 2010.

11.5.2 The consultation is due to close on 1 February 2010 and a summary of the results will be included in the final budget report to Council.

11.6 Businesses

11.6.1 Business consultation events were organised for 20 and 27 January 2010. The presentations include the position on the Council's financial strategy as well as the changes in business rates proposed by central government. Feedback will be included as part of the report to full Council in February.

11.6.2 The position on business rate proposals for 2010/11 onwards is complicated by the 2010 revaluation process being carried out. A transitional relief scheme is proposed that will put caps on both increases and reductions over a five year period. The caps for increases are higher for larger properties. The business rates multiplier is reducing to take account of the re-valued properties in order that no additional revenue above inflation is generated nationally.

11.6.3 An additional issue for London is the business rate supplement of 2p in the pound proposed by the GLA for 2010/11. This has been the subject of a separate consultation during 2009 to all businesses with an existing rateable above £30k, although the final supplementary business rate will only apply to businesses above a value of £50k (after revaluation). The GLA have proposed this to raise funds to contribute to the Cross-rail project.

11.7 Residents

11.7.1 Last year the Council year engaged with residents on the main budget process in a more proactive way than has been undertaken in the past. This is in line with the government agenda of participatory budgeting. The consultation was based on information giving and asking for comments through Haringey People, a web-based questionnaire and a consultation exercise with groups of invited residents at facilitated workshops. This is in addition to the already well-established publication of the pre-business planning review documents on the website.

11.7.2 Focussed workshops were planned and the participants were drawn from people known to the Council's consultation team. They were invited to attend one of two planned community consultation events.

11.7.3 The content included an explanation of the Council's funding sources and spending plans along with a view of how increases in council tax impact on the Council's budget making process. Participants were asked about which services they use or have used. This was followed by round table facilitated discussions about a series of questions designed to ascertain which areas of the budget residents would rather support financially. The sessions were closed with a vote on the questions posed.

11.7.4 A separate on-line consultation was specifically designed and promoted to increase the number of residents, businesses, voluntary and community groups and young people taking part. HAVCO, the Children and Young People's Service and Neighbourhoods were asked to promote the consultation through their contacts where possible. An e-mail was also sent for promotion to local traders.

11.7.5 A summary of the findings and main comments are as follows:

- the presentation on the Council's budget was well received. One participant felt that "it explained things I didn't understand". Feedback about the event itself showed participants felt that the content of the event was interesting;

- residents were pleased to be invited to comment and take part in this budget process and felt it was a good initiative from the Council;
- participants were interested and surprised when taken through the presentation of how the Council was funded, especially the small proportion of what council tax pays for;
- concern was expressed at the short-term funding issues affecting the Council as a result of the current economic climate;
- concern was also expressed about the funding issue affecting schools, and were positive about the local campaign to redress the perceived unfair funding formula;
- surprise was expressed at the how much of the budget was allocated spending on social care for adults and families, but there was some recognition that Haringey was a 'poor' borough with pockets of affluence;
- the main service priorities that came through in the on-line consultation were: social care for children and vulnerable adults; education for children and young people and housing services;
- in terms of council tax, the majority of participants said they would rather see current levels of service maintained or improved knowing that it may mean an increase in council tax.

11.8 Trade unions

11.8.1 Meetings on 17 December and 11 January were held with representatives of the trade unions to discuss the financial strategy and the pre-business plan reviews at a high level. Written responses have been received on the detailed proposals and these are being discussed at departmental levels where appropriate. The key overall views expressed are set out in the following paragraphs.

11.8.2 'The trades unions in Haringey are as aware as anyone that the public sector as a whole is going to experience a period of severe financial constraint. Inevitably, our perspective is that necessary adjustments should be made in ways that, as far as possible, preserve jobs and retain services in the public sector. Thus, when shared services are considered, we would prefer a sharing between public bodies to sharing services with a private provider. We would point to the instances where services have been outsourced and later had to be brought back in-house'.

11.8.3 'We welcome the fact that no major cuts or redundancies are scheduled for 2010/11. Looking beyond that, we realise that the Council's approach will have to extend to looking at which services it provides directly, how it provides the services it retains, and how it can share service provision with other bodies. The possibilities that will be looked at will need to be subject to full consultation with the unions and the implementation of decisions arising from that will need to be negotiated. The trades unions will approach this in a positive manner but will always give first priority to the protection of our members' interests, the preservation of public sector service provision, and the preservation of effective and excellent service delivery to the members of the communities in which we work. We regard the final aim as fully compatible with the first two aims and this is, doubtless, something that will arise in the future discussions we will inevitably have. Naturally, we will share any ideas we have for constructive savings and we take encouragement from the fact that our suggestion, made some time ago, that the Council could save money on the cost of agency staff has, in the past couple of years, been acted on to good effect'.

11.9 Other stakeholders

11.9.1 Views of other stakeholders have been sought and received as part of the budget process including specifically with partners such as the Primary Care Trust, the Mental Health Trust and voluntary organisations.

12 Investment options

12.1 The PBPR process has identified areas for additional general fund revenue investment, which align with the Council's strategic agenda. These are set out in appendix D and are recommended for acceptance. The new proposals total £7.8m in 2010/11. The **Council's priorities** provide the rationale for the allocation of investment resources via the business planning process and are set out in the appendix. The key areas for investment are as follows:

- children's social care – provision for an increased number of looked after children and associated staffing and legal costs;
- learning disability services – provision for additional demand including transition of children to adults social care requirements;
- increase in investment in direct payments for children's social care;
- additional investment in reducing the numbers of families in temporary accommodation;
- introduction of mixed waste recycling services to 2,500 properties on narrow roads;
- increasing volunteering through a partnership initiative, and;
- provision of credit union facilities within the borough.

13 Savings options

13.1 Proposed savings totalling £9.2m over the next two years were agreed as part of the previous budget processes. In addition there is a separate savings target of £2m for 2010/11 the final year of the Haringey Forward programme. Overall these savings have been reviewed through the PBPR process and either confirmed as sound and achievable or deemed as not achievable and replaced with new items. Some savings proposals have been re-phased to reflect a more realistic delivery profile. The changes to the **pre-agreed savings** are set out in appendix E and this shows a net shortfall against the original plans of £0.5m in 2010/11 but balanced over the three years.

13.2 A figure of £5.7m was identified as a target to bring the budget in to balance during last year's process. This was £2.0m in 2010/11 and £3.7m in 2011/12. Through the PBPR process new savings options have been identified against agreed targets and these are included at appendix E. The appendix sets out those **new savings** proposals in respect of the general fund, which are recommended by the Cabinet for agreement, and are £2.6m in 2010/11.

13.3 There are significant budget shortfalls highlighted for 2011/12 and 2012/13 of £10.5m and £8.2m respectively. These are based on a set of assumptions discussed in this report and will be subject to review when the results of the 2010 spending review is completed by central government after the next general election. As previously reported to Cabinet, the Council is adopting a strategic approach to dealing with these budget gaps and it is proposed that this work will follow three key strands:

- support functions review – key project to deliver efficiencies in support functions, reduce processes and bring together common work areas to benefit from economies of scale;
- strategic commissioning – developing a strategic commissioning function that is able to deliver efficiencies in the market supply and carry out effective de-commissioning, and;
- strategic service reviews – review existing service models and levels; possibly reconfiguration, shared services, social enterprises, externalisation, re-prioritisation, reviewing policy options and discretionary areas of spend.

Consideration will need to be given to the business cases for these work streams including the up front investment required to deliver such change.

13.4 Members are aware of the government's agenda to generate **efficiency savings** throughout the public sector. Originally set out in the Gershon review and more latterly in the Comprehensive Spending Review 2007 (CSR07). Local government was originally set a target of £4.9bn, which equates to 3% of the net base budget and achievement of this has been taken into account in the grant settlement as being delivered in cash. This was increased to 4% for 2010/11. Each local authority currently reports progress on efficiencies to the government in the new national performance indicator set where one is for value for money. In line with the government's new initiative from last year local authorities are required to include efficiency information directly on to **council tax bills** for residents.

13.5 The Council's ability to deliver budget savings is confirmed as a key aspect of the response to the strategic agenda in order to re-allocate resources to priorities and maintain essential services. The plans set out in this report include significant identified savings which can be summarised as follows:

Budget	**2010/11**		**2011/12**		**2012/13**	
	£m	%	£m	%	£m	%
General fund	7.914	3.2%	3.497	1.4%	0.433	1.3%
DSG (excl ISB)	0.300	0.2%	0.234	0.1%	0.000	0.0%
HRA	1.389	1.5%	2.120	2.2%	0.000	0.0%
Total	**9.603**	**1.9%**	**5.851**	**1.1%**	**0.433**	**0.1%**

13.6 The **Haringey Forward** programme is a key part of the overall strategy for delivering savings. An update was recently reported to Members that showed progress is being made broadly in line with expectations and that the £5m savings target will be delivered. The key streams for the efficiency part of the programme are the value for money reviews and smart working/accommodation strategy.

13.7 The **staffing implications** of the savings proposals include the deletion of a small number of posts as highlighted through the PBPR's. All efforts will be made to minimise the impact on permanent staff. The Council has a well established process for managing workforce reductions, which will apply. Redeployment, retraining, and the review of vacancies/temporary employment will assist to minimise the impact of reductions in the staffing establishment. The Council's trade unions have been consulted during the budget making process and will be involved in the implementation of proposals where staff are affected.

14 Children's services budget - dedicated schools grant (DSG)

14.1 In November 2007 the government announced a multi-year grant settlement for the DSG covering the period 2008/09 to 2010/11. This information set out a guaranteed unit of funding together with an estimate of pupil numbers for each of the three years covered by the settlement to give indicative cash amounts of grant. The headline position for Haringey in 2010/11 is an **increase per pupil of 3.9%**, slightly higher than the increase of 3.5% in 2009/10. This compares unfavourably with an average increase of 4.3% for London and England in 2010/11.

14.2 Schools are guaranteed a minimum funding increase based upon the government's assessment of inflationary pressures, although for each of the years covered by the multi-year funding settlement, a 1% efficiency saving has also assumed. The **minimum funding guarantee** (MFG) has been set at 2.1% per pupil in 2009/10, which is the same as last year.

14.3 The final cash amount of DSG is set by reference to the actual pupil numbers recorded at the January census immediately prior to the financial year in question, i.e. for 2010/11 the January 2010 **pupil count**. Experience has shown that the estimated numbers produced by the Department for Children's Schools and Families (DCSF) can be considerably higher than the actual numbers, therefore the authority has adopted a more prudent view of pupil numbers for budget planning purposes.

14.4 The table below sets out the guaranteed unit of funding (GUF) per pupil, the annual percentage increase, the government's original estimate of pupil numbers, actual pupil numbers, the final actual DSG for 2008/9, 2009/10 and the authority's estimate for 2010/11.

Year	Per pupil guaranteed unit of funding £	Increase over previous year %	DCSF estimated pupil numbers	Actual / *estimated pupil numbers	Actual / *estimated total grant £m
2008/09	4,986.83	4.1	33,039	32,084	159.997
2009/10	5,160.66	3.5	33,588	31,876	164.501
2010/11	5,364.29	3.9	34,303	*31,876	*170.992

14.5 In 2008/09 final pupil numbers were marginally lower than in 2007/08, at 32,084 and in 2009/10 had slightly fallen by 0.6% to 31,876. In continuing to adopt a conservative approach to the planning for DSG, the existing lower actual numbers for 2009/10 have been used.

14.6 No forward projections are included for 2011/12 onwards due to the national uncertainty around public sector funding levels for future years and the possibility of changes to the methodology for distributing the DSG between authorities.

14.7 The total DSG position as proposed is balanced. The School's Forum considered a three year strategy in 2008 and this has been updated to reflect the changes in pupil numbers set out above. The continuation of the policy agreed at Cabinet on 18 December 2007 of allocating any residual headroom towards AEN/ Deprivation factors within the Haringey Formula for Financing Schools was discussed and consideration was given the use of estimated £0.8m of headroom in 2010/11 to smooth the transition to the new **single funding formula for early year's provision**. This new formula, due to be introduced from April 2010, was attempting to more accurately reflect funding for actual costs across the private and voluntary sector provision as well as through local authorities. The DCSF made an announcement in December to allow postponement of this until April 2011. School's Forum agreed not to become an early adopter of this formula and to extend the consultation on the scheme.

14.8 The School's Forum are reviewing the impact of including private and voluntary sector provision in the allocation of headroom through AEN and deprivation factors, however, given the delay of the new formula and extension of the consultation, it is recommended that the £0.8m of **residual headroom** is allocated in accordance with existing policy.

14.9 Appendix F1 sets out the position on the DSG for the three year planning period within which there is provision for resources to be retained centrally in order to fund the following items:

- the estimated cost of inflation attributable to central budgets (£409,000);
- the need to recognise budget pressures in the provision of SEN placements (£140,000 covering both demographic and inflationary pressures);

- the provision of personalised learning services to pupils within central provision e.g. the Pupil Referral Unit (£60,000), and;
- savings of £300,000 within the central element to be used in support of child safeguarding services.

14.10 There is currently a consultation underway to consider a proposal to provide additional resources for **new schools**, which better reflects the diseconomies of scale during start up that they face. The outcome from this consultation will be brought to Cabinet for consideration in due course.

14.11 The DSG is currently allocated by government on a 'spend-plus' basis, derived from authorities' spending in 2005/06 plus uplifts for inflation and ministerial priorities. The previous **DSG methodology**, which underpins the 2005/06 spend, included an area cost adjustment (ACA) element to estimate the additional costs associated with high cost areas. Under this formula Haringey was classified as an outer London authority, even though it pays its teachers inner London allowances and displays many characteristics akin to inner London authorities. This results in Haringey's DSG funding being substantially below that of the borough's inner London neighbours. The Department for Children, Schools and Families (DCSF) is carrying out a review of the DSG with the expectation of a return to formula funding in 2011/12.

14.12 Haringey has already made representations to the DCSF and Ministers for a more equitable ACA formula to be developed and, in conjunction with the Haringey Schools Forum, will continue to make concerted effort to lobby for the improvement of the formula to more accurately reflect Haringey's costs.

14.13 From April 2010 the Council will assume responsibility for the commissioning and funding of post 16 provision from the **Learning and Skills Council** (LSC). A small number of commissioning staff will transfer from the LSC under TUPE regulations and, together with the costs of agreed vacant posts, will be supported by a special purpose grant (SPG) to cover their costs. Participation funding i.e. the resources necessary to fund organisations providing the relevant education and training for young people, will come to the local authority from the newly created **Young Peoples Learning Agency** (YPLA). The YPLA has the funding responsibility for all those aged 16-19 and for 19-25 year olds assessed for a learning difficulty and/ or disability. It is their role to support and enable local authorities to plan, allocate and fund a coherent offer to all young people whilst ensuring budgetary control and to provide nationally consistent funding and commissioning frameworks.

14.14 The participation funding will replace the finance currently received from the LSC for school sixth forms and the Haringey Sixth Form Centre and will extend to other post 16 providers in Haringey such as work based learners and it is believed CONEL. Whilst the national participation rates and the relevant funding formulae have been published there is a residual risk to post 16 institutions that the total funding available from the government to the YPLA is insufficient to meet the total anticipated demand for post 16 courses; this situation occurred initially in 2009/10 although was resolved through additional resources being made available by the government in that year.

14.15 The currently published timetable provides for draft final resource allocations being made available at the beginning of March with finally agreed allocations being published on the 26 March.

15 Housing revenue account

15.1 The housing revenue account (**HRA**) is a self-financing account and therefore cannot be subsidised by the general fund, i.e. council tax. The strategy for the HRA must therefore show sustainable resources available to provide the service in conjunction with maintaining the working balance at a prudent level. The income for this account is largely derived through government subsidy and tenant rents and service charges.

15.2 The final HRA subsidy determination for 2009/10 was received on 18 December 2008 and included a two year settlement. The guideline average rent increase was for 6.1% for both 2009/10 and 2010/11 based on inflation price index of 5.0% at September 2008. The Council's original budget and rent increase for 2009/10 was based on this. The DCLG issued a further announcement in April 2009 providing an option for authorities to reduce this rent increase and claim additional subsidy. The Council approved a revised annual average rent increase of 2.94% at its meeting on 18 May 2009 to be implemented with effect from 6 July 2009. In effect this resulted in a 3.97% reduction in rent from the implementation date because of the part year effect.

15.3 The **draft HRA subsidy determination for 2010/11** was received on 10 December 2009, the day after the Chancellor's pre-budget report, which is considerably later than in previous years. The proposed rent restructuring formula changes provide for a guideline rent increase nationally of an average of 3.1%, but specifically for the stock in Haringey the average guideline rent calculates at 2.6%. Therefore the subsidy received for 2010/11 is based on the assumption that the Council can put up rents by an average of 2.6%.

15.4 In addition to this the government have also reduced the period of convergence of rents, across the social housing sector, from 15 years to just over 3 years. This had the impact of increasing the guideline rent higher than the individual 'caps and limits', which are applied to each property (the cap is a maximum rent for the type of property and the limit is the maximum increase in rent in any one year). The weekly rent increase limit is based on the September RPI (-1.4%) plus 0.5% plus £2. Therefore as the caps and limits do not take account of the shortened convergence period the **actual rent increase is 1.3%.** The impact of this against the subsidy assumption of rent increasing by 2.6% is a shortfall in income of £1.2m in 2010/11. The DCLG have said current policy is that this will be automatically adjusted for in 2011/12 therefore it is a one-off issue. This loss is included in the budget plans attached at appendix G. The average rent rise equates to £0.98 per week.

15.5 A review of **service charges** is carried out annually as part of the budget process. Since 2003/04 local authorities have been required to disaggregate service charges to tenants from rent. Average costs for service charges take account of all residents across all dwellings as opposed to leaseholders who are legally obliged to pay the actual costs apportioned to their individual dwelling.

15.6 Service charges have generally risen in line with inflation although a full review is carried out each year in order to ensure recovery of the full cost is adjusted correctly. This budget proposes to reduce those charges by an average of 10%, which will result in an average decrease of £1.59 per week. There will be a number of properties that use the district heating service (approx. 600) that will receive a reduction in excess of 60% as the energy costs for this have gone down considerably and the backdated increases are fully recovered in 2009/10.

15.7 In addition to the above and set out in detail in appendix G, the **HRA medium term financial strategy** includes the following investment and savings proposals and changes:

- new efficiency savings of £1.389m in 2010/11 have been identified by Homes for Haringey including procurement savings, insurance premium savings, sickness cover savings, commercial property savings and reduced bad debt;
- new investment bids of £2.069m proposed for 2010/11 including £1.5m for further one-off fire safety work improvements; the rest includes more resources for window maintenance and ALMO client service;
- budget pressures of £0.385m in 2010/11 for reduced income from hostel de-commissioning, higher business rates and reduced interest earnings;
- increased costs of gas boiler maintenance of circa £1m to be funded from capital, and;
- a target for efficiency savings of £2 million remain to be identified by Homes for Haringey in future years after 2011/12.

15.8 The draft subsidy determination for 2009/10 shows an overall increase in respect of **management and maintenance** subsidy of 0.9% to £2,182.90 per dwelling, which after taking account of a reduction in the number of properties equates to £287k. The major repairs allowance per dwelling has increased by 4.1% to £790.28. This increases the capital funding available by £0.5m to £12.909m in 2010/11.

15.9 The government have been carrying out a **review of the HRA subsidy system** including utilising some authorities as pilots. The DCLG were trying to encourage local authorities to agree on a way forward following the results of the review, but there seems to be considerable disagreement with the proposal to re-allocate housing debt across the sector in order to settle on an equitable position. It is likely that any permanent changes to the system will not be implemented until after the next spending review.

15.10 The current approved HRA budget position in 2009/10 is set out in the table below, together with the proposed changes to give an overall position for the HRA. This table is shown in more detail in appendix G. The target level of balances for the HRA is £5m and this is broadly achieved over the three year planning period. The planned opening balance for 2009/10 of £5.255m has been revised to £7.248m arising from the surplus in the 2008/09 accounts.

£000	2009/10	2010/11	2011/12	2012/13
Planned opening balance	(7,248)	(7,438)	(4,567)	(5,360)
In year budget	(607)	2,871	(793)	(640)
Forecast revenue position 2009/10	(643)			
Proposed use of balances in 2009/10 *	1,060			
Proposed closing balance	(7,438)	(4,567)	(5,360)	(6,000)

** fire safety work, window maintenance and community centre refurbishment*

16 Capital programme

16.1 A capital programme has been developed, driven by the Council's agreed policy framework for capital expenditure, the approved capital strategy and underpinned by asset management plans across the Council. The overall proposed programme is attached at appendix J.

16.2 The existing resource allocation strategy adopted by the Executive on 21 October 2003 uses the Community Strategy and Council's Corporate Plan as its framework for determining priorities and is delivered through the Council's business planning process. This is updated and attached at appendix I.

16.3 The main resources for capital expenditure are provided through borrowing approvals i.e. supported capital expenditure (revenue) known as SCE (R); and through grant, mainly supported capital expenditure (capital) or SCE (C). Both forms of funding can be ring-fenced by the government. Corporate resources comprise non-housing and education borrowing limits, non-ring-fenced grant and all capital receipts.

16.4 The estimated resources available for capital investment are set out in the table below over the next three years. The estimates for the investment for decent homes and BSF are shown separately.

Capital Programme - Resources Utilisation Estimates	Original 2009/10* £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	Total 2010/11-2012/13 £'000
Housing (HRA)					
SCE® Single Capital Pot	6,233	6,233	6,233	0	**12,466**
SCE® Separate Programme (Decent Homes)	30,000	33,500	44,000	41,589	**119,089**
Major Repairs Allowance (MRA)	12,407	12,909	12,909	12,909	**38,727**
	48,640	**52,642**	**63,142**	**54,498**	**170,282**
Children & Young People's Services					
BSF (SCE©, SCE® & other finance)	98,822	48,632	11,792	667	**61,091**
Other SCE® (excluding BSF)	5,253	100	9,560	9,483	**19,143**
Other SCE© (excluding BSF)	12,417	18,876	12,138	13,281	**44,295**
Other Grants & Contributions	1,274	200	374	3,326	**3,900**
	117,766	**67,808**	**33,864**	**26,757**	**128,429**
Urban Environment					
TfL Capital Grant (Local Implementation Plan)	3,815	4,203	4,203	4,203	**12,609**
	5,365	**4,203**	**4,203**	**4,203**	**12,609**
ACCS					
Other Grants & Contributions & Reserves	0	600	0	0	**600**
Government Grants and GLA	749	1,352	0	0	**1,352**
	749	**1,952**	**0**	**0**	**1,952**
Corporate Resources (corporately applied)					
SCE®	100	104	100	100	**304**
Capital Receipts - Bids for Corporate Resources	9,837	2,020	6,782	7,327	**16,129**
Capital Receipts - Accommodation Strategy	0	3,500	7,641	8,150	**19,291**
	9,937	**5,624**	**14,523**	**15,577**	**35,724**
Other Grants & Contributions & Reserves	**14,676**	**6,557**	**0**	**0**	**6,557**
Unsupported Borrowing	**3,422**	**9,812**	**8,000**	**0**	**17,812**
Total Capital Programme	**199,005**	**148,598**	**123,732**	**101,035**	**373,365**

16.5 The strategic context for **housing** is the investment gap to deliver against the **decent homes** target. Homes for Haringey successfully achieved two stars in the inspection in 2008 and the DCLG subsequently announced the release of decent homes funding. Originally only the amounts up to and including 2009/10 were confirmed with the funding in latter years being noted as indicative. A further letter was received on 21 December 2009 confirming the funding for 2010/11 in line with the original allocation. The Council has also benefited from some brought forward funding from the DCLG allowing works to be carried out earlier than planned. The total funding for the programme still stands at £198.579m as set out in the following table.

Year	Original allocation £m	B/fwd allocation 2008/09 £m	B/fwd allocation 2009/10 £m	Revised allocation £m
2007/08	6.990			6.990
2008/09	23.000	5.000		28.000
2009/10	30.000	(5.000)	6.500	31.500
2010/11	40.000		(6.500)	33.500
2011/12*	44.000			44.000
2012/13*	41.589			41.589
2013/14*	13.000			13.000
	198.579	0	0	198.579

**indicative*

16.6 The **procurement framework agreements** were set up in advance of the notification of funding allocations and have been effective in delivering the improvements to homes within budget. This is has helped to secure brought forward funding from DCLG as shown above. It is expected that in the current climate that improvements to the value for money of the current contractors can be secured to enable either earlier completion of decent homes work or additional improvement works in line with the higher Haringey standard. This will be considered by Members in due course.

16.7 Works to **leaseholder** properties are above the funding figures set out above. These will be funded by leaseholder contributions in accordance with the policy recently approved by Cabinet on 15 July 2008 in respect of major works charging arrangements. This may require some temporary financing by the Council the revenue impact of which will be met by the HRA.

16.8 The other elements of the housing capital programme include a continued high level of investment for aids and adaptations for Council properties, lift improvements and increased boiler replacements. The programme for housing also includes a higher proportion of works on planned and preventative maintenance works than in recent years. The subsidy determination includes an increase in the major repairs allowance of £0.502 to £12.909m, which will fund most of the increased investment in boiler replacement.

16.9 For **children and young people's services**, the key strategic issues are in respect of the **Building Schools for Future (BSF)** programme (including the new 6th form centre) and the primary capital programme. A total of £214m is planned to be spent on BSF (made up of £188m of mainstream central government resources including £10m from the Learning Skills Council contributing towards the cost of the new 6th form centre, schools contributions towards the ICT contract, a specific capital receipt of £2m and revenue contributions from the DSG).

16.10 The new **6th form centre** has already been successfully delivered, on time and on budget, as an early part of the BSF programme. 2010/11 will see the majority of the rest of the works in the secondary school estate undertaken, with a total of 9 projects reaching completion during the year. Alongside the investment in buildings, investment in refreshed ICT under the fully operational managed service contract will be completed for those sites and handed over. Phase 1 of Heartlands High School will also be completed during the first half of the year, allowing the school to open for the year 7 intake in September 2010. Work on Phase 2 will continue through to completion the following year.

16.11 The government plans to invest differently in the primary estate under the new **Primary Capital Programme** (PCP) and investment will be guided at a local level by the development of a **Primary Strategy for Change** (PSfC). The DCSF approved the Council's PSfC 'with modifications' last year with £12 million of resources granted. A successful bid for an additional grant of £8.57 million was recently approved too on the basis of known increases in demand for primary places.

16.12 The PSfC demonstrates a joined up approach to capital investment and follows on from the recent report to Cabinet in September 2008, which along with priorities in the Education **Asset Management Plan** (AMP) agreed to target resources for provision of additional primary places. It is proposed the main elements of the additional resources will be used to support:

- contribute towards the inclusive learning campus at Broadwater Farm;
- the expansion of Rhodes Avenue and Coleridge schools, and;
- additional provision for the Tottenham Hale area.

16.13 The new funding will also release some primary capital funds previously diverted to support pupil place pressures to undertake condition and suitability works at other schools. A programme of condition surveys and feasibility studies undertaken in 2009/10 will inform the scoping of further phases of the primary capital investment strategy.

16.14 In relation to **Early Years** provision, the Children's Centre Phase 3 programme will be largely completed during 2010/11, with major investment projects taking place at Highgate Children's Centre and Rokesley Infant School. The distribution of Early Years quality and access grant support to enhance the quality of provision in the private, voluntary and independent sector for early years will continue.

16.15 In the area of **children's social care**, borrowing approvals have been granted to support adaptations at carer homes to ensure they are suitably adapted to accommodate children's needs, including special needs as appropriate, and to make a wider variety of local options available for the care of vulnerable, special needs and other looked after children.

16.16 The requirements for **streetscene** were set out in the Local Implementation Plan, which was agreed by Cabinet on 8 September 2009 and submitted to the Mayor as a bid. A letter from **Transport for London** (TfL) on 11 December confirmed the grant approval of £4.203m. The grant approval is an increase of £420k (11%) against the funding received in 2009/10. The overall funding for London reduced by 8%. The successful bid addresses a number of local and mayoral priorities, such as; Wood Green High Road shared spaces and simplified streets, provision for cycling, improvements to walking and the reduction of road traffic accidents. A general sum of £100k has been allocated to all boroughs to be spent on the transport priorities of their choice.

16.17 The **regeneration** strategy is supported by Growth Area Funding (GAF) and Community Infrastructure Funding from the government. The Council has been successful in securing significant capital resources through the above and through developer contributions in a joint approach with TfL and the LDA for improvements to the Tottenham Hale gyratory. A recent reduction of £1.5m in the GAF resource diverted to new house building will require some work to bridge this gap.

16.18 The utilisation of **corporate resources** for capital investment has been considered through the pre-business plan reviews. The process for appraising bids for corporate resources include how investments support the community strategy priorities and the asset management plans. The proposed schemes, attached in detail at appendix H will give an overall utilisation of corporate resources as follows:

	2010/11 £'000	**2011/12 £'000**	**2012/13 £'000**	**Total £'000**
Estimated resources available	(8,824)	(7,100)	(7,496)	(23,420)
Proposed expenditure	9,107	6,882	7,427	23,416
In year (surplus)/deficit	283	(218)	(69)	(4)

16.19 The position for **capital receipts** is very difficult in the current economic conditions. Forecasts for 2009/10 are that there is a likely shortfall against the original target and the predictions for the near future do not look particularly encouraging. It is likely that the Council's strategic sites will achieve better value in the next two or three years and this is built into the forecast. The estimated position includes:

- right to buy receipts of £0.45m over three years, down from £2.25m previously;
- strategic sites to deliver £22.5m including Hornsey depot;
- other receipts resulting from the accommodation strategy and other projects where the receipts have been previously agreed by Cabinet to ring-fence to these projects.

16.20 In overall terms it is proposed that **temporary borrowing** of £6m is carried out to fund a smaller programme in the first two years and this to be repaid in year three when the strategic site receipts are realised. Revenue funding costs for this are proposed in this budget.

16.21 The commitment to the proposed programme of investment relies on achieving these disposals at the required values and any significant variation to this may require a review of the spending commitments at the appropriate time. It is proposed the shortfalls in the first year shown in the table above of £0.3m through the financing reserve.

16.22 In September 2009 Cabinet approved to investigate the use of a **local asset backed vehicle** as a way of levering in external resources for the purposes of regeneration and housing investment. This approach is likely to be supported by the Home and Communities Agency (HCA). The feasibility will need to include a review of assets already ear-marked for disposal as well as other existing assets that may benefit from such a proposal. The funding of the existing capital programme could need to be re-balanced as a result of this.

16.23 The capital investment package delivered from corporate resources as proposed will contribute significantly to the **Council's priorities**. The process for proposing these investments has considered the respective asset management plans as well as the improved service outcomes. A number of projects are also providing match funding to lever in significantly more external funding, subject to those external processes. In addition, significant capital expenditure will have regard to the Council sustainable procurement policy agreed in 2008. The priorities supported most by this programme are:

Better Haringey: cleaner, greener and safer

- continued investment in street lighting;
- investment in the borough's roads and footways;
- continued investment in road safety measures;
- additional investment in parks and open spaces.

Encouraging well-being

- additional investment in outdoor sports facilities;
- continued investment in leisure centres.

Promoting independent living

- continued investment in aids and adaptations to allow vulnerable adults and children to stay at home.

One of London's greenest boroughs

- continuation of the tree planting programme.

16.24 Although there are significantly less resources available the programme that is recommended provides a balanced approach to investment and achievement of the Council's priorities.

16.25 The recommended capital budget for IT investment is in relation to service identified improvements and upgrades for which business cases will require authorisation before progression. IT infrastructure renewal will be dealt with as part of the revised IT strategy and will include separate funding proposals.

16.26 There is an assumption of a small amount of **prudential borrowing** in the proposed programme. This is mainly in respect of the previously approved scheme for investment in Leisure facilities where the borrowing costs are offset by additional income or expenditure savings and the scheme for Alexandra Palace and the renewal of the ice rink. Investment options in other schemes that rely heavily on increasing income through fees and charges have been withheld at this time (e.g. cemeteries) and will be the subject of further review in due course. In all cases any proposals need to meet the approved Council's policy on passing the affordability test where the cost of borrowing is being met by additional revenue income and or expenditure savings.

17 Treasury management strategy

17.1. The Council is required to consider an annual Treasury Management Strategy under the CIPFA Code of Practice on Treasury Management, which was adopted by the Council in May 2002. CIPFA has recently issued a revised Code of Practice in response to the turmoil in financial markets which was caused by the 'Credit Crunch'. The Council's revised Treasury Management Strategy Statement (TMSS) attached as Appendix K to this report contains a number of amendments principally concerning scrutiny and reporting requirements.

17.2. The revised TMSS was considered and approved by General Purposes Committee on 12 January 2010 as part of a new wider process before going on to Council for full approval as part of the final overall budget report. An additional recommendation was made at that meeting to review the use of smaller UK building societies for possible inclusion on the lending list later in the year. The revised TMSS is attached for consideration and approval.

The Revised CIPFA Code of Practice on Treasury Management 2009

17.3. There are a number of changes within the new code which are concerned principally with the status of the code within the public sector and reporting and scrutiny requirements as follows:

Standing Orders

17.4. CIPFA recommends that local authorities adopt, as part of their standing orders/ financial regulations, that the Council will create and maintain, as the cornerstones for effective treasury management;

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
- suitable treasury management practices (TMP), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
- the content of the policy statement and TMP will follow the recommendation contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

17.4.1. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP.

17.4.2. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the General Purposes Committee, and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMP and, if he/she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management.*

17.4.3. The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

17.5. The effect of adopting the above clauses will lead to the following changes to the current reporting arrangements.

17.6. **The Council** in addition to agreeing the TMSS and receiving an annual report following closure of the accounts, it is now a requirement of the Code that a mid year review of treasury management operations be submitted for consideration.

17.7. **The General Purposes Committee** will continue to receive quarterly reports on the implementation and regular monitoring of the treasury management policies and practices. In addition, it will now formulate the TMSS prior to its scrutiny by the Audit Committee and subsequent adoption by the Council.

17.8. **The Audit Committee** will assume responsibility for ensuring effective scrutiny of the TMSS prior to its consideration by the Council.

17.9. The Local Government Act 2003 also requires the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

17.10. The Local Government Act 2003 and the CIPFA Prudential Code introduced a new prudential system for local authority capital finance and came into effect on 1 April 2004. The key objectives of the code are to ensure:

- capital investment plans are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with good professional practice;
- fulfilment of the above objectives by setting out prudential indicators that must be set and monitored.

17.11. In line with the suggestion in the ODPM investment guidance, the Treasury Strategy Statement and Annual Investment Strategy have been combined into one document. This is set out in full in Appendix K and includes the proposed prudential indicators for 20010/11 to 2012/13. The strategy is based upon the Council's officer views on interest rates, supplemented with leading market forecasts provided by the Council's external treasury advisor, Arlingclose. The strategy covers:

- background information on the treasury management operation;
- the balance sheet and treasury position;
- the outlook for interest rates;
- borrowing requirement and strategy;
- investment policy and strategy;
- balanced budget requirements;
- the 2010/11 minimum revenue provision (MRP) statement;
- reporting, and;
- other items.

Capital Financing

17.12. The proposed authorised limits for external debt in 20010/11 to 2012/13 are consistent with the authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of the most likely forecast position, but with sufficient headroom over and above this to allow for operational cash flow management.

17.13. In the Council's 2010/11 to 2012/13 budget plans the capital programme is mainly based on the amount of supported borrowing and grant from central government and a projection of potential capital receipts. There is an assumption of a small amount of prudential borrowing in the proposed programme that will be funded within available resources. There is no increase in Council Tax or housing rent to fund a higher level of expenditure above the level of resources available.

17.14. The capital financing requirement (CFR) is planned to increase in 2010/11 by £42m as a consequence of the proposed capital programme. The net borrowing will be funded within the resources available.

17.15. The increase is substantially because of the continuing additional supported investment in respect of **Decent Homes**, which could potentially release £199m from central government to be financed by supported borrowing. £67m of these resources are forecast to be spent by the end of 2009/10, with the remaining £132m phased over the period 2010/11 to 2013/14. The impact of supported borrowing in revenue terms will be in the housing revenue account. The cost of borrowing should be met by actual government support through housing subsidy although this will be kept under close review.

17.16. For Children and Young People's services, the key strategic issues are in respect of the **Building Schools for the Future (BSF)** programme and the primary capital programme. A total of £214m is now planned to be spent on BSF made up substantially of mainstream central government grant plus a specific capital receipt and revenue contributions from the DSG.

17.17. A successful bid to the DCSF for an additional grant allocation of £8.57 million to support the provision of **new primary school places** will support the Council's existing expansion projects at Rhodes Avenue and Coleridge schools, and enable a full funding package to be constructed for the proposed new primary school in Tottenham Hale. A contingency will be maintained to meet any exceptional demand in 2010 and 2011.

17.18. The new funding will also release some **primary capital** funds previously diverted to support pupil place pressures to undertake condition and suitability works at other schools. A programme of condition surveys and feasibility studies undertaken in 2009-10 will inform the scoping of further phases of the primary capital investment strategy.

Investment Policy and Strategy

17.19. The annual investment policy forms part of the TMSS in the appendix. There are some changes proposed and to be considered which reflect the signs of improvement seen in the financial sector post the ‘credit crunch’.

17.20. At present, investments in banks and building societies (on a term, at call or on a certificate of deposit basis) are limited to UK banks and building societies that have a minimum AA- long-term credit rating and F1+ short-term rating <u>and</u> are participants in the UK Government’s Credit Guarantee Scheme. This currently limits activity to seven UK institutions all of which have maximum investment limits of £20m at group level and term durations of a maximum of 12 months.

17.21. Following an improvement in market conditions in the financial sector, the Council’s treasury advisors, Arlingclose, are presently recommending that in order to diversify the counterparty list, the use of comparable non-UK banks should now be considered for investment.

17.22. The sovereign states whose banks are recommended for inclusion are Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US. The banks selected by Arlingclose have been considered after analysis and careful monitoring of:

- credit ratings (minimum long-term AA-);
- credit default swaps;
- gross domestic product (GDP) and net debt as a percentage of GDP;
- sovereign support mechanism/potential support from a well resourced parent institution, and;
- share price.

17.23. Arlingclose has taken into account information on corporate developments and market sentiment towards the counterparties. However, given that these recommendations have only very recently been provided to the Council, officers have not had the opportunity to undertake due diligence into these institutions and consequently are unable to recommend that any of these proposed institutions be added to the counterparty list at present.

17.24. It is anticipated that in-house due diligence will be completed by April 2010, and that subject to a satisfactory outcome to this process, some or all of the potential counterparties be added, potentially on the following cautionary bases:

- minimum credit rating AA Long-term F1+ Short Term. This compares to the existing UK Institutions where the Council currently requires a long-term credit rating of a minimum of AA-, and;

- maximum exposure to any one institution (or group) of £10m. This compares with the existing UK counterparty limit of £20m per institution (or group).

17.25. At present, the Council has approved investment limits of up to £10m in Money Market Funds with a maximum exposure limit to any one fund of £5m. In accordance with his delegated authority, the Chief Financial Officer, in consultation and with the agreement of the General Purposes Committee, has recently appointed three firms of Money Market Fund managers. These funds have proved particularly useful in the management of the treasury operation in terms of security (short-term high quality paper and deposits), liquidity (immediate recall of cash), thereby reducing external borrowing on a number of occasions, and yield (typically 20 basis points higher than placements with the DMO). It is recommended, therefore, that the maximum total investment in Money Market Funds be increased from £10m to £45m subject to a maximum exposure to any one fund of £15m.

Icelandic Investments

17.26. The administration process for the Icelandic banks in which Council deposits are held is continuing. It is now reported that two interim payments have been received in respect of Heritable Bank amounting to £5,726,195.44 (equivalent to circa 29p in the pound of the deposits with that bank). The position with investments in respect of those held in Glitnir Bank has changed in that the Glitnir Winding Up Board recently decided not to allow priority status to local authorities' deposit claims. A formal legal objection to this decision has been filed. The Council has £2m of deposits in Glitnir. Further information will be provided to Cabinet once the position is clearer. The position in relation to Landsbanki Bank remains unchanged.

17.27. The government has issued a regulation to allow authorities to defer accounting for the net loss until 2010/11. The latest estimate of the impairment to be charged to the Council's accounts assumes an estimated recovery of 80.6% of the total capital sum invested in all Council Icelandic investments. This amounts to £7.1m and will need to be written off in 2010/11. This can be funded from the capital redemption reserve of £10m. The Council has, however, accounted for interest not received in relation to these investments in 2008/09.

17.28. The DCLG has recently advised that Authorities can request permission to capitalise the losses that may result from the Icelandic investments by mid-December. The Council has applied for permission to capitalise the costs which would mean that the loss could be financed over a period of up to 20 years from 2009/10. A decision is expected on 29 January.

18 Council tax

18.1 The planning assumption following the conclusion of the 2009/10 process was that the **council tax** would increase by 3% in 2010/11 and each year thereafter. This is within the majority group Manifesto commitment of council tax increases not being more than 3%. Members will be aware that Ministers wish to see council tax increases of 'below last year's average of 3%' as stated with the announcement of the draft revenue support grant settlement.

18.2 Ministers made use of **capping powers** in respect of the budget decisions of a number of authorities for 2009/10. The powers are framed in terms of both tax and budget increases and can take account of a number of years. The specific criteria for application of capping powers is within Minister's discretion and the Minister has written to all authorities reiterating his willingness to use these powers again this year if necessary.

18.3 The position with regard to the Council's **tax base** for 2010/11 has been considered and approved by the Chief Financial Officer in consultation with the Cabinet Member for Resources under delegated authority on 13 January 2010. This is broadly in line with the government return and shows a slight increase in the base of 0.23%. It was agreed that the collection rate remains unchanged at 96%. In respect of the position on the collection fund it is considered that any projected surplus or deficit at this stage is not significant enough to impact on the levels of council tax.

18.4 Appendix A to this report shows a **general fund budget requirement** generated by the various factors set out in this report and the Cabinet's budget package at £416.587m. The final budget requirement is subject to:

- changes in resources arising from the finalisation of the local government finance settlement;
- the determination of funding requirements by the various precepting and levying authorities.

The council tax for 2010/11 will be set formally by Council on 22 February.

18.5 The proposed budget for 2010/11 assumes a **council tax freeze**. The financial strategy continues to assume 3% in future years although this will be reviewed again next year with the new administration.

18.6 The Council's current plans usually assume that any increase in the GLA precept will be passported through to taxpayers. The Mayor is consulting on a nil increase in the precept for 2010/11, which would give an overall increase of 0.0%. The GLA base precept includes £20 at band D from 2006/07 for 10 years to contribute towards the 2012 Olympics. This has increased to £21.47 up until 2009/10 and there is no further addition to this in 2010/11.

19 Key risk factors

19.1 The management of risk is a key part of the Council's business and budget planning processes and is fully reflected in the pre-business plan reviews. The risk management strategy together with the cascading risk registers are reviewed on a regular basis and the budget management process linked to performance and people management needs to remain challenging and robust in order to be able respond effectively to any issues that arise. The consideration of the financial impact of risks is a key part of the budget setting process and the consideration of reserves are an important part of setting out how well the Council can deal with risk issues as they arise.

19.2 The Council's **financial reserves** are a key determinant of financial strength and standing. Our reserves position remains strong, continuing to attract a good assessment by our external auditors. This financial strength plays a vital part in enabling the Council to respond vigorously to the strategic and performance agendas whilst managing the financial risks inherent in the operation of a large and complex organisation without immediate disruption to services or future plans. The current policy and plans allow for general balances to be maintained at the target level of £10m over the period and there is a separate risk reserve of £10m. Formal reporting on the adequacy of reserves, as part of the Chief Financial Officer's statutory duty, will be done as part of the final tax setting report to Council on 22 February 2010.

19.3 The most significant financial risk factors are:

- the implementation of the Joint Area Review action plan and increases in demand for **children's social care** services have been allowed for in this budget process, however, it is a service that will be kept under continual review to ensure that the Council achieves the quality improvements and outcomes in this area and that resource and risk issues are managed effectively. The service will be the subject of an Ofsted progress review early in 2010;

- managing the demand for **adult social care** is a challenge and current budget plans already include growth for increasing volumes. It is planned to review the current arrangements for commissioning strategies in the near future including the joint arrangements with our partners in the health service. This combined with the transformation agenda towards more choice and personalisation and the new policy of free personal care means that there could be significant flexibility required as these changes come into effect;

- the position in respect of the costs of people living in **temporary accommodation** is clearly a significant risk with the subsidy rules changing in April 2010. This issue has been reported to Members regularly and indeed Cabinet approved £2.2m of additional investment in 2009/10 to provide resources to meet the demanding reduction targets, particularly in 'emergency accommodation'. The high number of clients is reducing although not necessarily at the pace required to achieve a neutral cost impact for 2010/11. A number of changes have been made to the strategy in targeting the higher cost properties that may have an effect during the last quarter of this year. To mitigate the financial impact if this not being fully achieved by April 2010 previous year's underspends on this service have been set aside in an earmarked reserve. This will be monitored closely and will be reported to Members in due course;

- **waste disposal** costs are budgeted to increase over the next three years in line with NLWA projections including known tax increases. The plans for the major procurement to secure new long term recycling and environmentally sound disposal facilities are underway with a re-submission of the outline business case for PFI recently sent in to DEFRA. As reported to Cabinet this will have significant cost implications for all of the member boroughs within the next decade. The sign off on affordability was given by Cabinet in October 2008 and these increases are included in the financial plans attached. If the PFI scheme does not go forward then this will need to be re-appraised. There are also immediate risks as the balance of costs favours moves towards those with better recycling performance and that the costs of the long term procurement needs to be contained within the existing plans;

- the budget position for employer's contributions to the **pension fund** in this planning period is based on the triennial actuarial review from March 2007. No additional contributions were included in this period. The latest interim review dated March 2009 showed the Council as not being on target with its recovery plan although investment returns are subject to considerable volatility given the situation in financial markets in recent times. A provision has been added in these plans for future years after the next triennial review for March 2010. This will need to be reviewed once this is published later this year and after the investment strategy is also re-assessed;

- the **economic downturn** and recession may continue to impact on the Council in a number of ways. This may be in the form of continued higher demand for Council services, such as experienced for housing and council tax benefits; or reductions in revenue income for demand led services, such as building control or leisure services. If service departments are unable to manage these pressures within their existing resources then they may call on the general contingency that has been set aside in the base budget. If this is not sufficient then this could be supplemented on a temporary basis by using reserves if necessary;

- there is a significant level of planned **savings** that underpin the medium term financial strategy, the delivery of which will need to be specifically monitored through the budget management process and through the existing risk management strategy and project management framework. The project management framework will also be used to deliver the Haringey Forward programme. The target £5m budget savings from 2008/09 to 2010/11 continues to be managed closely through this project governance arrangements. The new approach to deliver savings for 2011/12 and beyond will also require clear capacity to implement and close governance to manage effectively. Additional up-front resources will almost certainly be required and some of this may need to come from reserves;

- the position on revenue support **grant** and other specific grants for 2011/12 onwards is uncertain. The medium term financial strategy in this report is based on a number of prudent assumptions. The position should become clearer after the general election this year and after the government publish the next detailed public spending review for 2010. It is possible that the reductions in grant funding could be more severe than currently estimated;

- the long term future of **Alexandra Palace** will be the subject of further consideration and consequently the Council's financial support to the Charity. A number of items have been considered as part of this budget process in respect of this. The underlying revenue deficit is now in the order of £2m per annum and this isn't likely to improve without further significant changes or investment;

- local **land charges** are under scrutiny in terms of legality of charges and the Local Government Association are conducting some national review work; this may impact on future income levels although a number of budget reductions have been agreed in recent years due to a fall in volumes;

- an adjustment in the budget process has been made for reduced **interest earnings** and therefore this risk should be manageable in the near future. Other issues may impact on this and the capital financing budget; one-off issues such as the Iceland deposit recovery being lower than expected or ongoing issues such as the impact of the HRA review and the possible re-allocation of local authority debt;

- the implementation of the new **International Financial Reporting Standards** includes several mandatory changes to accounting procedures. These will impact the way in which certain costs and charges are treated and this could affect the Council's net revenue expenditure. This is a national issue for all local authorities and government consultation is underway for regulations to be issued to minimise the risk of this being a charge to the council tax payer or council tenant;

- the deteriorating position on **capital receipts** has been reflected in the financial plans. The property market conditions are not showing particular signs of recovery. A number of assets earmarked for disposal in later years will need to be delivered to ensure the planned temporary borrowing is repaid in the agreed timescales;

- the delivery of Decent Homes is progressing well and the overall level of resources for 2010/11 is line with the original plans, however there is a risk that the **housing capital funding** for 2011/12 could be severely restricted. The Decent Homes funding is only confirmed until 2010/11 leaving a further £99m still to be approved and furthermore the routing housing capital credit approvals are due to end in 2010 after Decent Homes is delivered. Currently the plans assume the £6.2m of supported borrowing continues to 2011/12;

- the **HRA** medium-term strategy requires further significant revenue savings to be delivered for 2011/12. At the same time the service will undergo a re-inspection and will be required to maintain the two star score in the next assessment if it is going to continue to benefit from the Decent Homes funding;

- the **BSF** programme is entering a critical phase with all of the contractors prices for construction having now been agreed through the procurement process. Contingency has been set aside within the BSF programme to allow for variations that arise in the delivery of these projects although current indications are that projects are progressing well without the need to call on this so far. Risks will require careful management through the existing governance process and unused contingency can be carefully released in a timely manner in order to ensure all resources are fully utilised to achieve the overall educational priorities and vision.

20 Summary and conclusions

20.1 This report sets out the Cabinet's general fund budget proposals for 2010/11 and the plans for the subsequent two years. The budget is balanced for 2010/11 with plans for significant levels of savings proposals, the draft grant settlement position and a council tax freeze.

20.2 The plan for the HRA is balanced within the ringfenced resources available and an average rent increase of 1.3%.

20.3 The DSG financial plans, as agreed with the School's Forum, provides an overall balanced position and allocation of £0.8m of headroom resources in line with previously agreed policy.

20.4 A reduced capital programme is proposed in line with asset management plans and the existing policy framework for resource allocation.

21 Equalities Implications

21.1 Equalities implications are considered through the business planning process and are a specific consideration within the pre-business plan reviews. A detailed equalities impact assessment has been carried out on the final recommended budget package and the issues and mitigating actions will be incorporated in the final individual detailed business plans for April 2010.

22 Comments of the Head of Legal Services

22.1 The Head of Legal Services confirms that this financial planning report is part of the budget strategy and fulfils the Council's statutory requirements in relation to the budget.