



**Haringey** Council

<b>Report for:</b>	<b>Full Council 28<sup>th</sup> February 2012</b>	<b>Item number</b>	<b>To be added by the Committee Section</b>
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<b>Title:</b>	<b>Financial Planning 2012-13 to 2014-15</b>
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<b>Report authorised by :</b>	<p style="text-align: center;"><i>J. Pawr</i> 20/2/12 Director of Corporate Resources</p>
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<b>Lead Officer:</b>	<b>Kevin Bartle: Assistant Director - Finance <a href="mailto:kevin.bartle@haringey.gov.uk">kevin.bartle@haringey.gov.uk</a> Telephone 020 8489 5972</b>
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<b>Ward(s) affected:</b>  All	<b>Report for Key/Non Key Decision:</b>  Key
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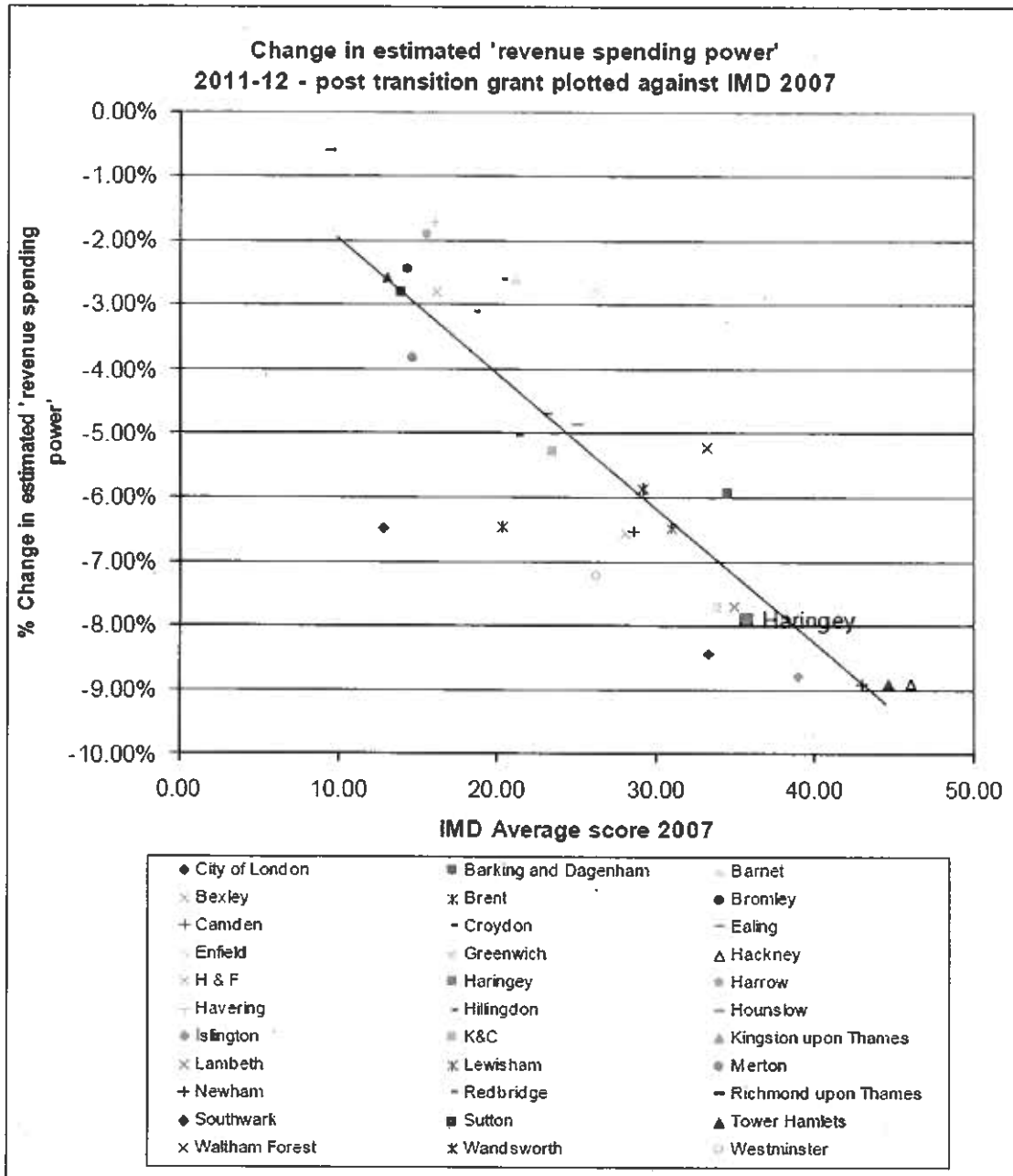
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1. **Purpose of the report**
  - 1.1 To approve the Final Budget and Council Tax for 2012-13, Medium Term Financial Plan 2012-15 including the Capital Programme, Housing Rent increases and Tenants' Service Charges.
2. **Introduction by the Cabinet Member for Finance and Carbon Reduction – Councillor Joe Goldberg**
  - 2.1 I am proud to present the Cabinet's proposals for the Budget 2012-13 and the Medium Term Plan 2012-15.
  - 2.2 Central government cuts to our budget have made it impossible to maintain the same depth and breadth of services that we used to enjoy, with a programme of £84m worth of savings needing to be made over the three years. In this context it has been difficult to make the speed of progress against our One Borough agenda, not least because of other government initiatives and policies which in my view are hitting the poorest and most vulnerable in our society the hardest.
  - 2.3 It is important to restate my belief that these cuts are too far and too fast, and I feel deeply the punishing effect this has had on both those who rely on our Council services, and on our local economy. Notwithstanding this, I believe that thanks to officers of the Council, and good union relations we are as the latest letter from the external auditors says, well placed in terms of "financial resilience" to renew our fervour to take Haringey forwards.
  - 2.4 I have thoroughly enjoyed the conversation I have had with residents during our extensive budget consultations. Whether in Highgate or Tottenham, Muswell Hill or Wood Green, Hornsey or Northumberland Park, I have been heartened by the levels of support for our stated priorities and by the many people who were even willing to make a greater contribution in order to support such initiatives.
  - 2.5 However, these are extremely difficult times, and it is clear to me that the government's deficit reduction programme is failing. It is alarming to see the national economy returning to decline. We are, in my view, seeing the direct knock-on effects of this in every service, with an average of 55 new benefit claims a day being dealt with by our customer services centre.
  - 2.6 In that context we have been looking to identify how we might be able to alleviate pressure on the pockets of all the households of our borough, and I am delighted we are able to propose a freeze on Council Tax for a third year in a row.



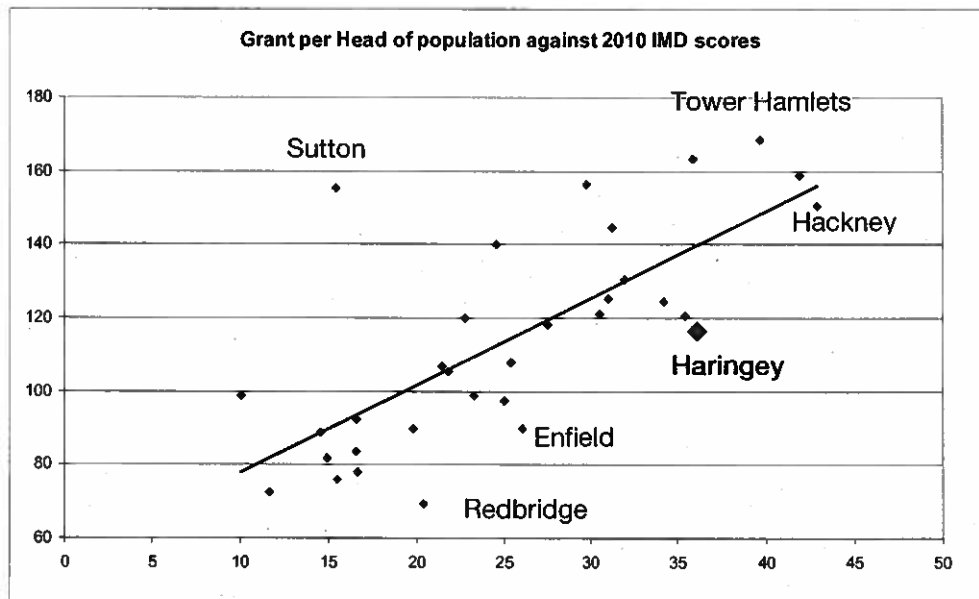
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- 2.7. On an average Band D, we recognise a 2.5% rise would have equated to £29.61 over the year, or 57p a week, and we hope this saving will be a little help to residents. But of course this will be dwarfed by the 2.5% extra tax that every resident is being asked to pay on almost every item they purchase through the rise in VAT to 20%, or for commuters the 7% rise in fares that will leave residents £104 worse off on average.
- 2.8 I am absolutely passionate that residents should get the best from their Council and for the place they have chosen to make their home, to raise their families and to make a living and we do not take the contribution our citizens make for granted in any way.
- 2.9 In that context the last year has of course been difficult for both the Council and residents of Haringey. We have experienced the riots of last August; we are facing challenges to our local family of schools; changes to housing and welfare that in my view will return many vulnerable families to poverty; and unemployment rising faster than the London average with now over 1 in 3 young people unemployed.
- 2.10 That is why we will continue to press the case for fair funding for our schools and for our council. By the government's own calculations Haringey's proportional reduction in spending power has been some 13 times greater than Richmond upon Thames, and some 30 times greater than Dorset.
- 2.11 Recent analysis we have done now shows that despite dealing with similar levels of deprivation and poverty than neighbouring boroughs of Hackney and Islington, we receive significantly less support from central government. For example, on Formula Grant alone we receive £338 per head less than Hackney, equating to a £77m gap, while on our schools grant we receive £1505 less per pupil. I raise this because plans to reform the local government finance regime will use 2010 as a comparative benchmark, potentially leaving the borough with a high level of structural disadvantage.
- 2.12 I set out the diagram below which I presented to the Cabinet and Council last year. This shows that the effect of government decisions was to re-distribute resources from Councils with high levels of deprivation to other areas. The deepest reductions were faced by the Boroughs with the highest levels of deprivation such as Haringey.





- 2.13 This picture is more stark when levels of deprivation (as measured IMD Score) are compared with the amount of grant per head across all London authorities, (see graph below). The local authorities above the line receive more grant per head than average in London based on their deprivation score, while those below the line receive less grant per head.



- 2.14 I hope Councillors of all parties will recognise and accept the unfairness inherent in these figures, and in particular I commend the recent Joseph Rowntree Foundation report which “explores how budget cuts will affect the capacity of local government to meet the needs of more deprived households and communities.” There is real concern that more deprived groups will suffer the most. This report provides early, systematic evidence of the scale of the cuts and of how local councils are grappling with these issues. If you would like to read it further you can find a copy here:  
[www.jrf.org.uk/sites/files/jrf/communities-recession-services-full.pdf](http://www.jrf.org.uk/sites/files/jrf/communities-recession-services-full.pdf)
- 2.15 Notwithstanding our concerns, we believe it is imperative we assert the role of your locally, democratically elected government to pursue an agenda to raise the standard of living life for all our residents.
- 2.16 We believe that not only means tackling inequality head on, but taking the action we need to create greater shared prosperity for all. This is what we call our shared ambition for the Better Society, and what we mean when we talk about One Borough One Future.



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- 2.17 Overwhelmingly residents from across the borough, whether in area forums or at budget consultations have called for action on jobs. It is clear to me that with the scrapping of the EMA which benefited some 3,700 young people; the rise in tuition fees, which has seen a 9% decline in applications to university this year; and the scrapping of the Future Jobs Fund and replacing it with a privately-led Work Programme that just isn't working, we are in real danger of seeing another lost generation of young individuals, with their talents going to waste.
- 2.18 That is why in addition to capital announcements to support the Northumberland Park Regeneration that will see £400m worth of investment go into a ward which is the 5<sup>th</sup> poorest in London, we have created a one-off pool of money to take action on unemployment. In the spring of this year we will launch a Jobs Programme worth at least £3.5m seeking match funding to create jobs and opportunities for the young people of our borough.
- 2.19 This is just the first of what I hope will be a series of bold, ambitious initiatives around how we can return our local economy to growth, create a better place for all people to live and work, a stronger sense of community cohesion, greater levels of equality and opportunity and ultimately a Better Society



### 3. Recommendations

- a) To note the proposed Budget package agreed by the Cabinet on 7<sup>th</sup> February 2012 [report to the Cabinet included as Appendix 7 to this report];
- b) To approve the Medium Term Financial Plan to March 2015 as set out in Appendix 1 and cash limits 2012-13 as set out in Appendix 2;
- c) To approve the General Fund budget requirement for 2012-13 of £278.450m, net of Dedicated Schools Grant, as set out in Appendix 1;
- d) To approve the Capital Programme to March 2015, comprising spending and funding of £204.880m as set out in Appendix 7 to the Cabinet report of 7<sup>th</sup> February 2012 [attached as Appendix 7 to this report];
- e) To approve the Housing Revenue Account Budget 2012-13 and Medium Term Financial Plan to March 2015 as set out in Appendix 6 to the Cabinet report of 7<sup>th</sup> February 2012 [attached as Appendix 7 to this report];
- f) To approve the housing rent increases [average increase of £6.55 (7.5%) per week] set out in paragraph 4 of Appendix 6 to the Cabinet report of 7<sup>th</sup> February 2012 [attached as Appendix 7 to this report];
- g) To approve the tenants' service charges set out in paragraph 5 of Appendix 6 to the Cabinet report of 7<sup>th</sup> February 2012 [attached as Appendix 7 to this report];
- h) To note the Greater London Authority precept [paragraph 6.14];
- i) To approve the reserves policy set out in Appendix 4a;
- j) To approve the estimated level of un-earmarked general fund reserves as at 31<sup>st</sup> March 2012 of £10.5m and specific and other reserves as set out in Appendix 4b;
- k) To note the Budget Scrutiny recommendations made by the Overview and Scrutiny Committee and the response of the Cabinet set out in Appendix 8 to the Cabinet report of 7<sup>th</sup>



February 2012 [attached as Appendix 7 to this report];

- l) To note the report of the Chief Financial Officer under Section 25 of the Local Government Act 2003 at paragraphs 7 and 8 on the robustness of the estimates and the adequacy of proposed reserves;
- m) To approve the Treasury Management Strategy Statement 2012-13 set out in Appendix 5;
- n) To pass the Budget Resolution in the specified format as set out in Appendix 6 and to approve the consequential freeze in the Council's element of Council Tax for 2012-13.

#### **4. Other options considered**

- 4.1 In accordance with legislation and the Council's Constitution, this report proposes the Council should note the proposed Budget package agreed by the Cabinet on 7<sup>th</sup> February 2012, approve the Budget 2012-13 and Medium Term Financial Plan to March 2015, and approve the Council Tax for 2012-13. Accordingly no other options have been considered.

#### **5. Background**

- 5.1 On 7<sup>th</sup> February 2012 the Cabinet proposed to the Council a Budget package including a revenue Budget for 2012-13 of £278.4m, with an additional £208.503m indicative Dedicated Schools Grant and a Capital Programme to March 2015 of £204.880m. This was subject to the decisions of levying and precepting authorities. The report highlighted that significant savings still have to be identified to deliver balanced budgets in 2013-14 and 2014-15. The Cabinet report of 7<sup>th</sup> February 2012 [attached as Appendix 7 to this report], and the subsequent Budget package recommended to the Council by the Cabinet, are the subjects of debate at this Council meeting.
- 5.2 This final report addresses:
  - o The Final Local Government Finance Settlement 2012-13;
  - o Budget consultation;
  - o The decisions of levying bodies and precepting authorities;
  - o Consequential changes from the above;
  - o Considerations in setting the Council Tax;
  - o The robustness of the Council's Budget process;
  - o The adequacy of the Council's reserves;
  - o The Treasury Management Strategy Statement 2012-13.





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- 5.3 The report concludes by presenting the Budget Resolution to set the Council Tax for 2012-13.

## 6 Key Developments

### Final Local Government Finance Settlement 2012-13 and other changes

- 6.1 The details of the final Local Government Finance Settlement 2012-13, announced on 31<sup>st</sup> January 2012, were reported to the Cabinet on 7<sup>th</sup> February 2012. There have been no other funding announcements or the provision of other information by the government that would change the key assumptions underpinning the Cabinet's proposals to the Council regarding the MTFP 2012-15, the HRA, the Capital Programme and the Revenue Budget 2012-13.
- 6.2 Any such changes that do occur following the Council's approval of the Budget 2012-13 will be reported to the Cabinet as part of the normal Budget monitoring and Financial Planning processes.

### Budget Consultation

- 6.3 The Council informed, consulted and engaged residents and businesses from November 2011 to January 2012. It has therefore fulfilled its duties on budget consultation contained in the Local Government Finance Act 1992.
- 6.4 The consultation was undertaken using both an online and paper questionnaire which included factual information about the Council's budget and its services. In addition 10 public meetings were held, led by Councillor Goldberg, Cabinet Member for Finance and Carbon Reduction. A senior Finance Officer attended each meeting and presented key financial detail to inform discussion and to support Councillor Goldberg in answering questions. Staff from the Communications team also attended to take notes.
- 6.5 When asked about how they felt about a 2.5% rise in Council Tax, 53% of responses were not supportive of an increase; the remainder being either ambivalent or supportive.
- 6.6 The consultation also sought to establish the extent to which people agreed with the Council's 'five areas for action'. Overall there was strong support for all five areas. The biggest areas supported were: 81% supported growing jobs, 78% supported driving excellence across the Council's services, and 73% supported the actions for young people.



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- 6.7 Informed by these consultation responses, the Cabinet's budget package proposals agreed on 7<sup>th</sup> February 2012 include a one-off contribution of £2m to support worklessness, investment of £700k [on-going] to support the Council's work on re-generation in Tottenham, and the creation of a 'One Borough One Future Fund' through a one-off contribution of £1.2m. The Fund will support projects which enable innovation and change, stimulate new ideas and ways of working and help the Council to focus on delivering its priorities.
- 6.8 The detailed responses to issues and answers to questions raised during the consultation are being analysed and it is intended to make a detailed report available on the Council's website.

#### Levying Bodies

- 6.9 The Board of the North London Waste Authority [NLWA] met on 10<sup>th</sup> February and agreed an overall levy of £40.6m for 2012-13 [£43.5m in 2011-12] of which £6.2m is the levy to this Council [£6.8m in 2011-12]. This reflects a reduction of 8.6%.
- 6.10 Over the medium term the latest planning assumptions of the NLWA suggest an increase in the levy of some 45% in 2013-14 followed by increases of 1.6% in 2014-15 and 4.1% in 2015-16. The increase for 2013-14 reflects the intention to use forecast balances of some £17m as a contribution to the funding of the 2012-13 budget. Future years' forecasts do not therefore include any assumption on the availability of any balances to offset the levy increases over this period. This recent and material decision of the NLWA means the previously assumed provision for an increase in the levy on the Council of £1.1m in 2012-13 is not required but is required in 2013-14. Accordingly that sum has been re-profiled to 2013-14 as shown in Appendix 3.
- 6.11 Haringey's proposed MTFP 2012-15 reflects the overall budget implications of these assumptions. Accordingly no other changes are proposed at this stage.
- 6.12 The levy from the Environment Agency for 2012-13 has been confirmed as £170k, the same as in 2011-12.
- 6.13 The levies from the London Pensions Fund Authority in respect of residual employer liabilities, the Lea Valley Regional Park Authority and the London Borough Grants Scheme have all also been notified, and collectively total £875k [2011-12: £937k]. These changes have been reflected in the draft Budget 2012-13.

### The Greater London Authority Precept

- 6.14 The Mayor's consolidated budget requirement for the Greater London Authority [GLA] was agreed by the London Assembly on 9<sup>th</sup> February 2012. In the light of that decision, the Mayor has set the amounts of Council Tax for the GLA and agreed the issue of GLA precepts for 2012-13. The Band D Council Tax proposed by the GLA is £306.72 in 2012-13, a reduction of £3.10 on the 2011-12 level of £309.82.

### Consequential Changes

- 6.15 Some items of budgeted expenditure in 2012-13 on inflation and on non-service revenue have been re-allocated between base budget and new growth since the Cabinet meeting on 7<sup>th</sup> February 2012. Those changes have no effect on the overall budget package including cash limits proposed by the Cabinet.
- 6.16 The proposed net Revenue Budget for 2012-13 is £278.450m, representing a reduction of £7.7m [2.7%] compared to 2011-12; with a £208.503m indicative Dedicated Schools Grant and a Capital Programme to March 2015 of £204.880m.
- 6.17 The Haringey part of the Band D Council Tax is £1,184.32 [no increase compared to the 2011-12 level].
- 6.18 The overall Band D Council Tax, including the GLA precept, is £1,491.04 [a reduction of £3.10 compared to the 2011-12 level as a result of the reduction in the GLA precept from £309.82 to £306.72].
- 6.19 The MTFP to March 2015, including the Budget 2012-13 and the Council Tax Requirement, is shown in appendices 1, 2 and 3.
- 6.20 The draft Budget for 2012-13 is balanced. However, savings of £6.1m in 2013-14 will be required. Going forward into 2014-15, at its meeting on 7<sup>th</sup> February 2012, the Cabinet was advised that the overall position was particularly very uncertain and the current projections were highlighting a budget shortfall of £19m, which could vary either way. This will be subject to review on an ongoing basis. It has to be recognised that the ongoing austerity in public finances is expected to continue until at least 2017.
- 6.21 The Council has made and will continue to make strenuous efforts to influence the government to recognise the inequity of the impact of the



current arrangements on the Council's finances and to make changes to deliver increased funding in future.

#### Considerations in setting the Council Tax

- 6.22 The Localism Act 2011 gives electors the right to veto excessive Council Tax rises from April 2012. Councils that set 'excessive' tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 6.23 For 2012-13 the ceiling for authorities such as Haringey is an increase of 3.5% in its 'relevant basic amount of council tax'.
- 6.24 The relevant basic amount of council tax is different to the 'basic amount of council tax'. The latter is the Band D tax charge to taxpayers, as shown in paragraph 6.17, above. The basic amount of council tax is also used to establish a council's eligibility for the council tax freeze grant - see paragraph 6.32 below.
- 6.25 The relevant basic amount of council tax excludes amounts attributable to levies from the council tax requirement.
- 6.26 The DCLG point out that it is not necessarily the case that a council which qualifies for Council Tax Freeze Grant will automatically avoid a Council Tax referendum.
- 6.27 The concept of "relevant basic amount" is **only significant** in the context of the determination by a council of whether it is setting a Council Tax which will trigger a referendum. For all other purposes, the definition of basic amount of Council Tax [i.e. the actual Band D amount] - which includes the cost of levies - continues to apply as it has for many years. The legislation was framed in this way so that a referendum would not be triggered by the actions of a levying body over which the council to which a levy is issued may have no control at all.
- 6.28 In 2012-13, Haringey's levies have reduced by £0.7m in 2012-13 over 2011-12 [see paragraphs 6.9 – 6.13]. This results in an increase in relevant basic amount of council tax of 0.73%. Such an increase is 'not excessive', in terms of the 'ceiling' set by the government as explained at paragraph 6.23, above. The Council is therefore recommended to resolve the increase is not excessive at paragraph 6 of the Formal Budget Resolution at Appendix 6.
- 6.29 Accordingly on the basis of the Cabinet's proposals for no change in Haringey's part of the Council Tax, no referendum will be required.

- 6.30 The government has confirmed councils that freeze or reduce tax in 2012-13 will receive additional one-off funding equivalent to the additional income that would result from an increase of 2.5% on their 2011-12 Council Tax level. This new one-off grant would be in addition to the similar grant funding provided in the Spending Review for the four years 2011-15, in respect of the freezing of Council Tax in 2011-12.
- 6.31 In considering the level of its Council Tax for 2012-13 the Council should have regard to:
- The level of non-Council Tax funding resources that will be available in each of the next three years;
  - The on-going demand for services;
  - The views of residents, trade unions, businesses and other interested parties;
  - The level of efficiency savings and service reductions that can realistically be delivered;
  - The criteria for council tax referenda determined by the government;
  - The conditions relating to, and the level of grant being offered to councils who freeze their Council Tax increase in 2012-13;
  - The general economic climate and the additional financial burden any increase would have on Council Taxpayers.
- 6.32 The Cabinet's Budget package proposals include no increase in Haringey's Council Tax in 2012-13, and the consequential receipt of additional Council Tax Freeze Grant of £2.5m for 2012-13 only.
- 6.33 The projected income from Council Tax in 2012-13 is £103.011m based on 86,979 Band D equivalent properties (an increase of 412 over the taxbase for 2011-12) and a collection rate of 96% (2011-12 96%).
- 6.34 The Council Tax income for 2012-13 is anticipated to be £511k higher than planned in 2011-12, predominately as a consequence of the increase in the taxbase noted above [£487k], together with a minor technical revision of £24k to the 2011-12 base budget.
- 6.35 These changes result in total available funding [the 'Budget Requirement'] for 2012-13 shown in Appendix 1 of £278.450m, as shown in paragraph 3, recommendation c), above. The corresponding recommendation b) at paragraph 3 of the report to the Cabinet on 7<sup>th</sup> February 2012 [at Appendix 7 of this report] showed a Budget



Requirement of £278.4m, which excluded the £24k change referred to at paragraph 6.34, above.

## **7 Robustness of the Budget process**

- 7.1 The Chief Financial Officer is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of final budget calculations.
- 7.2 The government has established a programme of public spending reductions, set out in its Spending Review of 2010 which includes average funding reductions of 29% for local authorities over the four years 2011-15. In addition the government has embarked on a range of far-reaching changes across the public sector, details of which have been reported to the Cabinet in successive reports since July 2010.
- 7.3 For Haringey, the financial consequence of the Spending Review was the need to identify reductions in planned spending of some £84m by 2014. Savings totaling over £62m by 2014 were identified and approved in February 2011, £41m of which was included in the Council's revenue budget for 2011-12.
- 7.4 To meet the unprecedented scale of this financial challenge, the Council developed a strategic approach, the key elements of which are a clear vision for the kind of borough the Council wants, derived from a review of outcomes and priorities, and how those would be delivered. 'Re-thinking Haringey' sets out the current challenges facing the Council and plans for transforming its approach to delivering services, and addresses the challenge of significant budget reductions whilst also seeking to ensure the Council's priorities are delivered and the aspirations and ambitions of residents are fulfilled as far as possible.
- 7.5 The Cabinet's proposals are consistent with that overall strategic approach the Council agreed last year and which drove the proposals for the Budget 2011-12 and the MTFP 2011-14.
- 7.6 The Cabinet has previously agreed a number of proposals at its meetings in July, October and December 2011 and February 2012 which result in a proposed balanced budget for 2012-13, a budget shortfall of £6.1m for 2013-14, and a potential shortfall of £19m in 2014-15, that figure being the best assessment that can be made at this time as noted at paragraph 6.20, above.
- 7.7 The 2011-12 Budget required the delivery of an unprecedented £41m of reductions in planned spending. The Council can be encouraged



that the current year's outturn is forecast to be within budget. This level of control and service and financial discipline will continue to be required over the medium term to deliver the forecast savings to 2015 and beyond. The latest formal letter of the Council's external auditor expresses the view that the Council is well placed in terms of financial resilience.

- 7.8 As in 2011-12, the Budget proposals for 2012-13 include a designated £2m contingency sum. In addition a further sum of £800k is proposed to mitigate the risk of slippage in delivery of savings proposals in 2012-13. While the Council's Bad Debt provision will also be increased by £500k.
- 7.9 The Budget proposals have been subject to detailed consideration by the Scrutiny process, and the Cabinet has undertaken wide consultation with residents and businesses.
- 7.10 The Budget process is complemented by the regular cycle of Budget Management and Performance Review. This involves detailed evaluation of budget, performance and workforce information at both Cabinet member and senior officer levels. The Council's Risk Management process also underpins all of these activities.
- 7.11 The report to the Cabinet in February 2012, and previous reports during 2011, specifically identified the major financial risk areas which needed to be taken into account in developing budget proposals.
- 7.12 Accordingly, the Chief Financial Officer is satisfied the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the Budget 2012-13.
- 7.13 The Cabinet and Council will need to continue to pursue the identification and delivery of the anticipated additional savings required from 2013-14 onwards.

## **8 Adequacy of Reserves**

- 8.1 Section 25 of the Local Government Act 2003 ['the 2003 Act'] also requires the Chief Financial Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Appendix 4a, which the Council should formally review each year.
- 8.2 As reported to the Cabinet on 7<sup>th</sup> February 2012, it is projected that the Council will have un-earmarked General Fund Reserves of £10.5m as at 31<sup>st</sup> March 2012, being the same level as at 31<sup>st</sup> March 2011.



This assumes a balanced position for the current year's financial outturn.

- 8.3 Given the scale of the spending reductions the Council has to deliver over the period 2012-15 (and beyond) and the risks set out below it is proposed these reserves should not be used to pay for on-going spending and wherever possible, earmarked reserves should be maintained at their current levels.
- 8.4 The Council holds a number of reserves which are detailed in Appendix 4b and can be categorised as follows:
1. Un-earmarked (general) Reserves. These are held to cover the net impact of risks, opportunities and unforeseen emergencies;
  2. Earmarked (specific) Reserves. These are held to cover specific known or predicted financial liabilities;
  3. Other Reserves. These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools.
- 8.5 In addition the Council's contingency budget of £2m is continued in 2012-13.
- 8.6 Appendix 4b also shows the projected movement on the reserves for both the current year 2011-12 and 2012-13. These reserves have been reviewed in detail and the level of these reserves is judged to be adequate.
- 8.7 It is imperative the un-earmarked general reserves are adequate to meet the net financial impact of the risks and opportunities detailed in the report to the Cabinet on 7<sup>th</sup> February 2012. These have been assessed as £10.2m, as set out in Appendix 4c. Accordingly the proposed levels of general reserves set out in paragraph 8.2, above, are judged to be adequate within the meaning of the 2003 Act.
- 8.8 No change in the Council's Reserves policy is recommended.

#### **Redundancies**

- 8.9 In February 2011, the Council was facing estimated redundancy costs of £25m. As previously reported to the Cabinet, the Council has applied for, and been granted, approval to capitalise some of these costs thus precluding the need to draw down that element from reserves (but spreading the costs over a number of years).
- 8.10 Approval to capitalise costs of £5m over two years has been granted





and a revised forecast of costs has now been made. The latest estimate, therefore, of funds to be drawn from reserves for the on-going redundancy programme is now reduced to circa £20m and this is reflected in the reserves forecast attached to this report as Appendix 4b. Redundancy costs may increase further as future savings proposals are delivered over the MTFP period and beyond.

## **9 Treasury Management**

- 9.1 The Treasury Management Strategy Statement [TMSS] for 2012-13 [set out in Appendix 5] was recommended for approval by Full Council by Corporate Committee on 23<sup>rd</sup> January 2012. Overview and Scrutiny Committee considered it on 6<sup>th</sup> February 2012 as part of the scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice. This report sets out the proposed strategy, following revisions made by Corporate Committee, with regard to borrowing and investment of cash balances and the associated monitoring arrangements. Overview and Scrutiny Committee received the TMSS following revision but requested no further changes and noted the formulation of the TMSS, as revised, by the Corporate Committee.
- 9.2 The pattern of short term interest rates being significantly lower than medium and long term rates is expected to continue throughout 2012-13. Therefore the strategy proposes to continue keeping cash balances at a minimum investing short term and only borrowing when necessary.
- 9.3 The investment section of the TMSS proposes a lower minimum long term credit rating of A- for UK banks the Council can lend to, compared to A+ in 2011-12. This is still defined as "high credit quality" by the credit rating agencies and, given the substantial government ownership of two UK banks, it is considered this is still a prudent approach to investing. Corporate Committee did not support a proposal to add a select range of non-UK banks and so they have been removed from the TMSS as presented in this report. However, Corporate Committee have indicated they wish to revisit this particular decision at a later meeting of their Committee.
- 9.4 The proposed prudential indicators are based on the Capital Programme as reported to the Cabinet on 7<sup>th</sup> February 2012. Any future decision by the Council to undertake new borrowing for housing will require a review of the prudential indicators. Any consequent required revisions will need to be approved by full Council.



- 9.5 Since the report was presented to Corporate Committee, a number of changes have been made, as set out below, in addition to the removal of the non-UK banks discussed above.
- 9.6 The upper limits on the percentage of fixed term debt which can mature in any one period have been reviewed on request of Corporate Committee and revised downwards to ensure they provide an effective control whilst also providing sufficient flexibility.
- 9.7 In addition, adjustments have been made to update the position on the level of capital expenditure in 2011-12 and the proposed methods of funding the Capital Programme in the next three years.
- 9.8 Now that the final amount of HRA debt to be repaid as part of the introduction of self-financing has been confirmed along with the methodology for doing it, the figures have been updated to reflect this. The proposed method of splitting debt between the General Fund and the HRA following self-financing which was agreed by Cabinet on 20<sup>th</sup> December 2011 has been added to the TMSS, which the Council is recommended to approve.
- 9.9 The Council, on approving the TMSS, will also be approving the Treasury Policy Statement set out in annex 1 of Appendix 5.
- 10 Summary and Conclusions**
- 10.1 This report finalises the 2012-13 Budget and proposes no increase to Council Tax.
- 10.2 The level of financial reserves is also reported and those levels are considered to be adequate.
- 10.3 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires billing authorities such as Haringey, to calculate a Council Tax Requirement for the budget year, not its Budget Requirement as previously. The Council is also required to determine whether its increase in Council Tax for 2012-13 is 'excessive' and if so would trigger a referendum.
- 10.4 The recommendations of the Cabinet are reflected in the formal Council Tax Resolution in Appendix 6.
- 10.5 This is the second year of the public spending reductions set out by the government in the Spending Review 2010. The implications of those reductions continue to pose major challenges to the Council.



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Additionally, as reported to the Cabinet on 7<sup>th</sup> February 2012, it is clear that financial austerity will continue until at least 2017.

- 10.6 Over this period of funding reductions, the demand for the Council's services will continue to increase. It is also likely that interest rates and welfare related spending will increase.
- 10.7 The Medium Term Financial Plan 2012-15 recognises these drivers and risks, but it remains essential the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of savings, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its diminishing resources.

## **11 Legal**

- 11.1 Under Regulations made under the Local Government Act 2000 calculation of the council tax and adoption of the annual budget must be made by Full Council on the recommendation of Cabinet.
- 11.2 In considering decisions on the budget, and the level of council tax, the Council must take into account this report from the Director of Corporate Resources, as the Section 151 Officer, who has a statutory duty to report on the robustness of the estimates and the adequacy of the proposals for reserves.
- 11.3 The Council may take decisions which are at variance with this advice provided there are reasonable grounds so to do. However Members must take into consideration their exposure to personal risk if they disregard clearly expressed advice.
- 11.4 The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfill the statutory obligations in this regard.
- 11.5 The requirements of the Local Government Finance Act 1992 have been amended significantly by the Localism Act 2011 and a new methodology for arriving at the basic amount of council tax chargeable in the ensuing financial year is being implemented for the first time.
- 11.6 The Council must calculate its expected outgoings and income for the year. Where the expected outgoings exceed the expected income the difference is the Council's council tax requirement for the year. The relevant basic amount of Council tax for the year is calculated by dividing the council tax requirement after the deduction of levies by the council tax base.



- 11.7 The Council is required to determine whether its proposed relevant basic amount of council tax is excessive on the basis of criteria set by the Secretary of State. For the forthcoming financial year an increase in excess of 3.5% is regarded as excessive. Where an excessive increase is proposed there is a duty to hold a referendum prior to any implementation of such increase. With the proposal for a nil increase in the level of council tax, subject to the requisite technical calculation, the Council is entitled to conclude in accordance with the Direction issued by the Secretary of State, that the relevant basic amount of council tax is not excessive.
- 11.8 Under Section 106 of the Local Government Finance Act 1992, any Member who is in arrears of two months or more council tax must declare it at the meeting and abstain from voting upon this report.

## **12 Equalities**

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

## **13 Consultation**

- 13.1 Public engagement and consultation remains a key central government policy driver and is also a legislative requirement for a