Report for:	**Cabinet**	**Item Number:**	

Title:	**Financial Planning 2013/14 to 2015/16**

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Lead Officer:	**Kevin Bartle – Assistant Director of Finance**

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

DRAFT as at 30 November 2012

1 Purpose of Report

1.1 To set out the strategic financial issues for the three year planning period to 2015/16, and to propose a process for setting the Council's 2013/14 Budget and Medium Term Financial Plan (MTFP) to 2015/16.

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

2.1 TBA

3 Recommendations (Note these recommendations will need to be refined prior to publication at Cabinet on 18th December)

3.1 Cabinet is recommended to:

a) Note the currently known changes to Local Government Finance set out in Section 7, and the associated modelling assumptions.

b) Note that the assumptions will be refined after the provisional Local Government Finance Settlement is published in late December.

c) For financial planning purposes only at this stage, agree the inclusion of the rent increases discussed in Appendix 5.

d) For financial planning purposes only at this stage agree the inclusion of the service charges discussed in Appendix 5.

e) Agree the HRA MTFP 2013-16 as described in Appendix 5.

f) Agree the HRA capital programme as detailed in Appendix 5.

g) Approve draft proposals to be recommended to the Council at its meeting in February 2013 for the Council's Capital Programme for the period 2013/14 – 2015/16 (paragraph 12 and Appendix 6)

h) Approve draft proposals, to be recommended to the Council at its meeting in February 2013 for the Council's MTFP 2013/14 – 2015/16 (Appendices 1,2,3 and 4)

4 Other options considered

4.1 This report proposes that the Cabinet should consider draft proposals to deliver a balanced and sustainable MTFP at its meeting in February 2012. This is in line with the process adopted in 2011.

4.2 This approach was developed in order to respond to a series of central government funding cuts that are unprecedented in scale. Additionally, the Council has to plan for a large scale change in the way Local Government is financed, with very late delivery of the provisional details.

4.3 Cabinet could choose to adopt a less demanding pace and examine options at a later stage. There would be more certainty over the exact level of government funding if a delayed approach was adopted, but there would be less time for robust development and consideration of options, leading to delays in implementation and delivery.

5 Background information

5.1 The Council's integrated financial and business planning process is the key mechanism by which plans and strategies are reviewed to ensure financial resources are allocated effectively to underpin the delivery of the Council's priorities and performance standards. This process culminates in the annual review and approval of the Council's Budget and three year MTFP.

5.2 The Council's recent strategic financial planning has been driven by the need to respond to the Coalition Government's austerity policies designed to reduce the national deficit, with an emphasis on reducing public expenditure as a percentage of Gross Domestic Product.

5.3 The Spending Review (SR 10) contained proposals to reduce local government funding by 28% over the four years of the review up until March 2015. The economy has not grown as fast as the projections contained in SR 10, therefore in order to reduce public expenditure as a percentage of GDP, further cuts will have to be made in 2015/16 and 2016/17.

5.4 The 28% is an average figure across the country but Haringey Council has been particularly badly hit; this can be seen when comparisons are made in relation to the estimated change in revenue spending power per capita from 2010-11 to illustrative 2013-14 funding, inc. Council tax freeze grant and New Homes Bonus. Haringey is estimated to reduce by £170 per head while Richmond will reduce by £12 per head.

5.5 In February 2012 the Council approved its Budget 2012/13 and MTFP 2012-15. The current year's budget was balanced through the approval of a continuing savings programme totalling some £21m over and above the £41m delivered in the previous year. However, the overall MTFP at that stage showed planned spending exceeding anticipated resources by some £25m over the period 2012-15.

5.6 The strategic direction adopted allowed the Council to set budgets in 2011/12 and 2012/13, delivering savings of £41m and £21m in both years respectively. At the time of setting the 2012/13 budget in February 2012, the MTFP identified further gaps of £6m (£4m of which was the estimated cost to the Council of the abolition of Council Tax benefit) for 2013/14 and £19m for 2014/15. It was noted at the time that the delivery of savings to fill this gap would be challenging.

5.7 The MTFP report to Cabinet in July set out the large number of changes that are being introduced to both local government finance and welfare reform. This introduced a level of uncertainty into the planning process that meant accurate figures could not be reported at the time. However, the Council needed to prepare and plan for the budget, so a number of scenarios were developed. The report recommended that the medium term scenario be adopted, i.e. retain a budget gap of £25m, with a view to smoothing out the profile of cuts to £12.5m in each of the financial years 2013/14 and 2014/15.

5.8 In reality, some of the scenarios turned out to be the worst case. The changes to finance assumptions and the resource base will be set out in section 7. Since July, work has been undertaken to develop savings proposals after reviewing spending and resource assumptions. At this stage the draft proposals for 2013/14 to 2015/16 are based on best estimates, as the Department for Communities and Local Government has announced that the provisional local government finance settlement will not be available until 'late December'. **It is therefore almost certain that the proposals will need to be revised in the light of the settlement**.

5.9 This report proposes a draft budget package for the three year planning period 2013/14 to 2015/16, and is presented over the following sections:

- Strategic approach
- Financial resources
- Budget pressures

- Budget and MTFP Revenue proposals
- Dedicated Schools Grant (DSG)
- Housing Revenue Account (HRA)
- Capital Programme

6 Strategic approach

6.1 The Council's plans for spending reductions have been framed by a need to ensure that priority services and outcomes for Haringey citizens were protected as far as possible. This has been at the core of the Council's strategic response to austerity and deficit reduction, encapsulated by the MTFP. The key element of this response is the clear vision for the Borough defined in "Re-thinking Haringey: Implementing One Borough One Future".

6.2 To reflect this approach, the Council has protected front line services and placed the largest burden on administration and support services such as Finance, HR, IT and Policy. The reorganisation of the Council makes it difficult to track budget reductions but the following estimates give a sense of how the prioritisation has occurred: Children's **16%**; Adults and Housing **11%**; Place and Sustainability **27%**; Corporate Resources **29%** and Chief Executive's **42%**.

6.3 In July, Cabinet requested Directors to identify draft proposals to save £12.5m in both 2013/14 and 2014/15 to deliver a balanced MTFP for consideration at the next appropriate meeting. These proposals, along with revisions to assumptions and growth, are presented in this report. Given that some of the cuts to funding have been worse than originally envisaged, it has not been possible to develop a balanced position over two years at this stage. Further modelling including the proposed cuts in 2015/16 and 2016/17 suggest that a longer term planned approach will be needed in order to deal with the size of future year resource gaps.

6.4 The proposals contained in the report are focussed on balancing the 2013/14 budget, although some savings are suggested for both 2014/15 and 2015/16. The size of the gap in the last two years means that the Council will be drawing up comprehensive transformation plans so that a strategic and prioritised approach will be taken over the medium term.

6.5 This report and recommendations have been informed by best estimates of the changes to Local Government Finance. The Chancellor's Autumn Statement will be presented on the 5 December, and the provisional Local Government Finance Settlement will not be available until after the date of this meeting. **It is a certainty that the figures will change again leading into the February Cabinet report as a result.**

7 Financial Resources

<u>The Autumn Statement</u>

7.1 TBA – Autumn statement will not be announced until 5 December and this is likely to lead to changes to our assumptions that could be additionally challenging.

<u>Business Rates Retention Scheme</u>

7.2 The MTFP report to July Cabinet gave a high level view of the changes introduced by the Local Government Finance Bill. Despite promising transparency and simplicity, the new scheme is opaque and complex. The following paragraphs set out how the scheme will operate at a very high level, and the assumptions that underpin the current estimates of the budget gap. **However, it is almost certain that these figures will change when the local government finance settlement is announced.**

7.3 The Business Rates Retention Scheme is a way of allocating the national control total for local government over all Councils, whilst at the same time providing an opportunity to retain proceeds from business rates growth in the local economy. Conversely, the risk of lower business rates due to economic conditions and appeals will be passed to Councils.

7.4 At the start of the scheme, the national aggregate for business rates will be split into two. Half will be allocated to the rate retention scheme (the local share). The national control total for local government, less the local share, will make up the total of revenue support grant – this amount includes the other 50% of the national aggregate for business rates. The Greater London Authority transport and Fire Services grant is then deducted from the local share to give a revised figure. The national ratio of local share to revenue support grant, estimated as 10.6:13.5, will then be used to allocate Revenue Support Grant and the local share within the individual authority totals. If this was not complex enough, the way in which local authorities' funding requirements are calculated are also changing. What this means in practice for Haringey is that a funding requirement will be calculated using a revised methodology, and then split between the rate retention scheme and RSG using the nationally derived ratio.

7.5 The government is retaining RSG as a means to implement cuts to Council funding as part of the ongoing austerity policies of the coalition government.

7.6 After going through this process, the Council will be notified of the amount that has been allocated to its rate retention scheme. This is known as the **baseline funding** level. The Government will then calculate an individual local authority **business rates baseline** by taking an average of the previous 2 years business rates returns, and then allocating 50% of the national business rates aggregate proportionately. If the business rates baseline is less than the baseline funding level, the Council will receive a 'top-up' from the government. Conversely, if it is more, the Council will be subject to a 'tariff' and will have to pay the difference over the central government.

7.7 The difficulty in modelling the scheme is that the total allocated to each council – the funding requirement – will not be known until late December. However, using the existing Formula Grant methodology, and applying the national totals to the new scheme, the following figures have been estimated for the London Borough of Haringey for the financial year 2013/14:

	£m
Business rates baseline	19.690
Top up	56.902
Baseline funding level	**76.593**

7.8 For information, the Business Rates Baseline is derived as follows:

	£m
Gross Business Rates	65.634
Less:	
Central Share	-32.817
Fire	-0.656
GLA Transport	-12.470
Baseline funding level	**19.690**

From the Gross £65.634m business rates derived within the local area, the Haringey baseline is £19.69m, or 30% of the total.

7.9 When the scheme is up and running, any growth in business rates over and above RPI will be retained by the Council, split 40/60 between the GLA and the Council. For example, if RPI is 2%, the Council would retain any income above 2% growth in business rates and split it 40/60 with the GLA. If a Council is subject to a fall in business rate income, a 'safety net will kick in at 7.5%, i.e. business rates will be allowed to drop to a maximum of 92.5% of the business rates baseline before government support is received, and even then it will only provide support over and above the 7.5% drop, not restore it back to 100%. Conversely, if a Council is deemed by the Government to have 'disproportionate benefit' from too high growth in business rates, then a 'levy' will be applied to scale back the growth and pass the money to the government.

7.10 The Haringey baseline funding level is very near the projections derived from government returns, but this will be refined when the figures are calculated and signed off in January. The current modelling in the MTFP does not assume that the Council will either lose business rates income, or grow above RPI.

7.11 The Council can only generate additional income by growing the Business Rates baseline- the ability to increase the business rate multiplier (the increase) will still be retained at a national level by the Government.

<u>Revenue Support Grant and Grants Rolled in</u>

7.12 Additional to the baseline rates retention funding level is RSG and grants rolled into RSG. Previously, the Government had rolled grants such as Supporting People into RSG, and during 2013/14 a new tranche of grants will be rolled in. However, before grants are rolled in, there are a number of changes to RSG that will have an impact on the Council.

7.13 The way in which New Homes Bonus (NHB) operates will change from 2013/14 onwards. Previously, the Government provided funding to incentivise Councils to build new properties and bring empty properties back into use. Under the new regime, New Home Bonus will be top sliced from the Local Government Spending totals, and then returned via grant. Those areas which have house building schemes will benefit, whilst those Councils who cannot develop new properties within their area, for whatever reason, will lose out. The Government plans to top slice NHB in 2 tranches, and any money that is not used will be returned to Councils in year, and deducted again the next year, until the scheme is fully utilised. The impact on Haringey, which is included in the overall funding predictions (see paragraph 7.18), is estimated as:

	2013/14	**2014/15**	**2015/16**
	£m	**£m**	**£m**
New Homes Bonus Returned	8.845	6.808	2.927
Year on year loss	0	2.037	3.881

7.14 Current modelling allows for an increase in £1.3m in New Homes bonus Grant in 2013/14, and no increases thereafter, so by 2015/16, the changes have removed £5.9m from Haringey's government support compared to the 2013/14 level.

7.15 The Government has also introduced an additional top slice for the safety net (see paragraph 7.9) and capitalisation. Local Government Association calculations have shown that the Levy should be enough to pay for the safety net, but the Government have consulted on an additional top slice to local government funding to pay for a shortfall. The same top slice has been set aside to pay for capitalisation costs. Previously, Government has supplied funding for Councils who need to capitalise costs, for example redundancies and equal pay. However, this cost is now being met from Local Government funding. As with New Homes Bonus, any unused money will be returned to the system and paid back to Councils. It is currently estimated that £2.547m will be top-sliced from Haringey for this purpose. In 2013/14, it is assumed that 50% of this will be returned to the Council, producing a £1.274m cost pressure in 2013/14.

7.16 Another fundamental change to RSG is the treatment of Local Authority Central Services Equivalent Grant (LACSEG). This is funding that the Council receives to provide central services to schools. Under a new regime, consulted on during the autumn, the Government will now top slice the LACSEG grant from RSG, and return the amount to the local area, although Academies will now be paid direct for their element of the grant. The removal of this grant is estimated to cost the Council £1.2m in the first year of operation, with an additional £600k in both 2014/15 and 2015/16 to reflect further schools moving to Academy status.

7.17 In order to estimate the total quantum of RSG, grants rolled in need to be added. The following changes are occurring:

Early Intervention Grant – the Council received £16.4m Early Intervention Grant in 2012/13. This was a non ring-fenced grant that the Council could utilise for any purpose. The Government has top-sliced £150m from this grant to fund their own early intervention programmes, and the estimated amount to be received by Haringey is £15.7m. However, the Government has also introduced a change which means that the element of the grant that was nominally for 2 year olds is now being passported to Dedicated Schools Grant (DSG). The General Fund element will be £12m, which means a £4.4m reduction in non ring-fenced grants. £1.4m costs have been identified in Children's and Young Peoples Services that can be transferred to DSG, but this still leaves the Council approximately £3m short due to the changes. As the grant moves forward into future years, the proportion passported to DSG increases, costing the Council £654k in 2014/15. This change is seen as particularly hard to understand, and despite lobbying by the LGA and London Councils, it is still going ahead. However, the methodology used to calculate the grant will be changing in line with formula grant changes, so the exact amounts may differ when the overall finance settlement is announced.

Learning Disabilities Grant – this grant will continue at an estimated £3.7m in 2013/14, £3.8m in 2014/15 and £3.9m in 2015/16.

Council Tax Freeze Grant – the Government will continue to pay the 11/12 element of the Council Tax freeze grant as a part of RSG. This is £2.5m for Haringey.

Council Tax Support Grant – the government is abolishing Council Tax benefit and replacing it with a local support scheme, as set out in the following sections. The grant for this scheme is being rolled into RSG, and will be £26.1m.

Preventing Homelessness – the Council received £925k in 2012/13, and £746k has been rolled into RSG, costing the Council £179k

Local Flood Grant – this has been rolled into RSG at previously budgeted levels of £207k.

7.18 Taking these changes into account, the estimated revised resource base for the Council in 2013/14 is a follows:

	£m
Retained Business Rates	19.7
Top up	56.9
Total Business rates retention scheme	**76.6**

New Homes Bonus Returned	8.8
Revenue Support Grant	89.5
Safety Net/Capitalisation returned	1.3
Total Government Support in MTFP	**176.2**

7.19 The MTFP then assumes that government support will reduce in 2014/15 by 7.9%, and 2015/16 by 7.4%, in line with current projections and Government Policy.

Core Grants

7.20 A number of core grants will still be retained outside of Revenue Support Grant, and the changes are as follows:

Housing Growth Grant – this grant has not been continued, costing the Council £51,000

Rights to Free Travel Grant – this grant has not been continued, costing the Council £24,000

Housing Benefit and Council Tax Benefit – Council Tax Benefit will not exist beyond April 2013, and Housing Benefit will eventually disappear as it is transitioned to Universal Credit. Exemplifications by the Department of Work and Pensions have shown that the grant will decrease by £297k in 2013/14, with further reductions of £1m in 2014/15 and £75k in 2015/16 as the transfer to Universal Credit starts.

NHS grant to support care and benefit health - The 2010 Spending Review set aside an additional £2bn to support the delivery of social care, recognising the pressure on the system. The MTFP expected that £1.4m would be received in 2013/14, and the provisional notification indicates that £3.6m will be received, a positive variation of £2.2m. It has been assumed that the grant will decrease in 2014/15, as changes to the way in which the Council interacts with the Health Service start to operate.

Council Tax Freeze Grant – The Council has indicated that it will freeze Council Tax levels in 2013/14, thus making it eligible for the Governments recently announced Council Tax Freeze Grant. This is being made available in both 2013/14 and 2014/15 at a level equivalent to a 1% rise in 2012/13 Council Tax. £1m has been included in the MTFP in 2013/14 and 2014/15 for this grant. The Government will propose to lower the local authority tax referendum threshold to two per cent in 2013/14. This would mean if a local authority seeks to raise its relevant basic amount of council tax by more than two per cent, residents would have the right to call a binding referendum. Details on these matters will be released as part of the December settlement.

Local Council Tax Support Scheme

7.21 The analysis above refers to the £26.1m grant that is part of the revised arrangements for supporting people on low incomes with their Council Tax bills, but the implementation of the scheme has further ramifications, especially its effect on the Council Tax base.

7.22 As reported to Cabinet in July, the Government is abolishing Council Tax Benefit and asking Councils to replace it with a local support scheme with a significantly reduced funding base to pay for it.

7.23 In effect, this is a decision to cut the UK welfare budget, and transfer the cost to Councils leaving them with the difficult decisions about implementation. The government is also requiring councils to protect pensioners from the cut in benefits, so the cut in grant to the Council, once any increase in the number of claimants is taken into account, is estimated to be more like 15%, as opposed to the 10% as stated by CLG.

7.24 Haringey has consulted on how we manage the cut to our funding for the Council tax reduction scheme. The details on how this will operate, and the impact on residents, have been consulted on and the responses are being considered. The scheme will be formally approved at a special full Council on 17 January. However, in order to develop the MTFP we have used the proposals in our consultation for planning assumptions.

7.25 Due to this abolition of Council tax benefit, the monies associated with it will now transfer to general grant as opposed to Council tax income. The means that the MTFP currently contains £75.2m for Council Tax, as opposed to the £103m generated in 2012/13. Critically this means any future rise in demand for Council tax support will become detached from levels of demand.

7.26 The MTFP has also been adjusted for movements in the tax base and bad debts, but clearly shows that the Council is less able to generate resources by making decisions about the level of Council Tax. The ratio of Council Tax received to Government support is known as ‘gearing’, and a consequence of the local support scheme is that the Council has become more highly geared.

7.27 If a comparison is made between 2012/13 and 2013/14 therefore, a fairly significant reduction in the Council tax base results as grant will in future be provided for CT support through the RSG settlement and not as a direct receipt of support for Council Tax payers.

7.28 Even after approximately £10m cuts in government funding, the Council generates 9% less of its resource from Council Tax in 2013/14 than it did in 2012/13. This means that the Council is more reliant on government funding than it ever has been. The Government may well argue that Business Rates Retention offsets this, but as described above, it is not that straightforward, and the Government will still set the increase for NNDR nationally.

Reserves

7.29 The Cabinet will consider the need for and the level of both specific and general financial reserves at its meeting on 12 February 2013.

Fees and Charges

7.30 A separate report will be considered by this meeting setting out the outcomes of a review of fees and charges, and will make recommendations for increases across specific service areas for 2013/14. At this point in time, £350k has been allowed for increased fees and charges in the MTFP, but any revisions arising from decisions made at this meeting will be reported at February Cabinet and the figures adjusted accordingly.

8 Budget Pressures

Service Demand and cost pressures

8.1 The MTFP report to July Cabinet identified that the MTFP approved in February 2012 allows for planned increases in demographic growth, and also that particular pressures are being felt in the Adults and Housing Service. Appendix 2 shows the proposed revenue investments for the planning period, totalling £6.1m over the three years. The majority (£6m) of these relate to transition and continuing care costs in the Adults service.

Pension Fund

8.2 The pension fund is undergoing a statutory revaluation of the assets and liabilities, and this is expected to increase employers’ contributions by £1m from 2014/15 onwards.

Youth Justice Board

8.3 Under current remand legislation Local Authorities have a statutory duty to meet the costs of placing children remanded to Local Authority secure accommodation where this has been ordered by the court. Following an agreement with the Home Office in 1999, the Youth

Justice Board (YJB) has given financial assistance to local authorities in this regards (2/3rd towards cost), although there is no statutory requirement for it to do so. This agreement will cease on 31st March 2013. From 1st April 2013 Local Authorities will assume full financial responsibility for the costs of remands to secure children's homes and secure training centre. This change will cost the Council £768k.

Collection Fund

8.4 The 2011/12 out-turn showed that the Collection Fund has generated a deficit for the second year running, and identified that a review would be carried out into the underlying reasons. This work is on-going.

8.5 Taking account of discounts, existing deficits and the impact of the reduction in Council Tax benefit, the proposed MTFP allows for an adjustment of £1.6m. Given the changes to the tax base set out in paragraph 7.24, further cost pressures may have to be reported in February after the Council Tax Support Scheme has been approved in January.

Treasury Management

8.6 Budget forecasts for 2012/13 reported to this committee indicate that savings are being made in treasury management. These £1m savings have been projected forward into 2013/14.

9 Budget and MTFP Revenue Proposals

Achieving currently approved savings

9.1 Services have identified that £1.904m of pre-agreed savings for 2013/14 will now need to be re-profiled into 2014/15 and 2015/16. £1.292m is on track for delivery in 2014/15, £230k in 2015/16, £200k submitted as new/replacement savings, and £182k regarded as no longer deliverable. In order to keep pressures to a minimum, it is proposed that the £1.904m re-profiling in 2013/14 is funded from reserves.

Inflation and pay provisions

9.2 The Chancellor has continued to set a cap on public sector pay of 1%, and this is reflected in assumptions. Utilities and external contracts are provided for on a contract by contract basis, and given the level of uncertainty in the economy, a small (£500k p.a.) allowance for general inflation has been included.

9.3 The approved MTFP allows for £5.5m in 2013/14 and £8m in 2014/15, the revised assumptions now included are £4.7m and £5.0m which will represent a saving to the revised MTFP of £800k and £3m respectively.

New savings proposals

9.4 In July Cabinet noted the initial review of financial assumptions for the period 2013-16, and requested Directors to identify draft proposals to deliver a balanced and sustainable MTFP. Cabinet required £12.5m for both 2013/14 and 2014/15 to be delivered.

9.5 The savings proposals set out in Appendix 2 show a total of £13.852m, of which £7.083m will be delivered in 2013/14, £6.144m in 2014/15 and £0.625m in 2015/16.

Summary Position

9.6 Appendix 1 shows the current summary position of the MTFP from 2013/14 to 2015/16. After allowing for all of the analysis and assumption in this report, the gap is still £1.336m in 2013/14, £18.902m in 2014/15 and £22.961m in 2015/16. This results in a total funding gap of £43.199m over the life of the plan.

9.7 More work is required before the position to 31 March 2014 is balanced, and the results of the provisional local government finance settlement have yet to be factored in.

10 Dedicated Schools Grant

10.1 TBA - requires Schools Forum consideration on 6 December

11 Housing Revenue Account (HRA)

11.1 A detailed analysis of the HRA MTFP and Capital programme are contained is set out in Appendix 5

12 Capital Programme

13 Capital

13.1 The revised draft capital programme over the next three years is £222.85m. A breakdown by directorate and proposed sources of funding can be seen in the table below. The revenue implications of this level of capital expenditure, in terms of borrowing costs and ongoing revenue expenditure on capital assets have been fully reflected in the MTFP.

13.2 In planning the capital programme, the aim has been to maximise the use of external funding and capital receipts and to limit the use of long-term prudential borrowing to that which has been agreed as part of the planning process last year. This approach is designed to minimise the impact of the programme on the general fund.

13.3 The table below shows the current projected spend by directorate area, and provides a summary of the sources of funding.

Draft Expenditure	**Proposed Budget 2013/14**	**Indicative Budget 2014/15**	**Indicative Budget 2015/16**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Place & Sustainability	23,947	9,125	7,133	**40,205**
Children & Young People	20,228	8,918	6,350	**35,496**
Adults & Housing	2,036	2,036	2,036	**6,108**
HRA	34,202	55,818	47,319	**137,339**
Other	1,600	1,000	1,100	**3,700**

Total Capital Programme	**82,013**	**76,897**	**63,938**	**222,848**

Draft Capital Funding				
Government Grants	8,781	8,507	6,886	**24,174**
Other Grants	11,484	947	1,583	**14,014**
Capital Receipts	16,073	10,128	7,600	**33,801**
Section 106	463	0	0	**463**
HRA	34,202	55,818	47,319	**137,339**
Reserves & Revenue	2,135	450	550	**3,135**
Prudential Borrowing (pre-agreed)	8,875	1,047	0	**9,922**
Total Capital Financing	**82,013**	**76,897**	**63,938**	**222,848**

13.4 The main areas of expenditure are as follows:

Place & Sustainability

- The directorate has several large programmes underway including ongoing work in Tottenham and Northumberland Park, Wood Green Town Centre, and there is significant investment planned for carriageway maintenance works which have been limited in each of the past two years.
- The Council has a long term commitment to make available £5m for the Northumberland Park Development project currently projected as required after 15/16. Capital receipts will need to be generated and reserved to meet this commitment over the planning period.
- The current projected spend on Hornsey Town Hall over the next 3 years is some £5.3m. It is currently planned to fund this expenditure from the associated capital receipt from the sale of the site. The progress of this scheme is subject to a satisfactory funding agreement with Mountview.
- A further phase of the accommodation strategy relates to the re-provision of office accommodation and other changes in the location of existing services.

Children & Young People's Services

- The majority of the capital expenditure is on the Primary and Pre-School programme, and the expansion of school places. This programme continues to be predominantly funded by government grants, with some limited pre-agreed prudential borrowing.

Housing Revenue Account

- It is projected that the HRA will be able to meet all planned expenditure from its own resources under the self-financing regime. There has been a reduction in the level of planned expenditure on Decent Homes in 2013-14, with works now planned to take place in 2014-15 and 2015-16.

Other

- The Alexandra Park and Palace (AP&P) Regeneration scheme is aimed at transforming the Palace into a financially self-sustaining mixed leisure, entertainment and learning venue consistent with the Trust's objectives. To date the Council has required the Palace to make revenue savings and redirect those savings to fund the preparatory work for regeneration. It is proposed that this approach should be continued.

- It should also be noted that the AP&P Charitable Trust Board recently considered a report proposing a Major Grants bid to the Heritage Lottery Fund for some £16million. This would require match funding of £6.7million to be generated. The Council is committed to assisting the Trust in its fund raising from internal and external funding streams to address the funding gap.

A more detailed analysis of the capital programme can be found in Appendix 6. (Narratives will be added prior to the report being finalised for Cabinet)

13.5 At this stage there is uncertainty over some of the external funding streams, including TfL funding for Highways expenditure, funding for School Place Expansion, and GLA funding for Tottenham regeneration. As these funding allocations are confirmed, there will be further reports back to Cabinet seeking authority to amend the programme accordingly.

13.6 There will also continue to be opportunities to introduce invest-to-save schemes which have a strong business case.

13.7 As has been stated above, in developing the capital programme proposals, the aim has been to maximise the use of external funding and capital receipts. In terms of the latter the Council is continuing to review its property portfolio looking for opportunities to both rationalise our use of service based accommodation and to divest ourselves of land and buildings which are no longer required. Capital funding levels will therefore continue to be closely monitored together with further development opportunities linked to surplus Council land or buildings.

13.8 There are some risks associated with the disposal programme and it is assumed that a number of significant disposals which, between them, represent approx. 50% of the total projections over the 3 years of the programme. The profile has been adjusted to reflect this risk, however it may be appropriate to use temporary borrowing if slippage in receipts occurs.

14 Consideration of the Financial Years 2015/16 and 2016/17 for the MTFP

14.1 The July MTFP report identified that there is potential for further cuts to Local Government funding in 2015/16 and 2016/17, beyond the current CSR. Modelling of the potential impact in 2015/16, assuming inflation and service pressures show that a further £23m cuts may be required**, and this is reflected in Appendix 1**. Assuming the same level of pressure, and adjusting for funding reductions, the gap in 2016/17 would be £21m. This means that in addition to the projected £84m reductions up the end of 2013/14, the Council would have to find an estimated further £60m up to the end of 2016/17, meaning that in total the Council would have implemented reductions of £144m over the period, equivalent to just over 50% of its current budget of £278m.

15 Consultation

15.1 Consultation meetings on the budget proposals will be held across the whole of Haringey during December and January, and residents will be also given the opportunity to engage with the process online.

15.2 The Council's Overview and Scrutiny Committee, and associated Panels, will also be examining the proposals during the coming weeks. Both the feedback from Scrutiny and the results of the consultation will be included in the February Cabinet report.

16 Comments of the Chief Finance Officer and financial implications

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

17 Head of Legal Services and legal implications

To be inserted

18 Equalities and Community Cohesion Comments

18.1 Equalities issues are a core part of the Council's financial and business planning process.

19 Head of Procurement Comments

19.1 Not applicable

20 Policy Implication

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

21 Use of Appendices

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

21.2 Appendix 2 – Savings proposals to 2015/16

21.3 Appendix 3 – Investment Proposals to 2015/16

21.4 Appendix 4 – re-profiling of pre-agreed savings

21.5 Appendix 5– Housing Revenue Account

21.6 Appendix 6 – Capital Programme

22 Local Government (Access to Information) Act 1985

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

- Financial planning 2012-13 to 2014-15 - Cabinet 19 July 2011
- Financial Planning 2012-13 to 2014-15 – mid year budget update – Cabinet 4 October 2011
- Financial Planning 2012-13 to 2014-15 – Cabinet 20 December 2011
- Financial Planning 2012-13 to 2014-15 – Cabinet 7 February 2012
- Financial Planning 2013-14 to 2015-16 -

22.2 For access to the background papers or any further information please contact Barry Scarr, Interim Head of Corporate Finance, on 0208 489 3743.