Chair:
Councillor George Meehan

Deputy Chair:
Councillor Lorna Reith

INTRODUCTION

1.1 The Council has reserved to itself the exercise of certain functions including the approval of the budget, levying Council Tax and setting the non-domestic rate multiplier. The full list of functions of the full Council are specified in Part E.1 of the Constitution – The Full Council Article.

1.2 The budget process timetable provides for consideration by the Council of the Executive's budget package prior to the approval of the final budget and the Council Tax on 19 February 2007.

1.3 This report covers the budget package which we considered at our meeting on 23 January 2007.

ITEM FOR DISCUSSION

Finance

2. FINANCIAL PLANNING - 2007/08 TO 2010/11

2.1 Following our meetings on 4 July, 31 October and 19 December 2006 we reported to the Council on the key financial planning issues facing the Council and proposed a process for the detailed consideration of our budget package. We have now considered a report which set out the medium term financial strategy for the four-year period of the current administration and which would be reviewed on an annual basis. The initial financial planning report in July identified a budget gap of £13.6m over the four year period. The business planning process this year has aimed to close this gap as well as reviewing the pre-agreed savings totalling £8.2m.

2.2 The report we considered on 23 January (attached at Appendix 1) proposed a budget package for the period 2007/08 to 2010/11 which was 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
- key risk factors.

The report was supported by various appendices as follows:

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

2.2 We noted that it was expected that the Council Tax increase for 2007/08 would be 3.0% and that the report proposed a budget for the schools element of children's services within the ring-fenced dedicated schools grant (DSG) with the remainder of children's services included in the Council's mainstream budget plans. The report also proposed a balanced budget for the HRA based on an average rent increase of 5.0% and a capital programme based on the existing policy framework for capital expenditure.

2.3 We report that we adopted the recommendations contained in the report which, in accordance with the agreed budget timetable, we refer to the Council for discussion in so doing noting that the final decision on the budget and Council Tax for 2006/7 would be made at the meeting on 19 February 2007. We also agreed that, with regard to the efficiencies proposed as a result of the merger of the Winkfield Road and the Haven Road centres, officers carry out an early review of day care provision to determine whether the buildings were the most appropriate way of delivering these services. We also noted that with regard to implementing charging policy the charges for those social services which were to be increased over time would be phased over a period of up to 3 years.

HARINGEY COUNCIL

Agenda Item

Executive | **On 23 January 2007**

Report title: **Financial Planning 2007/08 to 2010/11**

Report of: **The Acting Director of Finance**

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

1. Purpose

1.1 To consider the Executive's proposed budget package for 2007/08 and later years.

2. Introduction by Executive Member

2.1 This report details the process we have undergone and we are now able to recommend the attached budget plans to the Executive. It shows that although we have an overall balanced position for 2007/8, over the following 3 years, we will still need to identify nearly £5m of further savings.

2.2 This is in the light of the extremely tight financial settlement which we have received from the government this year, which has necessitated some tough decisions to deliver the savings necessary to continue to protect front-line services at the same time as keeping Haringey's share of the council tax increase to no more than 3%.

3. Recommendations

3.1 To agree the changes and variations set out at paragraph 9 and appendix B.

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

3.3 To agree the new savings and investment proposals set out in paragraphs 12 and 13 and appendices D and E.

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

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

3.6 To agree the proposals for the capital programme set out in appendices H and J.

3.7 To agree the treasury management strategy and policy and prudential limits set out in appendix K.

3.8 To agree the proposed general fund budget requirement of £384.602m, subject to the final settlement and the decisions of precepting and levying authorities, and the consequences for council tax levels

3.9 To note that the final decision on budget and council tax for 2007/08 will be made at the Council meeting on 19 February.

Report authorised by: **Gerald Almeroth, Acting Director of Finance**

Contact officer: **Gerald Almeroth, Acting Director of Finance, 020 8489 3823**

4. Executive Summary

4.1 The report sets out the Executive's budget package for recommendation to Council. It is expected that the council tax increase for 2007/08 will be 3.0%.

4.2 The report proposes a budget for the schools element of children's services within the ring-fenced dedicated schools grant (DSG) with the remainder of children's services included in the Council's mainstream budget plans.

4.3 The report proposes a balanced budget for the HRA based on an average rent increase of 5.0%.

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

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:

- Report of Acting Director of Finance to Executive on 19 December 2006
- The draft local government finance settlement 2007/08 issued 28 November 2006
- Report of Acting Director of Finance to Executive on 31 October 2006
- Report of Acting Director of Finance to Executive on 4 July 2006

7 Background

7.1 My reports to the Executive on 4 July, 31 October and 19 December 2006 set out the key financial planning issues facing the Council and proposed a process for the detailed consideration of the Executive's budget package. This report sets out the medium term financial strategy for the four-year period of the current administration and this will be reviewed on an annual basis. The initial financial planning report in July identified a budget gap of £13.6m over the four year period. The business planning process this year has aimed to close this gap as well as reviewing the pre-agreed savings totalling £8.2m.

7.2 This report proposes a budget package for the period 2007/08 to 2010/11 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
- 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 Executive 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
- appendix K is the treasury management statement.

7.4 The Council will consider the budget package and the limits under the prudential code on 5 February and the final council tax (including the GLA precept) and the policy and decision on reserves on 19 February.

8 Government support

8.1 Members will recall that there were major changes to grant distribution in 2003/04 when Standard Spending Assessments (SSA) was replaced by Formula Spending Shares (FSS). Those changes removed £18m from the Council's base allocation and meant that we received the floor (or lowest possible) grant increase for 2003/04, 2004/05 and 2005/06.

8.2 There were a number of significant changes in the local authority settlement last year, which provided a two year settlement position for 2006/07 and 2007/08. There were also a number of significant changes in the formula. This followed a consultation on the formula grant review in 2005. The key changes are 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 (therefore for two years in respect of 2006/07 and 2007/08, following three years to be announced after the Comprehensive Spending Review in 2007);
- use of projected population and tax base information, and;
- reduced weighting for deprivation in the formula for Children's Services and Younger Adults Social Services resulting in a significant shift of resources away from Haringey and London generally.

8.3 The **draft grant settlement for 2007/08** is broadly as announced last year. The national total increase in government grant support is 3.8% in 2007/8 excluding DSG. Grant floors are retained to guarantee a minimum increase in government support for each authority and this is paid for by scaling back increases from all authorities above that level. The floor increases for authorities with education and social services responsibilities is 2.7% in 2007/8.

8.4 Haringey is on the floor for 2007/8 for the fifth consecutive year. Two thirds of authorities in London are on the floor in 2007/08 and there is an average grant increase in the capital of 3.4%. The grant in the formula will increase by £3.484m (2.7%) on the adjusted base; however the actual cash increase will only be £2.284m (1.8%). As previously reported this adjustment to the base has been challenged. The underlying damping position after taking into account the separate floors for Children's Social Care and Younger Adults is that the formula suggests resources of £6.247m less that the actual grant received. This is an improvement of £0.487m on 2006/07. This represents an underlying 2.1% reduction against the adjusted 2006/07 base compared to the 2.7% floor increase actually received.

8.5 The **DSG** is in respect of the money that goes directly to fund schools and the pupil led services within the LEA. Haringey has received an increase of 6.9% per pupil for in 2007/08, which is above the national average increase of 6.7%. The final cash sum available will depend on the number of pupils as recorded in the January 2007 count. This is estimated by the DfES to rise by 1.7% which would result in an overall cash rise of 8.6%. The higher level of resources available are designed to fund the minimum funding guarantee for all schools of 3.7% as well as additional initiatives such as personalised learning. The implications for children's services budgets are explored later in the report.

8.6 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 £0.8m 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 in the Children's Service for schools.

8.7 Following the draft settlement, and taking account of the capital financing issue raised above, the key changes compared to previous assumptions are:

- a reduction in the general fund position of £0.1m next year, and;
- an increase in dedicated schools grant of £0.7m next year.

8.8 The draft settlement reflects function changes in respect of social services specific grant (preserved rights). There is also a new specific grant of £178k in respect of enforcement of smoking bans, which members can consider proposals for at a later date. The final settlement is expected in late January.

9 Changes and variations

9.1 The 2006/07 budget was set as part of a process, which covered the previous four year planning cycle. A number of budget changes and variations were recognised in the 2006/07 process. During this year financial planning reports to the Executive in respect of 2007/08 onwards have agreed further changes and variations.

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

- the triennial valuation of the **pension fund** was received in 2004. The funding level had fallen from 88% to 69%, the main reason being that investment returns have been less than anticipated at the last valuation. This, of course, reflects the fall in stock markets which took place during the period. It was recommended that the total employer's contribution rate would increase on a phased basis from 18% in 2004/05 (including the current funding levy for early retirement) to 22.9%. This required additional funding of £1.6m in each of the three years up to 2007/08. We have assumed a continuation of this for 2008/09 with further increases of 1%, which will be reviewed on completion of the next triennial valuation due this year;

- **waste** disposal budgets were adjusted to reflect an anticipated increase in the waste disposal levy and the estimated impact of moving to using actual tonnage as a basis for charging phased in over three years from 2006/07. The preparation for the implementation of the NLWA waste strategy will result in further additional costs and provisional sums are included in future years;

- pay budgets were adjusted to reflect the three-year **pay deal** agreed for non-teaching staff up to 2006/07 and an assumption of 3% was made for later years. The government has signalled their intention to work towards settling pay deals at the target inflation level of 2%. A prudent assumption of 2.5% has been allowed in the budget plans going forward. Work is progressing on the local negotiations for '**single status**' pay arrangements review (incorporating former manual staff) by April 2007 and a base budget contingency sum was provided; there may be significant costs arising from backdated payments and these will need to be contained within either unsupported capitalisation (subject to government approval) and the subsequent additional revenue costs and or the risk reserve;

- the annual deficit provision for **Alexandra Palace** will be reduced as the Trust finalises a long-term arrangement with Firoka. In addition the historic overspend will have been fully provided for after 2008/09 thereby releasing almost £7m to support mainstream services;

- subsidy arrangements in respect of temporary accommodation for the **homelessness** are likely to change with the government stating their intention to introduce a reduction of 5% in 2007/08 with further more significant cuts from 2008/09 onwards. The budget variations agreed provide for the implementation of a strategy to reduce the overall numbers in temporary accommodation in line with government targets and includes additional resources for incentives for landlords to move to assured short-hold tenancies as well as an expanded preventions and options service;

- there are significant costs in respect of **asylum-seekers** not covered by grant, in particular for unaccompanied asylum seeking children that are 18 years of age or over and are still in the education system. Despite some lobbying from key authorities this year there appears to be no additional resources forthcoming and therefore a further £2m has been added to the £0.5m included in last years process, and;

- the additional cost of **energy price** increases above inflation is also included, although still an increase, the improved rates secured through new procurement arrangements are significantly less than the position reflected by the national price indices.

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

- recognition of the additional base cost pressures of £2m in respect of **Social Services** as reported in budget management during this financial year;
- estimated future year increases in the costs of **concessionary fares** above inflation as reported to the GLA Transport Committee on 8 December;
- additional **PFI contract** costs of £90k arising from the approval of the outline business case for BSF;
- recent changes to the latest financial projection for the **waste disposal** levy as proposed by the NLWA including a reduction against previous increases for 2007/08 and allowing a base budget saving of £0.5m now included;
- the use of one-off LPSA **grant** in 2007/08.

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 Community Strategy, the majority party Manifesto and the previously approved Council priorities as follows:

- Better Haringey;
- Achieving excellent services;
- Raising educational achievement;
- Building stronger and safer communities; and,
- Putting people first.

10.2 It is recognised that the current Community Strategy lasts until 2007 and therefore is undergoing a review. There is a clear link between the key emerging priorities and the existing priorities, which means that the planning process is not undermined. The final Community Strategy and Council Plan (which will contain the Council's activities required to deliver its part of the Community Strategy and its own priorities) are due to be agreed in March 2007 and this will allow time for review before individual business plans are published.

10.3 There will be other national issues that may affect the planning process in 2007, including the publication of the Lyons report and the Comprehensive

Spending Review in July 2007. The Council will need to have regard to these issues as part of a wider review of its strategic approach.

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 at the Haringey Strategic Partnership;
- consideration of Children's Service budget issues by schools;
- consultation with tenants and leaseholders on rent and service charge increases;
- a presentation of the Council's strategic plans at an event for local businesses;
- trade union representatives; and,
- other stakeholders.

11.2 Scrutiny

11.2.1 The Overview and Scrutiny Committee have met a number of times during November and December to consider the Council's financial strategy and the PBPRs for each of the business units. The conclusion of the process discussed at Overview and Scrutiny Committee on 18 December and finalised on 10 January is captured in the final report attached at appendix C2.

11.2.2 The Executive 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 Executive concur with many of the recommendations made by Overview and Scrutiny Committee and therefore this is subsequently reflected in the budget proposals attached or there is a commitment to take further action in the future.

11.3 Haringey Strategic Partnership

11.3.1 It is proposed that the Council will report to the Haringey Strategic Partnership (HSP) in the spring of this year to discuss the Council's medium term financial strategy in the context of the wider review of the funding, commitments and targets included in the Local Area Agreement.

11.4 Schools

11.4.1 Budget planning issues were discussed at head teacher meetings and at the Schools Forum during the autumn term and more recently in detail at the forum meeting on 22 December 2006.

11.4.2 Further details on schools funding are set out later in this report.

11.5 Tenants and leaseholders

11.5.1 A meeting of the Residents Finance Panel discussed the budget proposals in detail. Tenant and leaseholder representatives are members of the group.

11.5.2 The rent increase is driven by the government's rent restructuring guidance. Consultation was through the Residents Finance Panel, Residents Associations, and participants in the Residents Consultative Forum. Other tenants were also be made aware of the consultation and are able to respond. The consultation period closed on 12 January. The general feedback from tenants' responses is that the rent increase should be structured so that a maximum increase of about £3.60 is applied in order to ensure that increases are as affordable as possible for all tenants.

11.5.3 For leaseholders, the proposals on the HRA reflect the recovery of leasehold management and overhead costs as previously consulted upon and approved.

11.6 Business event

11.6.1 A business event is being held on 30 January 2007 at which a presentation will be given on the Council's financial strategy and the increase in business rates by the government.

11.7 Trade unions

11.7.1 Meetings at the end of November and the middle of January have been held with representatives of the trade unions to discuss the financial strategy and the pre-business plan reviews. The key views expressed are set out in the following paragraphs.

11.7.2 We recognise that this is a time of financial restraint for Local Authorities in common with the rest of the public sector. There is more than one way in which Authorities can respond to such restraint and we have a clear view on how we would wish to see Haringey respond. We are opposed to the quick and easy options such as cuts in staff and services or offloading the problem by outsourcing to the private sector. In our view, the best approach is to look at what genuinely facilitates service delivery and what obstructs it and to move towards more efficient and productive ways of working. This delivers value for money as something tangible rather than as the abstract concept that it too often remains. In establishing what enhances performance and what impedes it, the views of those responsible for delivering the service need to be taken into account more than they have been. Someone who is responsible for performing a particular task will have a better notion of what does and does not work than someone several steps up the hierarchy who is primarily planning and managing processes. The effective working of a large organisation such as Haringey Council requires input from both the wide ranging strategic perspective and the hands-on practical perspective, as well as from intermediate levels. These perspectives need to be balanced and we feel that an imbalance has arisen in favour of those from the higher levels of the structure. The problem with this kind of imbalance is that it results in decision making that is inadequately informed by an understanding of the practical consequences of what is decided. There is a further advantage to giving due weight to the views of staff. When people feel that they have been heard and taken seriously, they perceive themselves as part of the organisation and can better identify with its aims and achievements.

11.7.3 The intention should be to find ways in which staff can work more productively and with greater job satisfaction. Simply cutting jobs or expecting people to invest ever-increasing levels of effort in inefficient work methods will simply not deliver what the Council wants and needs and will degrade the quality of life of its employees thus increasing problems of staff retention.

11.7.4 In examining the details of the Pre Business Plan reviews we were concerned to note the seriousness of the financial problems in Social Services, especially in Adult Services and Older People's Services. We were pleased to hear, in the second consultation meeting, that the Council has agreed to put £2m into the base budget for Social Services and would urge that every effort should be made to prevent a recurrence of problems on this scale.

11.8 Other stakeholders

11.8.1 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 Savings options

12.1 Proposed savings totalling £8.2m over the planning period were agreed as part of the 2006/07 budget process. These savings have been reviewed through the PBPR process against the notional savings targets set and either confirmed as sound and achievable or have been deemed as not achievable and are replaced with new items. Some savings proposals have been re-phased including customer services and corporate procurement (£0.5m moved to 2008/09), which reflect a more realistic delivery profile.

12.2 Through the PBPR process new savings options have also been identified and these are included at appendix D alongside the re-stated and re-profiled existing proposals. In total the appendix sets out those savings in respect of the general fund, which are recommended by the Executive for agreement, totalling £19.3 over the next four years.

12.3 Members are aware of the government's plans to generate efficiency savings as set out in the Gershon review. The £6.45bn target for local government to 2007/08 is equivalent to 2.5% per annum against the 2004/5 base. It was recommended that at least 1.25% is to be 'cashable' and is to be retained (i.e. releasing funds to spend elsewhere or to keep the council tax down). Each local authority has to report progress to the government in Annual Efficiency Statements (AES). Currently Haringey is progressing well against the target. The savings included in the AES can only relate to those delivered through efficiency as defined in the government's criteria and will therefore not include all budget savings that the Council will deliver in its financial planning.

12.4 The government's pre-budget report in December 2006 has set more stretching targets for the future and these will be confirmed in the CSR 2007. A target of 3% has been stated, all of which should be cashable. It is possible that this will feature in the calculation of future available resources.

12.5 The Council's ability to deliver budget savings is confirmed as a key aspect of the response to the strategic agenda. The plans set out in this report include significant identified savings which can be summarised as follows:

Budget	**2007/08**		**2008/09**		**2009/10**		**2010/11**	
	£m	%	£m	%	£m	%	£m	%
General fund	7.879	4.0%	6.837	3.5%	1.847	0.9%	2.745	1.4%
DSG	1.050	5.6%	0.800	4.2%	0.477	2.5%	0.457	2.4%
HRA	2.667	2.6%	1.550	1.5%	0	0%	0	0%
Total	**11.596**	**3.4%**	**9.187**	**2.7%**	**2.324**	**0.7%**	**3.202**	**0.9%**

12.6 The staffing implications of the savings proposals include the deletion of a number of posts. All efforts will be made to minimise the impact on permanent staff. The Council has well established processes for managing workforce reductions and these 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 closely involved in the actions described here.

13 Investment options

13.1 The PBPR process has identified new investment opportunities which align with the Council's strategic agenda. These are set out in appendix E, together with those recommended by the Executive for acceptance totalling £1.9m in the general fund revenue budget. This is in addition to the £2m growth on the homelessness service. The Council's priorities provide the rationale for the allocation of investment resources as set out in the appendix. The key areas for investment are as follows:

- recycling;
- street cleansing;
- enforcement;
- youth service;
- leisure and recreation;
- homelessness prevention and reduction, and;
- management of community buildings.

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

14.1 Attached at appendix F is the position for the DSG funded budget. The DSG covers all delegated schools expenditure, known as the Individual Schools Budget (ISB), plus any pupil led expenditure incurred by the local authority. Haringey received an increase of 6.8% per pupil in 2006/07 with a further increase of 6.9% per pupil guaranteed for 2007/08. The minimum funding guarantee for schools (MFG) is still in operation and for 2007/08 it is 3.7% for all types of school. There are also additional earmarked resources again of £2.63m for initiatives such as personalised learning.

14.2 The total cash sum available will not be finally known until June 2007 when the official January counts at all of the schools have been checked by the DfES; however, the LA will ensure that resource predictions are based on the most up to date information. Schools will still be able to set a budget in early February 2007 which will be based upon their guaranteed unit of resource applied to their January pupil number count.

14.3 The overall four year position in respect of the DSG is set out in appendix F and summarised for 2007/08 in the table below:

2007/08 – Estimated increase in DSG	**DSG – ISB £m**	**DSG - Non ISB £m**	**Total DSG £m**
Estimated grant increase	10.871	1.549	12.420
Transfer of resources	-0.148	0.148	0
Total	**10.723**	**1.697**	**12.420**
PBPR estimated net budget growth	10.723	1.697	12.420
Headroom	0	0	0
Total	**10.723**	**1.697**	**12.420**

14.4 The total DSG position is balanced and this follows the statutory consultation with Haringey's Schools Forum. The Forum is strongly in favour of holding a contingency centrally to fund the impending settlement of the equal pay claim (single status) which is significant. The current initial estimate of the direct impact of backdating of the equal pay implementation is estimated at £1.5m and this sum has now been earmarked for central retention from the additional DSG resources made available to the Council in 2007/08. The final cost will not be known until negotiations have been concluded so there is a risk that the figure could be significantly higher. Any additional costs above those estimated above, including any indirect impact, will need to be met by the individual schools concerned from their delegated budgets.

14.5 The final position also includes part funding the additional costs to schools of the PFI contract from the recent benchmarking exercise, the running costs of funding the new autism provision at Campsbourne School and a provision set aside to support the transition costs around the opening of the new Sixth Form Centre.

14.6 The 'transfer of resources' of £0.148m shown in the table above will represent the direction of travel of the service whereby more funding (and costs) held at the centre will be released to schools. In 2007/08, however, due to the Single Status issue, resources will transfer to the centre. The trend is reversed in future years as the service becomes more of a commissioner of services rather than a provider.

14.7 The use of 'Headroom' (residual funding available following allocation of DSG to priorities) was also discussed with the Schools Forum, however given the equal pay issue, there is no headroom available to allocate in 2007/08.

15 Housing revenue account

15.1 The housing revenue account (HRA) subsidy determination has been received and the Council is consulting on a 5.0% average rent increase. The actual rent increase for each property is determined by the application of the government's rent restructuring formula. In 2007/08 this would have led to an average 6.2% increase, however, average increases are capped by the government at 5.0% and the rent consultation is specifically around how that increase is applied.

15.2 Tenants service charges will increase by 2.9% in line with the prevailing rate of inflation, except for gas (16.46%) and electricity (14.8%) where larger increases are required to cover higher market prices.

15.3 In financial strategy terms, the key issues for the HRA are:

- managing the increase in repairs costs, particularly in gas maintenance (mitigated in later years by increased planned maintenance);
- dealing with continued real terms reductions in subsidy levels and the impact of rent restructuring;
- delivery of savings from the value for money reviews conducted by Homes for Haringey;
- delivery of further efficiency savings including as a result of the repairs procurement process, from 2008/09 onwards, and;
- ensuring that improved performance initiatives are adequately resourced and managed in order to achieve the necessary two stars.

15.4 The subsidy position continues to worsen on an annual basis. The final subsidy determination for 2007/08 shows a national increase of 3.96%, but only an increase of 1.34% for Haringey. Financial planning assumptions had assumed an increase near inflation so there is a shortfall against our plans. This is partially offset by a reduced number of right to buy sales and therefore increased rent income.

15.5 The current approved HRA budget position in 2006/07 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.

£000	2007/08	2008/09	2009/10	2010/11	2011/12
Opening balance	(3,878)	(3,432)	(4,527)	(5,013)	(5,025)
In year budget	445	(1,095)	(487)	(12)	740
Proposed closing balance	(3,432)	(4,527)	(5,013)	(5,025)	(4,285)

15.6 The target level of balances for the HRA is £5m and this is broadly achieved over the planning period. The future years also contain challenging efficiency savings in particular in the housing repairs service and against corporate overheads and includes an estimate of any other inter fund issues. A significant proportion of this has been re-phased to 2008/09. A further £0.5m of savings yet to be identified is included in 2008/09. The impact of potential claims for equal pay is not fully estimated yet and therefore are not included in the projections at this stage.

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 attached at appendix I.

16.3 The main resources for capital expenditure are provided through borrowing approvals i.e. supported capital expenditure (revenue) or 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. The estimated resources available for capital investment are set out in the table below over the next four years. The estimates for the investment for decent homes and BSF are shown separately.

Original Budget	2007/08	2008/09	2009/10	2010/11	Total
	£000	£000	£000	£000	£000
		*	*	*	
Supported (Earmarked) Expenditure					
Homes for Haringey (HRA)					
SCE® Single Capital Pot	6,233	6,233	6,233	6,233	**24,932**
SCE® Separate Programme Element	0	43,056	58,737	55,951	**157,744**
Major Repairs Allowance (MRA)	11,991	12,133	12,366	12,644	**49,134**
	18,224	**61,422**	**77,336**	**74,828**	**231,810**
Children & Young People's Services					
BSF (SCE©, SCE® & other finance)	36,712	55,271	49,760	26,539	**168,282**
Targeted Capital Fund	125	70	4,300		**4,495**
Other SCE® (excluding BSF & TCF)	7,820	4,111	5,000	5,000	**21,931**
Other SCE© (excluding BSF & TCF)	7,958	2,808	0	0	**10,766**
Other Grants & Contributions	144	0	0	0	**144**
	52,759	**62,260**	**59,060**	**31,539**	**205,618**
Environment					
Tfl Grant (Local Improvement Plan)	**4,215**	**6,000**	**6,000**	**6,000**	**22,215**
Corporate Resources					
SCE® (corporate applied)	191	191	191	191	**764**
Capital Receipts (corporate applied)	8,216	8,432	5,499	3,981	**26,128**
Local Public Sector Agreement (LPSA) Reward Grant (applied)	1,506	0	0	0	**1,506**
	9,913	**8,623**	**5,690**	**4,172**	**28,398**
Other Grants & Contributions	**12,381**	**3,548**	**1,421**	**822**	**18,172**
Prudential Borrowing	**592**	**0**	**0**	**392**	**984**
Total Capital Programme	**98,084**	**141,853**	**149,507**	**117,753**	**507,197**

**figures for 2008/09 onwards are estimates – these are subject to announcements in 2007 including the CSR in July.*

Resources figures in above table are shown as applied.

16.4 It should be noted that under the previous FSS formula grant system the translation of SCE (R) into a revenue stream in the FSS and then grant does not reflect the actual **cost of borrowing**. This is partly because a notional rate of interest of 5.9% is used compared to the actual average Haringey rate of 7.24% and the figures are also scaled down to the national total resources available. Under the new formula grant system, the capital financing element is included in the Council's relative needs factor and there is now less certainty about that amount of grant that finally finds its way through to the Council. This is particularly true for authorities on the grant floor in that the revenue grant support for capital borrowing will be added to the formula but will not result in any actual additional cash being received by the Council. As the table above shows for Haringey this is largely in respect of spending within the Children's Services and the capital programme for schools. The revenue cost of this, borne by the council tax in 2007/08 is approximately £0.8m.

16.5 The strategic context for **housing** is the investment gap to deliver decent homes by 2010. The Council has now successfully set up the Homes for Haringey ALMO and has submitted a bid for investment funding for £231m. The estimated resources for the ALMO are shown separately in the above table. Confirmation of the actual resources and phasing should be known early this year and the release of this will be subject to the Council achieving two stars in the inspection in May 2007.

16.6 For **children'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 places expansion. A total of £194m is planned to be spent on BSF (made up of £179m of central government resources, £10m from the Learning Skills Council contributing towards the cost of the new 6th form centre, a specific capital receipt and revenue contributions from the DSG). Only the profiling in respect of the 6th form centre is agreed so far, but indicative figures in total have been included in the programme.

16.7 The Department for Education and Skills has advised that the funding arrangements for 2008/09 and beyond will not be known until after the Comprehensive Spending Review in 2007. However, the government has announced that capital investment in schools will increase. Formulaic funding is based on pupil number projections, which remain high. Similar projections in recent years have resulted in over £7m per year for basic need formulaic funding, plus funding for modernisation and access. A prudent estimate of future funding allocations of £5m has been included within the programme which will be updated when actual allocations are known.

16.8 A small amount of prudential borrowing (£150k) is included in respect of autism provision at Campsbourne School, which will result in revenue savings over and above financing the revenue cost of the capital. This has been agreed by the Schools Forum and will be charged to the DSG.

16.9 There are three major projects already approved that form the primary expansion programme and are included in the capital programme. In two of those schemes there are significant cost variations from the approved budget as follows:

Project	**Budget (April 2005 Executive)** **£m**	**Budget Revisions (January 2006)** **£m**	**Revised Budget** **£m**	**Forecast Total Spend** **£m**	**Variance** **£m**
Coldfall	3.75	0.80	4.55	5.50	0.95
Coleridge	5.50	0	5.50	6.50	1.00
Tetherdown	5.50	0.40	5.90	5.80	-0.10

Coldfall
The project is now completed, but the final account is still under discussion between council officers, our cost consultants and the main contractor. There are also unresolved concerns about fees charged by the design team. Additional costs and fees have been incurred due to additional works, compliance with planning conditions and an outstanding classroom fit-out. The forecast total spend is a worse-case estimate. The additional overspend will be met through re-phasing of the formulaic funding in future years and has the effect of reducing the amount available for other projects.

Tetherdown
Phase 1 (new build) is progressing to the revised timetable. Phase 2 (refurbishment and adaptation of current accommodation) is pre-tender and current forecasts suggest this project will come in within budget.

Coleridge
Invitations to tender were scheduled for the first stage of a two stage procurement process on 12 January 2007 from five contractors from the Council's framework agreement. Return of the tenders is due on 2 February 2007. These will provide overheads and profits percentages based upon a cost model prepared by the consultant quantity surveyor.

Following evaluation of tenders and subject to planning approval, a single construction partner will be recommended to procurement committee. With this partner the second stage of the tendering process will be progressed. This will include the contractor inviting sub contract tenders for all pre agreed packages of works. The sub contract tender returns will be evaluated and measured against the cost model leading to commercial certainty, and the agreement of a lump sum contract with the main contractor in June 2007.

The increased estimate shown is a prudent assumption given the need to comply with planning conditions and the likely need for additional works on the TUC site.

Programme contingency
The programme from 2008/09 onwards now includes a programme contingency, in recognition of the inherent unpredictability of construction costs, given the impact of the Olympics and the Mayor's housing targets. Arrangements for 'gate-keeping' this contingency will be developed.

16.10 Detailed consideration has been given to how the variances shown in the table above should be managed. The proposed plans show reductions in the general schools modernisation and maintenance programmes, which may cause some difficulties. This can be reviewed later in 2007 if the announcement of future year's funding is above current assumptions.

16.11 The requirements for **streetscene** were set out in the Local Implementation Plan (previously known as the borough spending plan), which was agreed by the Executive on 4 July 2006 as a draft (final version delegated to the Lead Member for Environment and Interim Director of Environment) and submitted to the Mayor as a bidding document. A letter from Transport for London (TfL) on 19 December confirmed the grant approval of £4.184m compared to the total bid in 2007/08 of £6m. The grant approval is an increase of £776k (22.7%) on 2006/07; the overall increase in London was only 0.6%. The additional sums are mainly in respect of schemes for walking and cycling.

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

£000	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Total**
Resources available	(9,828)	(8,191)	(7,691)	(2,691)	(28,401)
Proposed programme	9,913	8,623	5,690	4,172	28,398
Shortfall / (surplus)	85	432	(2,001)	1,481	(3)

16.13 The assumption on income from capital receipts includes £10m over 2008/09 and 2009/10 in respect of disposals of strategic sites. This is most likely to be delivered through the Hornsey Depot site. The shortfalls within the first two years can be managed through the financing reserve.

16.14 Key elements of the proposed programme for investment are as follows:

- expansion of the recycling service;
- continuation of street lighting and highways improvements;
- improvement of our parks and opens spaces, including additional tree planting;
- investment in our property assets, and;
- continued investment in our IT systems.

16.15 It should be noted that some significant exclusions or reductions due to lack of resources are as follows:

- replacement of central telephone and switchboard systems – further work will need to be done to see how investment could be self-financing through revenue savings;
- corporate IT capital programme – the latter two years resources reduce significantly and this may impact on the Council's ability to effectively upgrade or replace key systems, and;
- Ward's Corner regeneration scheme – as a straight request for corporate resources this scheme is too expensive for the programme, further work is being done on options to progress this with a lower overall Council contribution.

16.16 There is a small amount of new unsupported borrowing in the proposed programme as set out in paragraph 16.8. The remainder relates to existing approval in relation to the investment in Leisure facilities passed the affordability test where the cost of borrowing is being met by additional revenue income and expenditure savings.

16.17 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; and,
- fulfilment of the above objectives by setting out prudential indicators that must be set and monitored.

16.18 The prudential indicators are included for approval within the Treasury Management Statement see below and in appendix K.

17 Treasury management strategy

17.1 The Council is required to consider an annual Treasury Strategy under the CIPFA Code of Practice on Treasury Management, which was adopted by the Council in May 2002.

17.2 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. We have also set out our Prudential Indicators for year four of our financial planning process.

17.3 In line with the suggestion in the ODPM's investment guidance we have combined the Treasury Strategy Statement and Annual Investment Strategy into one document. This is set out in full in Appendix K and includes the proposed prudential indicators for 2007/08 to 2010/11.

17.4 The strategy is based upon the Council's Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's external treasury advisor. The strategy covers:

- treasury limits for 2007/08 to 2010/11, which will limit the treasury risk and activities of the Council;
- prudential indicators
- the current treasury position and borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- the extent of debt rescheduling opportunities;
- the investment strategy including the treasury management policy.

17.5 The proposed authorised limits for external debt in 2007/08 to 2010/11 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.

17.6 In the Council's 2007/08 to 2010/11 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. However there are three relatively small unsupported borrowing schemes with spend totaling £984k that will be funded within available resources and are 'spend to save' projects. Therefore there is no increase in council tax or housing rent to fund a higher level of spend above the level of resources available.

17.7 The capital financing requirement (CFR) is planned to increase in 2007/08 by £13.8 million as a consequence of the capital programme proposed. The new borrowing requirement for 2007/08 was borrowed in 2006/07 due to the opportunity to take up some long term borrowing at very advantageous rates as reported to Executive on 31 October 2006. The net borrowing will be funded within the resources available.

17.8 The CFR is planned to increase significantly from 2008/09 onwards primarily because of the anticipated additional supported investment in respect of Housing decent homes – potentially up to £158m of capital investment additional resources in housing stock from 2008/09 onwards. This will be financed by supported borrowing. The supported borrowing in revenue impact terms will be in the housing revenue account. The costs of borrowing will be met by actual government support and this will be kept under close review. The total bid for investment funding for the decent homes scheme is £231m over the duration of the whole scheme.

17.9 The Building Schools for the Future programme (BSF) has a total of £194m planned to be spent on BSF (made up of £179m of central government resources, £10m from the Learning Skills Council contributing towards the cost of the new 6th form centre, a specific capital receipt and revenue contributions from the DSG). It is envisaged this will be largely grant with only about £8m financed by supported borrowing.

17.10 Sector, our external advisers, have indicated that some debt restructuring could potentially bring about a financial benefit. There is also a possibility of rescheduling some debt, which could improve our risk profile measured over the next 50 years. These opportunities will be reviewed and form part of the strategy.

17.11 CIPFA issued a draft accounting standards document (SORP 2007) on 18 October 2006 which includes major potential changes in the treatment of the valuation of debt and investments, the calculation of interest and the treatment of premia and discounts arising from debt rescheduling. There will be a three month consultation period before proposals are finalised. It is also expected that these proposals, once finalised, may make necessary the issue of legislation by the Government to take effect from 1 April 2007. The authority's treasury management strategy will be reviewed once the final decisions in this area are known to see whether any changes will be required in borrowing, investment or debt rescheduling strategies.

17.12 The annual investment policy forms part of the appendix. There are no suggested changes to the types of specified investments permitted, but a review will be carried out during the year with Sector and will be reported back for approval during the year should any changes be proposed.

18 Council tax

18.1 The planning assumption following the conclusion of the 2006/07 process was that the council tax would increase by 2.5% in 2007/08 and each year thereafter. The revised assumption is now an increase of 3% each year in line with the majority group Manifesto commitment. Members are aware that Ministers wish to see low council tax increases, and this was reiterated with the announcement of the draft settlement when Ministers stated that they expect to see a national average increase of less than 5%.

18.2 Ministers made use of capping powers in respect of the budget decisions of a number of authorities for 2006/07. The powers are framed in terms of both tax and budget increases and can take account of a number of years. The Executive and Council will need to be mindful of Ministers' views, and the capping powers available to them, as the budget is finalised.

18.3 I have considered the position with regard to the Council's tax base for 2007/08 and have updated the figure for the latest estimate in line with our recent return to the government. I have also decided that the collection rate remains unchanged at 96%. In respect of the position on the collection fund I consider 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 executive's budget package at £384.602m. 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.

18.5 The council tax for 2007/08 will be set formally by Council on 19 February. Subject to the factors set out above, and the provisional plans for future years including identification of a further £5m of savings in 2008/09 onwards, the proposed increase in Haringey's council tax will be as follows:

2007/08	**3.0%**
2008/09	**3.0%**
2009/10	**3.0%**
2010/11	**3.0%**

18.6 The council tax would need to increase by approximately another 5% should those additional savings not be identified.

18.7 The Council's current plans assume that any increase in the GLA precept will be passported through to taxpayers. The Mayor is consulting on an increase of 5.3%, which would give an overall band D increase of 3.5%. The GLA base precept includes £20 at band D from 2006/07 for 10 years to contribute towards the 2012 Olympics. There is no further addition to this in 2007/08.

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 PBPRs. The most significant financial risk factors are as follows:

- the Council's **financial reserves** remain strong, continuing to attract a good score within the CPA process. 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. The latest budget management information indicates no significant overspending and this is to be welcomed. The cost pressures in Social Services are recognised in these budget plans, but it is essential, however, that the budget management process remains challenging and robust so that any issues which do arise can be resolved effectively. The current policy and plans allow for general reserves to be maintained at the minimum level of £10m. I will be reporting formally on the adequacy of reserves in the final tax setting report to Council;

- the position in respect of **homelessness** direct costs is set out in paragraph 9.2 of this report. The continued high number of clients and further demand within Haringey against the strategy to meet the government reduction targets, together with the uncertainty associated with the subsidy regime mean that this will remain a key risk area for the Council requiring careful monitoring. A further risk is the potential for the government to claw back subsidy from previous years subject to the justification of rent setting policies and given the considerable size of this service in Haringey this could be a significant financial impact;

- the implementation of '**single status**' pay arrangements incorporating manual staff by April 2007 is nearing conclusion and for the ongoing cost a provision in the plans has been made. The issue of backdating is less certain, but the financial sums could be considerable depending on the outcome of negotiations, as much as £15m, and any costs arising will need to be met from reserves and unsupported capitalisation if allowed. This impacts on schools, the HRA and general fund services;

- the **supporting people** programme is a key area of service delivery for the Council with grant funded expenditure of £21.8m in 2006/07. Haringey's allocation has been reduced by £1.1m (a maximum 5.0% for 2007/08).

Such reductions were not unexpected, and plans are in hand to manage the impact on the level of services which can be commissioned;

- uncertainty still remains in respect of funding arrangements for **asylum seekers.** Despite recent announcements on settlement of previous years special claims by the Home Office, there may be a reduced chance of special circumstances claims being agreed in the future and there is a lack of clarity in respect of the medium term incorporation into the mainstream revenue grant system;

- the capital programme confirms that the Council anticipates a requirement to provide an increased number of **school places**. For the secondary phase, our BSF programme will, in principle, deliver resources for a new secondary school and a new sixth form centre. For the primary phase, the proposals to deliver the expected requirement for new places are currently funded, but there are still significant risk factors in the schemes;

- commissioning strategies for **looked after children** and **social services** clients are demand driven to some extent and therefore remain a volatile and high risk area;

- the **HRA** medium-term strategy requires significant savings to be delivered and that for some of those plans for this are not yet fully implemented. Detailed work and implementation in this regard will need to continue into the start of 2007/08. The estimated impact on the general fund has been provided in the budget plans. The longer term strategy and securing of capital resources for the decent homes investment is subject to the inspection achieving two stars;

- the Council manages a number of complex projects both to support change within the organisation and to deliver service outcomes. The Council's **project management** framework has been further improved this year to recognise and manage risks in respect of these projects, and the Council operates a programme board structure to ensure that risk is appropriately managed and mitigated. In addition the delivery of the further £5m budget savings over the next four years through the achieving excellence programme is a key risk factor and will require significant corporate effort to deliver; this will need to be managed closely through these project governance arrangements;

- the BSF programme and the additional housing capital resources will constitute a **capital programme** of exceptional magnitude. The procurement and delivery of these investment programmes will need to be carefully and effectively managed to ensure value for money.

20 Summary and conclusions

20.1 This report sets out the Executive's budget proposals for 2007/08 and the plans for the subsequent three years. The budget is balanced with council tax increases of 3.0% in each of the four years. The plans include a further £5m savings target to be delivered through a corporate programme of projects. The profile of these savings will need to be managed carefully with a view to minimising the call on balances, in particular in 2008/09.

20.2 The plan for the HRA is broadly balanced within the ringfenced resources available.

20.3 The DSG financial plans will require Schools Forum agreement in order to balance the overall position between delegated and non-delegated.

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

21 Recommendations

21.1 To agree the changes and variations set out at paragraph 9 and appendix B.

21.2 To note the outcome of the consultation processes set out at paragraph 11.

21.3 To agree the new savings and investment proposals set out in paragraphs 12 and 13 and appendices D and E.

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

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

21.6 To agree the proposals for the capital programme set out in appendices H and J.

21.7 To agree the treasury management strategy and policy and prudential limits set out in appendix K.

21.8 To agree the proposed general fund budget requirement of £384.602m, subject to the final settlement and the decisions of precepting and levying authorities, and the consequences for council tax levels

21.9 To note that the final decision on budget and council tax for 2007/08 will be made at the Council meeting on 19 February.

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.

Appendix A

Gross Budget Trail	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Budget brought forward	**366,511**	**384,602**	**397,311**	**409,500**
Changes and variations				
Inflation	8,000	8,420	8,840	9,260
Agreed in previous years budget process	8,752	2,547		
Changes and variations agreed 4 July 2006	2,750	800	(4,355)	2,648
Changes and variations agreed 19 December	(1,261)	4,250	(750)	(750)
Changes and variations in this report (see appendix b)	(1,566)	3,170	52	0
Changes arising from 2007/08 grant settlement	106			
Investments				
2005/06 process	(325)			
2006/07 process	(3,911)	(75)		
Proposed new investments	1,168	668	0	40
	(3,068)	593	0	40
Savings				
2005/06 process	(2,892)			
2006/07 process	(2,208)	(3,123)		
Proposed new savings	(5,887)	(6,907)	(1,775)	(2,815)
Additional 2% savings	(1,992)	70	(72)	70
Less pre-agreed savings	5,100	3,123		
Savings to be identified		(3,000)	(2,000)	0
	(7,879)	(9,837)	(3,847)	(2,745)
Dedicated schools grant (DSG)				
Passporting of DSG	12,420	6,273	6,524	6,785
Prior year adjustment	(186)			
	12,234	6,273	6,524	6,785
Balances				
Contribution to / (from) balances 2005/06 process	360	(642)		
Contribution to / (from) balances 2006/07 process	(337)			
Contribution to / (from) balances 2007/08 process		(2,865)	5,725	(2,645)
Gross Council budget requirement	**384,602**	**397,311**	**409,500**	**422,093**
Less dedicated schools grant (specific grant)	(156,829)	(163,102)	(169,626)	(176,411)
Net Council budget requirement	**227,773**	**234,209**	**239,874**	**245,682**
Funding				
Council tax (see below)	95,265	98,123	101,066	104,099
Government support - formula grant and NNDR	132,508	136,086	138,808	141,583
	227,773	**234,209**	**239,874**	**245,682**
Resource shortfall/(excess)	**0**	**0**	**0**	**0**
Council tax	**£**	**£**	**£**	**£**
Council tax (LBH)	1,127.83	1,161.66	1,196.51	1,232.41
Council tax base (after provision for non-recovery)	84,468	84,468	84,468	84,468
Precept	**95,265,544**	**98,123,097**	**101,066,807**	**104,099,208**
Rate of council tax increase (Haringey element)	3.0%	3.0%	3.0%	3.0%
GLA rate of council tax increase	5.3%	5.0%	5.0%	5.0%
Combined council tax increase	3.5%	3.4%	3.4%	3.4%
£ per week increase (Haringey element)	£0.63	£0.65	£0.67	£0.69

Appendix B

Resource Shortfall Tracker	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	Total £'000
Position at end of 2006/07 process	**0**	**0**	**0**	**0**	**0**
Update for 2007/08 process					
Inflation			8,840	9,260	18,100
Capital financing costs	750	800	1,037	1,078	3,665
Estimated increase in revenue support grant			(2,722)	(2,776)	(5,498)
Assumed increase in council tax of 2.5%			(2,409)	(2,468)	(4,877)
	750	800	4,746	5,094	11,390
Changes and variations 4 July 2006					
- increase in pension contributions (1%)			1,060	1,070	2,130
- waste disposal			500	500	1,000
- contingency items	3,000				3,000
- Alexandra Palace	(1,000)		(6,952)		(7,952)
	2,000	0	(5,392)	1,570	(1,822)
Target savings previously reported to be identified	2,862	1,200			4,062
Position as at 31 October 2006	**5,612**	**2,000**	**(646)**	**6,664**	**13,630**
Changes and variations 19 December 2006					
- reduce inflation assumption for future pay awards	(750)	(750)	(750)	(750)	(3,000)
- homelessness reduction	(3,000)	5,000			2,000
- asylum seekers base underfunding	2,000				2,000
- energy price increases above inflation	489				489
	(1,261)	4,250	(750)	(750)	1,489
Council Tax					
- assume increases at 3%	(458)	(484)	(509)	(538)	(1,989)
- actual increase in tax base at November 06	(822)	(25)	(25)	(26)	(898)
	(1,280)	(509)	(534)	(564)	(2,887)
Impact of provisional grant settlement (28 Nov 2006)	106	0	0	0	106
Position as at 19 December 2006	**3,177**	**5,741**	**(1,930)**	**5,350**	**12,338**
Changes and variations now reported					
- Social Services base cost pressures	1,957				1,957
- concessionary fares increases		57	52		109
- additional PFI contract costs	90				90
- NLWA waste disposal levy	(1,127)	627			(500)
- use of LPSA grant	(2,486)	2,486			0
	(1,566)	3,170	52	0	1,656
Investments					
Proposed investments	1,168	668	0	40	1,876
Savings					
Proposed savings	(5,887)	(6,907)	(1,775)	(2,815)	(17,384)
Additional 2% savings	(1,992)	70	(72)	70	(1,924)
Less pre-agreed savings	5,100	3,123			8,223
Savings to be identified		(3,000)	(2,000)		(5,000)
	(2,779)	(6,714)	(3,847)	(2,745)	(16,085)
Use of balances					
Contribution to / (from) balances	0	(2,865)	5,725	(2,645)	215
Position as at 23 January 2007	**0**	**0**	**0**	**0**	**0**

Appendix C1

FINANCIAL PLANNING 2007/08 – 2010/11
Overview and Scrutiny – Budget Consultation – Executive Response

	Recommendation by Overview & Scrutiny	Suggested Executive response
1	That the use of differential and individual departmental efficiency targets be considered for future years.	Agreed. This will be considered for future business planning.
2	A very simple ranking system is developed to indicate the priority a department puts on a specific proposal.	Agreed.
3	That all future Capital and Revenue stream investment bids for ICT matters are shown together in one place in the budget and that more information is provided in the PBPR documents on the benefits and efficiencies likely to accrue as a result.	Agreed. All individual service department IT bids are initially rejected, but will be considered as part of the single corporate IT budget, subject to sufficient business case justification.
4	The Executive give an indication of how great they perceive the risk of withdrawal of HfH funds to be for corporate overheads, services and systems.	Potentially a sizeable impact and a contingency provision for fixed costs and other HRA / General Fund issues arising has been made.
5	That Homes for Haringey contribute a realistic and market rate for Council services provided to it.	The Council is working closely with HfH to ensure that individual services are provided at reasonable costs.
6	The Executive continue to make the strongest representations to Government, the London Strategic Health Authority and HTPCT to ensure that either the appropriate funding level to the PCT is maintained, or to recognise that the Council requires additional funding to deal with resultant unmet need.	Agreed. The Executive will continue to lobby on this issue. Leader recently wrote to the Health Secretary on this matter. Some of the impact of direct cost changes has been reduced by working with the PCT. The base budget addition for Social Services includes provision for the remainder of the known direct shortfall.
7	Consideration is given to the feasibility of providing a match between Executive Portfolio areas and departmental responsibilities, when practical.	The Executive will keep this under review.
8	That all efforts be made to ensure that local businesses are making an appropriate funding contribution to Town Centre Management.	Agreed.

9	That the proposed efficiencies in relation to the Youth Offending Service be reconsidered.	Agreed. £40k of the total £69k is not recommended for acceptance.
10	That the proposed investment in relation to the Youth Offending Service be supported.	Not agreed, however, alternative funding (e.g. NRF) should be sought.
11	That Pest Control fees reflect the ability to pay and that there be free treatment for disabled and elderly persons who are in receipt of means tested state benefit.	Not agreed. A new charging policy should be introduced reflecting ability to pay across all domestic clients.
12	That Pest Control fees for all commercial premises reflect the full market rate.	Agreed.
13	That Homes for Haringey contribute a realistic and market rate for Noise Control and Enforcement services provided to it.	HfH contribution to service cost will fully reflect the added service value arising from this service improvement.
14	That more advertising income is generated by the sale of space in Haringey People.	Agreed. This will be reviewed, however, it is recognised that we need to consider carefully associating advertisers with the Council.
15	That the proposed level of investment (in support posts) to the Haringey Strategic Partnership be reconsidered and that funding be secured from other partnership agencies.	Agreed. Executive recommend that NRF funding is sought via the HSP.
16	That the proposed level of investment to support the Value for Money programme be reconsidered.	It is considered necessary to make a substantial one-off provision to support this programme, which will need to deliver £5m of ongoing base budget savings.
17	That the proposed level of investment to support the SAP system be reconsidered and/or re-profiled.	Agreed. Will need to be considered alongside other bids for the corporate IT funding.
18	That the proposed level of investment for essential maintenance of Council building be reconsidered and/or re-profiled.	The level proposed is a minimum acceptable level of essential repairs, including DDA and health and safety works.
19	That the proposed level of investment for Wards Corner redevelopment be reconsidered and/or re-profiled.	Agreed. Not recommended for funding in this way, other options to be explored.

20	That the proposed level of efficiency in Customer Services be reconsidered and/or re-profiled.	Agreed. Savings re-profiled.
21	That HR and line managers collectively reduce the absentee rate to below the level of the national average.	Agreed. Already a management target and monitored monthly.
22	That the IT Department run a seminar for Members to provide information on how and where investments will be made and the likely efficiencies and service improvements that can be expected as a result.	Agreed. This will be discussed as part of the review of IT being prepared for Overview and Scrutiny.
23	That the Executive minimise the savings in Health and Social Care at the expense of firstly new growth and secondly more savings from elsewhere	The Executive will prioritise savings that have minimal impact on all front line services, for example the savings option for closure of drop-in centres is recommended not to be accepted.
24	That the proposed efficiencies proposed as a result of the merger of The Winkfield Road and Haven Road centres are not supported and are requested to be reconsidered.	This proposal will be the subject of a more detailed review that will look at the cost effectiveness of the current service provision and will produce options to ensure that improved value for money and use of assets is obtained.
25	That the proposed closure of the Keston Road Centre be reconsidered.	Not agreed. The services would continue to be provided in a different, more modern way.
26	That the proposal to reduce the Meals on Wheels subsidy be reconsidered.	Partly agreed. Further work to be done on the proposals before implementation. The subsidy reduction has been re-phased to limit the impact of increases in the first year.
27	That the proposed investment in the Asylum team be reconsidered.	Agreed, however, the direct cost of asylum provision is recognised in the budget plans.
28	That the proposed level of efficiency in respect of employment and skills programme be reconsidered.	Not agreed. Minimal impact on the whole programme.

29	That the proposed level of efficiency in respect of Pest Control be reconsidered.	Not agreed. Saving will be achieved in conjunction with plan to reduce overall level of Council subsidy on this service.
30	That the proposed efficiency in respect of increased income from parking permit charges be reconsidered.	Not agreed. Proposals for overall charging policy on parking to be considered by the Executive.
31	That the proposed efficiencies to The Community Clear Up Scheme be reconsidered.	Not agreed. Savings required so recommend this, protecting basic core service. Also separately there is investment in Street Cleansing.
32	That the proposed efficiency to the Planning (Development Control) Service be reconsidered.	Not agreed. Minimal impact on overall service performance.
33	That the proposed efficiency to the Planting and Maintenance of parks and green open spaces be reconsidered.	Not agreed. Can be achieved without significant impact on overall service.
34	That the proposed efficiency to the Benefits and Local Taxation Service be reconsidered.	Not agreed. Savings can be implemented alongside other service improvements to ensure minimal impact on customers and performance indicators.
35	That service users be consulted and there views be considered before a decision on the proposed efficiency in the internal post collection/delivery is taken.	Not agreed. Current use of electronic mail means that the internal post service can be reduced.
36	The proposed efficiency to the Social Work Trainee Scheme is reconsidered.	Not agreed. The service could not find other efficiencies to compensate and are, overall, in favour of the saving being made on this budget. There is still a sufficient programme in place after this saving.

HARINGEY COUNCIL

Agenda Item

THE EXECUTIVE COMMITTEE
23rd January 2007

Report title: BUDGET SCRUTINY – PRE BUSINESS PLAN REVIEW DOCUMENTS

Report of: Chair of Overview and Scrutiny Committee

Ward(s) affected ALL	

1. Purpose

1.1 To report on the issues raised by the Overview and Scrutiny Committee on departmental Pre Business Plans and Executive budget proposals.

1.2 To comment on some general themes identified in respect of the budget scrutiny process.

2. Recommendations

2.2 That the Executive consider the recommendations contained in this report made by the Overview and Scrutiny Committee, as part of the Council's budget making process.

Report authorised by: Chair of Overview and Scrutiny Committee

Contact officer: Trevor Cripps – Overview and Scrutiny Manager

Telephone: 020 8489 6922

3. Executive Summary

3.1 The report contains the results from detailed scrutiny of Pre Business Plan Review documents and proposals for budgetary savings and investments for 2007/08. The detailed work has been completed by the Overview and Scrutiny Committee and the report is a reflection of the issues raised.

4. **Reasons for any change in policy or for policy development**

None
5. Access to information: Local Government (Access to Information) Act 1985 5.1 The background papers relating to this report are: **Financial Strategy 2007/8 to 20010/11, report of Director of Finance** **Pre Business Plan Reviews 2007/8** **O&S Committee, minutes for meetings on 20th, 28th and 29th November 2006, 18 December 2006, and 10 January 2007.** Copies are available on request, from Jeremy Williams, Members Services (non executive Committees), on telephone 020 8489 2919.

REPORT

6. BACKGROUND

Pre Business Plan Reports 2007/08 were released by the Executive in early November 2006. The Executive Portfolio Members were invited to Overview and Scrutiny Committee to explain the rationale behind, and to justify their proposals. The proposals were in respect of investment and efficiency proposals in relation to both Capital and Revenue expenditure for the four year planning period commencing in 2007/8

As part of the scrutiny process some issues have been identified that the Committee wishes to bring to the attention of the Executive. This report identifies items which the Committee considered and where it wished to make comment on the proposals, or where the Committee would like the Executive to take account of it's recommendations.

7. GENERAL ISSUES IDENTIFIED

In carrying out the budget scrutiny exercise the Committee has assimilated a large amount of budgetary information and there are issues and risks that have become apparent as a result. The Committee wishes to draw these to the attention of the Executive.

7.1 Council Targets and Departmental Priorities

As part of the budget scrutiny process the Committee wished to weigh the relative impact of the proposals put forward overall, on Council services.

The Committee came to the conclusion that the method of setting a blanket target for efficiencies was not totally satisfactory as it did not necessarily take account of the impact on front line services to the most needy local people. These are areas that the Council should seek to protect when achieving efficiencies. It was felt that the proposals impacted disproportionately across departments and that as a result some of the proposals were for reductions in services to the most needy and vulnerable local people. For this reason the Committee was not in favour of some of the proposals put forward by the Executive Member for Health and Social Care.

However the Committee was mindful that to request that the Executive reconsider its proposed efficiencies, would require the burden to either fall elsewhere in the same department, the impact of which might be even less palatable, or to shift the burden on to other departments. The Committee found itself in a dilemma about asking the Executive to reconsider specific efficiency proposals, as to do so may increase the financial "gap". The Committee did not feel it had the level of knowledge required to recommend specific efficiencies in other areas to compensate, or to suggest a shift in the level of burden between departments. However I did think a case could be made to do so and that the Executive was in a position to consider it..

The Committee accepted that the stark choice was, less investment, greater efficiencies and perhaps weighted departmental efficiency targets. However, it recognised that budget setting was too far advanced to change the process this time round, but the Committee would like to suggest to the Executive that for future years a more sophisticated method of setting differential efficiency targets for departments be considered.

Recommendation 1

That the use of differential and individual departmental efficiency targets be considered for future years.

Another area which the Committee found challenging was making sound judgement on the merits and relative priority to the Council of the specific proposals put forward. The written impact assessment in the PBPR documents was brief in the extreme and, although there was rigor in the questioning of Executive Members on some specific items, others were not covered. Currently there is no systematic and objective way to weigh the merits of one proposal against those of another. The Committee was of the view that a very simple ranking system, that rated the priority of the proposal to the department, would be of great assistance.

Recommendation 2

A very simple ranking system be developed to indicate the priority a department puts on a specific proposal.

7.2 Information Technology Investment Bids.

One of the main issues in the Technology Refresh project was the discovery of many unsupported and outdated IT systems that were in use throughout the council. As part of the budget scrutiny process the Committee has encountered, peppered throughout departmental Capital and Revenue investment bids, items for new or replacement systems, systems upgrades and system support not provided centrally. The Committee understands that there is central control and that a business case will have been made and that systems must be technically compatible etc. However it makes it difficult to determine the relevant priority and total in year investment proposals in Information Technology. Many of the bids allude to improved service provision or potential efficiency savings in future as a result, however, despite specific requests for information from the Committee, the detail of what these are was not given in many instances .

The Committee wish to suggest to the Executive that in future years the possibility of presenting all the investment bids together in one place, under the Corporate IT budget proposals be considered. Also that there be much more information given on the benefits and detail of efficiencies likely to accrue in future years as a result of proposed investments. To assist in this regard, a retrospective analysis of the benefits accrued from past spending would be very useful.

Recommendation 3

That all future Capital and Revenue stream investment bids for ICT matters be shown together in one place in the budget and that more information be provided in the PBPR documents on the benefits and efficiencies likely to accrue as a result.

7.3 Homes for Haringey (HfH)

Several departments have identified risks attached to the withdrawal of funding of posts by HfH. The Committee understands that HfH is carrying out Value for Money Reviews and as a result is fully entitled to choose not to use Council provided services and to switch to more competitive suppliers. In most instances departments will need to budget accordingly. It does however raise the question of fixed overheads and the fact that any significant withdrawal of HfH funding will lead to increased overheads for corporate support services and systems e.g. SAP for other council services.

Recommendation 4

The Executive give an indication of how great they perceive the risk of withdrawal of HfH funds to be for corporate overheads, services and systems and sets out its contingency plan to deal with significant marginal increases in overheads and their impact on business units.

Recommendation 5

That Homes for Haringey contribute a realistic and market rate for Council services provided to it.

7.4 Haringey Teaching Primary Care Trust (PCT) – budget reductions

The Committee was informed that as a direct result of withdrawal of funding by the PCT there will be an overspend to the Social Services budget this year. Next year, further withdrawal of funding (understood to be a 3.6% budget top-slice by the London SHA) will have a significant impact on Social Services provision and to a lesser extent on Children's Services.

The Committee is concerned that the Council is picking up an additional burden in providing support to local people, as a result of action by the PCT, nevertheless it recognises that local need cannot be ignored. It accepts that the gross PCT budget shows a small increase, the budget overall growth was smaller than anticipated. The Committee would like to be assured that the Executive is making the strongest possible representations to the PCT and Central Government, to ensure that either the appropriate funding level to the PCT is maintained, or to recognise that the Council requires additional funding to deal with resultant unmet need. At the same time it was anxious that every effort is made to strengthen partnership working with the PCT.

Recommendation 6

The Executive continue to make the strongest representations to Government, the London Strategic Health Authority and HTPCT to ensure that either the appropriate funding level to the PCT is maintained, or to recognise that the Council requires additional funding to deal with resultant unmet need.

7.5 Executive Portfolios and Departmental Responsibilities

Currently Executive portfolios and Departmental responsibilities do not match entirely as some portfolio areas are cross departmental. The Committee was of the view that it would be advantageous and bring greater clarity to the budget process if a match could be achieved.

Recommendation 7

Consideration be given to the feasibility of providing a match between Executive Portfolio areas and departmental responsibilities, where practical.

8. ENTERPRISE AND REGENERATION - EXECUTIVE PROTFOLIO AREA

8.1 Regeneration

The Committee raised concerns over the proposed Capital bid of £6m for Wards Corner. It was informed of the strategic importance of the site that the council had been trying to develop the site since 2003 but that there were major challenges. The site was in multiple ownership, straddled the tube line and was likely to need complete demolition and rebuilding. The site needed investment of £60/70m in total and would not be redeveloped without public subsidy. The £6m reflected the worst case scenario as alternate funding sources may develop. The Committee queried the need for the £6m in one year and how it would be spent and when. The Committee wished the Executive to revisit this bid to be sure that the level of investment by the Council was essential and that as a minimum, the bid should be profiled over a longer period.

Recommendation 8

That the proposed level of investment for Wards Corner redevelopment be reconsidered and/or re-profiled.

8.2 **Communications**

- efficiencies

The Committee noted the proposed cumulative efficiencies of £107k in respect of Town Centre Management. It heard that this was achievable by the deletion of the Wood Green Deputy Manager post which was currently vacant, with some work disappearing and other being redistributed. The Committee was very keen to ensure that local businesses were making an appropriate funding contribution to a service which benefited them. They were assured that the Council was seeking a greater contribution from those businesses directly benefiting from Town Centre Management.

Recommendation 9

That all efforts be made to ensure that local businesses are making a realistic and appropriate funding contribution to Town Centre Management.

8.3 **Planning Policy and Performance**

- efficiencies

The Committee noted the proposed cumulative efficiencies of £410k.
It welcomed the fact that consultancy and temporary agency staff had been further reduced and are now at a very low level. The Committee sought and was given assurance that the proposals to reduce planning support staff would not be detrimental to planning performance and were pleased to note that the redeployment procedure would be used for displaced staff so that redundancy would be kept to a minimum. It noted that planning fees were set nationally.

- investments

The Committee welcomed the securing of £14.2m growth funds for infrastructure projects in respect of Tottenham Hale and Haringey Heartlands and noted the £350k revenue growth proposed delivery in these areas.

In respect of the revenue and capital growth bids for Information Technology systems, equipment and support, the Committee noted the proposals but would like to see all bids in future directed through IT. There is general comment on IT issues earlier in the report.

10. CRIME AND COMMUNITY SAFETY – EXECUTIVE PORTFOLIO AREA

10.1 **Safer Communities**

- efficiencies

The Committee was informed that the service was heavily reliant on external funding. The point was made that savings targets were imposed on the net level of spend and that there was limited scope to spread the savings. Therefore they would have a detrimental impact on service delivery. The Committee was unhappy with the cumulative savings proposals of £69k in the Youth Offending Service, as it was viewed as counter productive and would impact on performance of a vital and effective service. They therefore wish to refer these proposals back to the Executive with a recommendation that the proposals be reconsidered.

Recommendation 10

That the proposed efficiencies in relation to the Youth Offending Service be reconsidered.

- investments

For similar reasons the Committee supported the cumulative revenue growth bids of £115k for this service.

Recommendation 11

That the proposed investment in relation to the Youth Offending Service be supported.

10.2 <u>Enforcement</u>

- efficiencies

The Committee noted the proposed cumulative savings of £100k in respect of Pest Control, by removal of the subsidies in preparation for market testing in 2009. While supporting the proposal the Committee was concerned that the charging policy, which had yet to be developed, needed to reflect the ability to pay. It sought free treatment for disabled and elderly persons who were in receipt of means tested state benefit with charges, possibly banded, which reflected the ability to pay. It also wished all commercial premises to be charged a full market rate for any work carried out.

Recommendation 12

That Pest Control fees reflect the ability to pay and that there be free treatment for disabled and elderly persons who are in receipt of means tested state benefit.

Recommendation 13

That Pest Control fees for all commercial premises reflect the full market rate.

- investments

The Committee raised concern over the proposed growth of £300k in respect of the Out of Hours service. It was informed that Homes for Haringey were reviewing its investment in this service. While the Committee supported the further investment in this service it was of the opinion that HfH must contribute a realistic market rate for the service in respect of noise control and enforcement. It wished the Executive to ensure this was the case.

The Committee was also concerned to see another item of revenue growth of £100k and a Capital bid of £405k for IT systems upgrade and support.

Recommendation 14

That Homes for Haringey contribute a realistic and market rate for Noise Control and Enforcement services provided to it.

11. LEADER OF THE COUNCIL - PORTFOLIO AREA

- efficiencies

All savings proposals were noted.

- investments

The Committee was concerned at the proposed revenue bid for £31k in respect of postage costs in relation to Haringey People, which was explained as necessary due to the introduction of new Royal Mail size based postage charges. This comes on the back of an £161k increase last year. They wished to see more advertising income generated to offset the costs of production and delivery.

Recommendation 15

That more advertising income be generated by the sale of space in Haringey People.

The Committee was also concerned at the bid for £150k for support posts to the Haringey Strategic Partnership. It suggests to the Executive that this be reduced and funds to support the partnership be secured from the other partnership agencies.

Recommendation 16

That the proposed level of investment in support posts to the Haringey Strategic Partnership be reconsidered and that funding be secured from other partnership agencies.

12. FINANCE – EXECUTIVE PORTFOLIO

- **Investments**

The Committee expressed concern over the Capital bid of £2m to support the Value for Money programme. It was informed that the bid was to cover a 2 year budget gap and that external resources were required to ensure the council set up and was delivering value for money studies. After this period the programme would be supported in house. It was anticipated that the studies would achieve savings in excess of the investment made, although there was no detail at this stage of how or where. The Committee was sceptical that this large level of investment (equivalent of 12 senior accountants), was necessary and would like the Executive to revisit it.

Recommendation 17

That the proposed level of investment to support the Value for Money programme be reconsidered.

The Committee queried the necessity for the proposed Capital bid of £2m for ongoing investment in the SAP IT system. It was informed of the benefits SAP brought and that the level of savings in excess of £1.5k achieved. SAP was not considered to be exploited to its maximum potential and could bring further future savings. The level of saving or where they may accrue was not identified.

Recommendation 18

That the proposed level of investment to support the SAP system be reconsidered and/or re-profiled.

The Committee recognised that well maintained council buildings are desirable, but wished to ensure that the level of Capital investment of £2m was for essential works. It was informed that the bid was made as a result of detailed property condition surveys that had been carried out on the Councils building portfolio and that the bid covered essential works to that portfolio. The Committee thought there might be some room to manoeuvre here and wished the Executive to revisit this bid.

Recommendation 19

That the proposed level of investment for essential maintenance of Council building be reconsidered and/or re-profiled.

-efficiencies

Were noted

13. <u>COMMUNITY INVOLVEMENT – EXECUTIVE PORFOLIO</u>

13.1 Customer Services

Customer Services was identified as a area where the potential withdrawal of HfH from the call centre or customer services centres could have significant implications for those services. The Committee raised a query regarding the responsibility of HfH funding and were informed that the Leader was investigating and that it was important to establish the correct relationships. In terms of the £562k of saving identified, it would seem that this was not without risk. The Committee suggested that a re-profiling of the saving over 3 or 4 years might be beneficial.

Recommendation 20

That the proposed level of efficiency in Customer Services be reconsidered and/or re-profiled.

14. ORGANISATION DEVELOPMENT – EXECUTIVE PORTFOLIO

14.1 Human Resources

The Committee was informed that up to 30% of posts within the Council may be vacant at any one time, but the only way that this would show on the budget would be as an under-spend or by increased use of temporary or agency staff.

The Committee noted the savings identified in respect of improved absence management and welcomed further initiatives to reduce the employee absence average figure of 10.4 days per year, to 8 or less. This was considered to be a prime example of the type of area where the Council should be setting tough departmental strategies and targets to bring about reductions to below the national average.

Recommendation 21

That HR and line managers collectively reduce the absentee rate to below the level of the national average.

14.2 Legal Services

The Committee was informed of the likely loss of income from Land Charges search fees. The service makes a surplus and currently contributes £600k to the council's budget. There was no figure in the budget to reflect this and it is unclear how any reduction to income would be made up in future.

HfH was a large customer of Legal Services, if HfH ceased to use council provided services, the Legal Department would need to downsize and restructure accordingly.

Although there were service level agreements in place the Committee was informed that HfH could opt out of these. The Committee asked if binding contracts could be used, and it was informed that service level agreements gave the same level of protection.

14.3 Information Technology

The Committee was informed that the council must continue to invest in ICT for the foreseeable future if it wished to take advantage of future developments, which when implemented would potentially increase performance. The Committee asked what would happen if we didn't invest at the proposed level. The effect for a number of services was highlighted. The Committee was mindful that it had just commissioned a Scrutiny review Panel to look at the service. However, it felt there was a significant lack of information on how and where money would be spent and, more importantly, what benefits would accrue to the council in terms of efficiencies and to residents in terms of better value for money services. It therefore requested that Member briefing sessions be arranged by the IT Department to explain.

Recommendation 22

That the IT Department run a seminar for Members to provide information on how and where investments will be made and the likely efficiencies and service improvements that can be expected as a result.

15. ENVIRONMENT AND CONSERVATION – EXECUTIVE PORTFOLIO

15.1 Recreation & Leisure

The Committee noted the high level of Capital and Revenue investment proposed some of which attracted match funding from other sources. It recognised that investment in this area had been neglected in the past. The proposed Leisure Transfer was felt to be a pragmatic method to achieve savings estimated at £ 404k . The Committee noted a revenue investment bid of £176k for IT&S upgrades.

15.2 Streetscene

The Committee noted an revenue investment bid of £167k for IT projects.

16. HOUSING – EXECUTIVE PORTFOLIO

The main issue was HfH and the need for a speedy resolution to Service Level Agreements being in place and the increased corporate costs and overheads that will result from any withdrawal of HfH income to other council services.
Also to ensure that HfH had the level of support required and would achieve it's goal of being evaluated as a 2 star service at the March 2007 inspection, by the Audit Commission.

17. HEALTH AND SOCIAL CARE –EXECUTIVE PORTFOLIO

The Committee welcomed the fact that the proposal to achieve savings by the closure the Drop In centres and Luncheon Clubs had been withdrawn.

It noted the impact that the Primary Care Trust proposals were likely to have for the council, although it had no sense of whether this would have any effect on clinical outcomes for residents.

After a delegation and public debate at the proposals to merge the Winkfield and Haven Day Centres, the Committee did not support the merger and would like the Executive to consider further it's proposal to achieve savings by this action.

Recommendation 23

That the Executive minimise the savings in Health and Social Care at the expense of, firstly, new growth and ,secondly, more savings from elsewhere

Recommendation 24

That the proposed efficiencies proposed as a result of the Merger of The Winkfield Road and Haven Road Centres are not supported and are requested to be reconsidered.

The committee raised concern on the proposals for Keston Road Centre

Recommendation 25

That the proposed closure of the Keston Road Centre be reconsidered.

The Committee would also like the Executive to reconsider it's proposal to reduce the subsidy to Meals on Wheels as it felt this would affect take up and hit those in poverty the hardest.

Recommendation 26

That the proposal to reduce the Meals on Wheels subsidy be reconsidered.

The Committee did not support the proposed revenue investment bid of £225k for the Asylum Team. It did not wish to see the team re-established as it had been disbanded and the functions have been mainstreamed. It did, however, express concern at the Government's funding regime and its support for and treatment of Haringey on this issue.

Recommendation 26

That the proposed investment in the Asylum team be reconsidered.

18. <u>CHILDREN'S & YOUNG PEOPLES – EXECUTIVE PORTFOLIO</u>

18.1 Children & Families

The Committee was informed that the proposals put forward were not without risk and that they would be monitored closely. The Committee noted risk to the savings proposed if foster care and adoption was not increased and children were taken into care.

18.2 Youth Service

The Committee welcomed the proposed investment in the youth service.

18.3 Schools

The Committee noted that a large proportion of the budget was ring-fenced directly to schools, however they welcomed the investments proposed.

ADDENDUM

19. ENTERPRISE AND REGENERATION - EXECUTIVE PORTFOLIO

19.1 Policy & Regeneration

- **efficiencies**

The Committee was concerned at the proposal to achieve efficiencies of £73k in respect of funding to the Voluntary Sector, as it was of the opinion that it would impact on some of the most vulnerable and disadvantaged members of our community.

Recommendation 27

That the proposed level of efficiency in Voluntary Sector funding be reconsidered.

The Committee was also concerned at the proposed efficiencies of £15k in respect of the employment skills training programme. Although this is a small amount the Committee thought it was hard to justify as it may potentially lead to a loss of matched funds and in effect be to double the impact on the unemployed who were seeking training or retraining.

Recommendation 28

That the proposed level of efficiency in respect of employment and skills programme be reconsidered.

20. CRIME AND COMMUNITY SAFETY – EXECUTIVE PORTFOLIO

- **efficiencies**

20.1 Enforcement

The committee supported the proposal to achieve efficiencies of £52K in respect of street wardens. However it wished to query whether the Pest Control Service could become fully self financing from fee income and thereby negate necessity to achieve the efficiency of £28k proposed. It was keen to ensure a full market rate was charged to commercial and HfH.

Recommendation 29

That the proposed level of efficiency in respect of Pest Control be reconsidered.

21. ENVIRONMENT AND CONSERVATION – EXECUTIVE PORTFOLIO

- efficiencies

21.1 Streetscene

An increase in the revenue from parking permits charges and parking fees and increasing pay and display bay of £300k over 4 years, profiled as £75K in 2007/08 and £225k in 2008/09, has already been proposed. The Committee would query whether a further 20% increase in charges and the generation of a further £136K in 2007/08 is sustainable.

Recommendation 30

That the proposed efficiency in respect of increased income from parking permit charges be reconsidered.

The proposed efficiencies of £113K by restricting the Community Clear Up scheme to NRF areas would seem on the face of it to be counter productive. It may lead to more fly tipping and less clean streets in those non NRF areas. The community clear up scheme is valued by residents and has been successful.

Recommendation 31

That the proposed efficiencies to The Community Clear Up Scheme be reconsidered.

21.2 Planning, Policy and Performance

The Council has a good record in respect of dealing with planning applications. The Committee has previously been informed of the issues of recruitment and retention

(R&R) of experienced planning officers. It is of the opinion that the proposal to achieve efficiencies of £50K by reducing the number of planning posts and increasing the workload of those posts remaining is likely to adversely effect R&R and the processing of planning applications.

Recommendation 32

That the proposed efficiency to the Planning (Development Control) Service be reconsidered.

21.3 Recreation

There was no explanation on the impact that efficiencies of £100K in respect of Maintenance and Planting would have on our parks and green open spaces. Open space renewal is a council priority and commitment. It is a strand of the greenest borough strategy and is linked with the proposed Local area Agreements.

Recommendation 33

That the proposed efficiency to the Planting and Maintenance of parks and green open spaces be reconsidered.

22. FINANCE – EXECUTIVE PORTFOLIO

- **efficiencies**

22.1 Benefits and Local Taxation

The Committee is of the opinion that it would be counter productive for efficiencies of £36k to be made, that may have a high risk of delaying Housing Benefit support to claimants (many of whom are vulnerable members of the community). It is mindful of the impact this may have on homelessness, indebtedness and to a lesser extent landlords.

Recommendation 34

That the proposed efficiency to the Benefits and Local Taxation Service be reconsidered.

22.2 Property Services

The Committee view the internal courier post collection/delivery service to all council building as an important and intrinsic part of the council's communication network. Although there are now many alternative electronic means of communication and processing there still remains a significant traffic in hard copy. The Committee would like users of the service to be consulted on the level of service they require and the impact on their services before a final decision is taken.

Recommendation 35

That service users be consulted and there views be considered before a decision on the proposed efficiency in the internal post collection/delivery is taken.

23 HEALTH AND SOCIAL SERVICES – EXECUTIVE PORTFOLIO

- **efficiencies**

23.1 Social Services

The council has experienced recruitment and retention problems in the social work area in the past. As part of the solution to this problem the trainee scheme was developed to attract staff and to ensure that the training they experienced was not only extensive but also relevant and tailored to local circumstances.

Recommendation 36

The proposed efficiency to the Social Work Trainee Scheme be reconsidered.