HARINGEY COUNCIL

Agenda Item

Overview and Scrutiny Committee

On 30 July 2007

Report title:	**Budget Scrutiny**
Report of:	**Acting Director of Finance**
Wards effected:	**All**

1. Purpose

1.1 To set out a process for scrutiny of the budget within the Council's financial and business planning framework and to consider the financial strategy issues for the three-year planning period.

2. Recommendations

2.1 To agree the budget scrutiny process as set out in the report.

2.2 That the committee considers any further issues in respect of the financial strategy for the Cabinet to consider in the budget setting process.

Report authorised by:

Gerald Almeroth
Acting Director of Finance

Contact officer: **Kevin Bartle**
Acting Head of Corporate Finance
Telephone: **020 8489 3743**

3. Executive summary

3.1 This report sets out the process for scrutiny of the budget within and aligned to the Council's financial and business planning framework.

4 Policy implications

4.1 The business planning and budget preparation process is a fundamental part of the process in ensuring the Council is using its resources effectively to support the Community Strategy priorities and the scrutiny of the budget should support that process.

5 Access to information: Local Government (Access to Information) Act 1985

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

Report of the Acting Director of Finance to the Cabinet on 17 July 2007 – **Financial Planning 2008/09 to 2010/11**

For access to the background papers or any further information please contact Kevin Bartle on 020 8489 3743

6 Background

6.1 A key role for all Members is to assist in the achievement of the Council's priorities, aims and objectives as set out in the Community Strategy. The budget process plays an important role in aligning resources to the key priorities and ensuring that the Council is achieving value for money. The scrutiny of the budget formulation will therefore play a prominent role in that process.

6.2 The report outlines a budget scrutiny process for Members consideration.

6.3 The report also sets out the overall financial strategy issues for the three-year planning period as reported to Cabinet on 17 July 2007 and asks the committee to consider any further issues for Cabinet to consider in the budget setting process.

7 Budget Scrutiny

7.1 Members will wish to consider the role of scrutiny in respect of the budget as:

- ensure the budget proposals support the Council's priorities and improvement of services, and;

- ensure value for money is being achieved and that the Council is obtaining maximum benefit from the resources it is using.

7.2 In order to achieve this role the following is suggested:

- in respect of the annual budget process that the new savings and investments from the PBPRs are considered at meetings during November and December and that Chief Officers and/or business unit managers attend to present their proposals and to answer questions on them;

- regarding the scrutiny of value for money that the Committee ensure that wherever possible, in scrutiny reviews the specific issue of value for money is investigated against the key functions of performance, efficiency and perception;

- that the Committee additionally consider the budget review areas recently identified with a view to assessing their impact on delivering Council priorities and value for money.

7.3 For the budget scrutiny process sufficient background information will made available in a pack for members that will include summary budget analysis by business unit, savings and investment totals previously approved and, where requested, the full individual PBPRs.

7.4 The key dates in the timetable for the business planning and budget setting process are set out in the table below.

Activity	**Date**	**By**
Agree two or three areas for short budget review	2 July / 30 July	Overview & Scrutiny
Send out PBPR forms with: • Growth and savings forms • Savings targets • Capital bid forms • Guidance notes	9 July	Corporate Finance and Policy & Performance
Detailed line by line budget review process	1 August – 7 October	Corporate Finance with Business Units
CEMB Awayday	11 September	CEMB
Complete PBPRs and associated forms	14 September	Business Units
Finance review process	18 September	Corporate Finance
Agree draft PBPRs with Cabinet Members and submit for Star Chamber process	By 1 October	Business Units
Star Chamber meetings	8 October – 19 October	Various
Follow up Star Chamber meetings (if required)	29 October – 2 November	Various
Financial planning report	20 November	Cabinet

– agree preliminary budget proposals		
Overview & Scrutiny review preliminary budget proposals	21 November – 31 December	Overview & Scrutiny
Financial planning report – agree final budget proposals	22 January 2008	Cabinet
Financial planning report – agree final budget proposals and set Council Tax	4 and 18 February	Council
Finalise individual business plans and Council Plan	March / April	Business Units

7.5 The training session provided last year was understood to be well received and will be offered again this year. Content will include general local government finance and the budget process. Members are asked to consider when that training would be most suitably provided and any additional requests on the content.

8 Financial planning

8.1 The Cabinet considered the financial planning report at the meeting on 17 July 2007. This strategy covers the period 2008/09 to 2010/11. The report is attached at Appendix 1 and as agreed at Cabinet, as part of the budget setting consultation process, is reported to Overview and Scrutiny Committee for consideration.

8.2 Overview and Scrutiny are invited to comment on the overall strategic position for feedback into the consideration of the budget process and financial strategy by the Cabinet.

HARINGEY COUNCIL

Agenda item: **[No.]**

Cabinet **17 July 2007**

Report Title: **Financial planning 2008/09 to 2010/11**	
Forward Plan reference number (if applicable):	
Report of: **Acting Director of Finance**	
Wards(s) affected: **All**	Report for: **Key decision**

1. Purpose

1.1 To set out key financial and business planning issues to enable Members to consider the resource strategy for the administration.

2. Introduction by Cabinet Member for Resources

2.1 This report informs members on the steps being taken for the Council's financial planning for the period 2008/09 to 2010/11 and highlights the key issues for consideration in the process.

3. Recommendations

3.1 That Members approve the financial position for planning purposes as stated.

3.2 That the budget changes and variations as set out are approved.

3.3 That the proposed business planning process is agreed.

Report Authorised by: **Acting Director of Finance**

Contact Officer: **Gerald Almeroth, Acting Director of Finance**

4. Executive Summary

4.1 There are a number of significant changes to the national context which will impact on the Council's financial strategy. The most significant is the Comprehensive Spending Review 2007 (CSR), which will take effect in 2008/09.

4.2 The local strategic context will be defined by the manifesto commitments and their incorporation into the Community Strategy which will, in turn, inform the business planning process. The key actions to meet these priorities are embodied in the Council Plan.

4.3 Future plans will be developed in a context of increased resource constraint and it will be essential that the Council has robust arrangements in place to identify and deliver opportunities for improved value for money.

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

5.1 The financial strategy is designed to give effect to Members' policy aspirations and therefore is a key element of the strategic planning for the Council.

6. Local Government (Access to Information) Act 1985

6.1 [List background documents]

7 Background

7.1 The Council's current financial strategy covers the four year period 2007/08 to 20010/11. The strategy reflects the policy aspirations of the administration to achieve excellence in service delivery and to create a deeper sense of place. This will be done whilst at the same time constraining the impact on council tax via the vigorous pursuit of efficiency savings. The Council has a sound position on which to base this ambition having achieved three stars in the 2006 Comprehensive Performance Assessment (CPA).

7.2 The context for the previous and current strategy has been severe constraint on non-schools resources. As a result of government changes to resource distribution, the Council has received the 'floor' (lowest possible) increase in grant for the five years from 2003/04 to 2007/08. It has therefore not shared in the increases in total government funding which were made available over this period.

7.3 The 2006/07 local government settlement covered two years and therefore included the current year 2007/08. There is significant uncertainty from 2008/09 onwards which is explored below further in this report. Current planning is based on target council tax increases of 3.0% (in line with the manifesto commitment of no more than 3%) and Members will be aware of the government's determination to use capping powers to keep council tax increases low. It is important to note that current plans include £5m of efficiency savings in 2008/09 and 2009/10 which have yet to be identified.

7.4 The government's current system of resource allocation (formula grant) is complex and, in the Council's view, understates Haringey's relative needs. There are a number of issues of particular significance:

- estimates of **population**, which underpin the system appear flawed, particularly in respect of under-enumeration and migration for Haringey;
- the **area cost adjustment** reflects local wage cost pressures relative to others, the grant system does not properly reflect the local position in Haringey as we are grouped as an outer London borough;
- under representation of costs and need on **Children's Social Care and Younger Adults**, the reduced weighting for deprivation in the formula from 2006/07 resulted in a significant shift of resources away from London;
- the higher cost of **concessionary fares** in London does not appear to be matched by resources through the formula, and;
- revenue funding for government-supported borrowing within the **capital financing** part of the formula is not transparent in the system and penalises authorities that are on the grant floor.

7.5 These individual issues and others such as costs of asylum, have been raised with Ministers recently. There will be a formal consultation process over the summer months in terms of possible formula changes.

7.6 This report is designed to set out financial planning issues to enable Members to consider future financial strategy for the administration.

8 National context

8.1 Local government function and finance has been the subject of much review and discussion in recent years. The relationship and responsibilities of Central and Local Government have not been clearly settled and this is to be reflected in future considerations on governance. A number of papers and reports have emerged in the last year:

- the report on public service delivery by Sir David **Varney** acknowledges the improvements of the recent past, but identifies further opportunities to make public services more accessible, convenient and efficient to meet changing citizen and business expectations. Key aspects on improving contact centre performance; reducing costs through joining up service provision, and engaging more directly with users in the design and delivery of services;

- the report on Land Use Planning by Kate **Barker** and in response the White Paper from central government entitled Major Planning Reforms for a Sustainable Future, which promises to speed up the planning system alongside improving community consultation. In particular a quicker system to decide major infrastructure projects; simplifying local planning decisions for householders, and planning to play a bigger role in tackling climate change;

- the government's **White Paper** for Local Government 'Strong and Prosperous Communities', which aims to give local people more influence and power to improve their lives. The vision is for revitalised local authorities to work with their partners to

re-shape public services around the citizens and communities that use them. The key aspects of the paper are for responsive services with choice for the communities; effective, accountable and responsive local government; local government as a strategic leader and place-shaper; a new performance framework; efficiency and transforming local services, and community cohesion. The paper also promotes wider use of locally devolved budgets and the benefits and implications of this will need to be considered;

- Sir Michael Lyons published his long awaited and much expanded review of local government. It recommends incremental change on the basis of a developmental approach with some modest changes that will build trust and create the basis for future reforms. The report suggests that local government needs to develop its wider place-shaping role and also makes the case for central government to create more space for reform by reducing targets and developing key financial reforms to enable more local flexibility.

8.2 In recognising the lack of flexibility to raise additional resources locally and the reliance on a single tax the Sir Michael **Lyons** made a number of short term and longer term recommendations in respect of local government finance. The key proposals are set out below with the government's response in brackets:

- **council tax** should be retained with the option in the longer term of a shift of the balance to other taxes or funding (agree to retain and will consider other options in the medium to long term);
- a **revaluation** of all properties should be conducted, with recommendations for additional bands at the top and bottom (government stated that this would not happen in the current parliamentary period);
- council tax **benefit** should be recognised as a rebate rather than a benefit and automatic take-up at billing stage (agree to consider alongside practicalities and affordability in medium to long term alongside the tax and benefits system as a whole);
- the government should cease to use council tax **capping** (government said it will retain it for the foreseeable future);
- continue to reduce **specific grants** in favour of more general grant based on clear targets (agreed, will consider in CSR07);
- the existing arrangements for **business rates** to remain, but with some suggested reforms on empty rate relief, and possibly a new local flexibility to set a supplementary rate of between 1p and 4p subject to consultation (agree to review relief arrangements, supplementary rate only likely to be possible for London wide infrastructure improvements, will also review Local Authority Business Growth Incentive (LABGI) scheme this summer);
- new powers to allow local authorities to introduce **new charges** for services such as domestic waste collection (will consider in forthcoming waste strategy paper).

8.3 In recent years, the government has conducted bi-annual spending reviews which have covered three-year periods. These have set totals for national local government expenditure together with Treasury-lead policy directions. The planned spending review for 2006 was deferred by the government to enable a more fundamental **Comprehensive Spending Review** (CSR) in July 2007. The Chancellor's budget

report in March 2007 announced that the CSR will be delayed until this autumn, but also set out some key financial information in terms of the forthcoming CSR07 report:

- current spending across the whole public sector to increase by an average of 1.9% per annum, in real terms, for each of the three years;
- within the above, spending on Education to rise by an average of 2.5% per annum in real terms;
- extension of the efficiency savings targets from the 2004 Spending Review, supported by Gershon, to increase to 3% per annum and for all of these savings to be cashable and therefore to be taken into account when considering resources available overall. This is an increase of 1.75% for cashable efficiencies as previously the target was 2.5% per annum with at least half being cashable;
- public sector pay to be kept in line with the government's inflation target of 2%;
- additional rises in landfill tax by £8 per tonne in the standard rate from April 2008.

8.4 The CSR 2007 will also deal with other future opportunities and challenges previously identified of which the significant aspects will be:

- an ambitious **value for money programme**, including improving service delivery across the public sector and more efficient and responsive to the needs of the users (in response to the recommendations of Sir David Varney);
- a review of all specific grant funding streams and examining their effectiveness in meeting their original policy objectives, this includes substantial funding streams for Haringey such as supporting people, neighbourhood renewal fund (NRF) and sure start, and;
- a more strategic approach to capital investment and **asset management**, including the Quirk review on community assets, further targets for asset disposals and a zero based approach to capital budgeting (something the Council already does).

8.5 The inspection regime for local government is a key driver for financial strategy. The current **CPA** continues to evolve incrementally, however there are significant changes planned from 2009. The recent White Paper included proposals for a new performance framework that includes a **Comprehensive Area Assessment** (CAA) to replace the current arrangements. The intention is that this will focus primarily on the place rather than individual bodies or organisations and therefore will cover local government, health, housing, education and community safety. It is also expected that there will be a significant reduction in the number of performance indicators that will require reporting on.

9 Local context

9.1 The local context at the strategic level is defined by the policy programme set out in the **manifesto** of the majority group.

9.2 The manifesto programme feeds into the Council's contribution to the Community Strategy. The **Community Strategy** sets out the aspirations for the borough of the Haringey Strategic Partnership (HSP). The strategy revised in 2007 covers the period

to 2017. The Council Plan, built up from the individual business plans, includes the key actions over the next few years required to achieve those priorities and objectives.

9.3 The government also expects that Community Strategy priorities at the partnership level are further articulated in a **Local Area Agreement** (LAA). The LAA sets out high level objectives for the partnership and specific targets, reward grant, and enabling flexibilities which are negotiated with the Government Office for London (GoL). This is now in place for 2007/08.

9.4 The Council maintained its three stars in the 2006 **CPA** following a corporate assessment and joint area review. The position included an improved score of three out of four for value for money within the Use of Resources element. To make progress towards an excellent, four-star rating, and to be successful in the CAA there will need to be an even greater focus will be required on working with partners to make a difference to the borough as a place to live and work, and on how outcomes are perceived by residents. Whilst the performance of individual Council services and the value for money they deliver will remain crucial, greater external focus and capacity to deliver on that agenda will be the key local strategic drivers.

10 Key financial issues and risks

10.1 Corporate issues

10.1.1 There are two key issues in respect of the **remuneration** that were raised in last years budget process. Firstly, the three-year deal on pay ended with the last year being 2006/07. The 2007/08 pay increase has not yet been settled, but as previously stated, there is an expectation that public sector pay will remain within the Chancellor's inflation target of 2%. Current financial plans include 2% in service budgets with 0.5% contingency held centrally. Secondly, all authorities are required to implement 'single status' pay arrangements (incorporating former manual staff) by April 2007. An offer was made to the unions before the deadline and negotiations are still underway. A contingency sum was added for estimated ongoing costs in last years budget process and this will need to be reviewed once settlement is reached. The settlement will also include a significant one-off compensation sum. A capitalisation direction has been sought for this and if this is granted and utilised then the additional ongoing revenue costs will need to be provided for.

10.1.2 The long-term future and affordability of the local government **pension scheme** has been under review and a nationwide consultation process has been undertaken. The government has published the first set of regulations setting out the framework for the 'new look' local government pension scheme, which will come into effect on 1st April 2008. The new scheme regulations set out the government's policy to retain a final-salary, defined benefits scheme, with improved accrual rates, better death-in-service and revised ill-health provisions. There are also changes to contribution rates that are intended to ensure a fairer contribution towards the scheme's viability and affordability. The triennial valuation of the fund by our actuaries is underway and will be reporting later this year. Our current plans include pension fund employer's contribution increases in line with the 2004 valuation, with an assumption that it continues to increase after the 2007 valuation. This will need to be reviewed when the triennial valuation report is produced.

10.1.3 The issues stated in the previous years budget process in respect of **inter-fund** balancing (General Fund/HRA) have not yet been fully resolved and it may be prudent to allow some further contingency for this.

10.1.4 The Council has made significant investment in its capacity and organisation in recent years with services such as IT, customer services and neighbourhood management being examples of this. The challenge will be to ensure that this investment is fully exploited in future years enabling delivery of real service benefit as well as improved value for money. Members have agreed an **Achieving Excellence** programme to assist in delivering this. The three key objectives are to improve performance, efficiency and perception. Progress in this programme and delivery of the £5m target savings will be monitored through the project management framework.

10.1.5 The Council has developed and embedded an effective approach to **efficiency and value for money** which has underpinned our financial strategy in recent years. Our approach has had two strands: to invest in improved corporate systems and processes and to set and monitor targets for consequent cashable savings; to closely scrutinise cost, performance and perception at business unit level to identify and deliver efficiency opportunities through the business planning process. Further opportunities exist, including consideration of shared services and outsourcing, and these will also be progressed through the Achieving Excellence programme.

10.1.6 There are major **specific grant** funding streams that are subject to review and potential reduction as part of the CSR07 and any impact on front line services will need to be managed carefully as part of the planning process. The key streams and funding at 2007/08 levels are:

- Supporting people grant £21.33m – this is a ring-fenced grant which is a key resource in enabling vulnerable people to live independently. This grant was reduced by £1.1m (5%) in 2007/08 and this was managed by delivering efficiencies through the procurement process. Further reductions of up to 5% each year are expected;
- Sure start / children's centre funding £8.36m – this is key to ensuring the financial viability of the new children's centres;
- Social care related grants £6.61m – this includes grant directly supporting carers and clients as well as systems and capacity.

Local Area Agreement (LAA) funding:

- Neighbourhood renewal fund (NRF) - £7.863m;
- Safer and stronger communities funding (SSCF) - £2.675m, and;
- Other mandatory LAA funding, including partners pooled grants £4.914m.

10.1.7 The Council's **capital programme** is underpinned by the generation of **capital receipts** and over the planning period the number of surplus saleable assets will diminish. Delivery of receipts from the strategic site disposals will be key to maintaining funding for the current capital programme. There has also been a significant reduction in right to buy receipts over the last couple of years. There will be a need to maximise external funding and to ensure that investment is focussed on key priorities in order to manage this reduction in resources.

10.1.8 There are significant investment programmes proposed, particularly **Building Schools for the Future and Decent Homes**. The funding and management of these will be important in terms of reducing financial risk, but also in terms of ensuring that successful outcomes are delivered from the improved asset base.

10.1.9 The **accommodation strategy** will continue into its second phase based on the approved principle of self-generating funding from asset sales and will be key to delivering a more effective, flexible and efficient service.

10.1.10 Capital bidding on a zero budget basis is integrated with the pre-business plan reviews and allocation of resources to priorities is a key factor in ensuring maximum value for money and will include information from the **asset management plans** in the appraisal process.

10.2 Children and Young People

10.2.1 The integrated Children's Service is now well established. Consideration is being given to the **children's trust arrangements** for Haringey that will best operate within the government's objective for integrated partnership working.

10.2.2 The establishment of area-based **children's networks** is a key part of service improvement. The greater integration of services, and the earlier intervention it will enable, should also deliver efficiency savings. In taking this forward, the relationship with other area-based aspects of the Council's and partner's work will need to be developed.

10.2.3 The budget for **looked-after children** has been an area of significant volatility and risk. Current plans are based on a clear strategy which involves managing a gradual decline in total numbers with a cost-effective commissioning strategy that is in place. Maximising the opportunities for adoption and fostering is key to delivering further value for money.

10.2.4 The position on unaccompanied **asylum** seeking children remains complex with the continued risk of insufficient funding being available.

10.2.5 The Council is progressing major construction programmes in respect of **BSF** for secondary schools and **primary school expansion**. These involve complex delivery issues and are particularly crucial to the delivery of the Council's education vision. In particular maximising the benefit of putting schools at the heart of communities with improved use of assets and a greater impact on social and economic regeneration.

10.3 Adults, Culture and Community

10.3.1 **Social care** budgets are under significant national pressure, primarily as a result of increasing demand and moves towards greater user choice and control. This has been exacerbated recently by financial problems within the NHS leading to reductions in service areas on the border-line between the social care and health systems. Working closely with our partners in health and developing cost-effective joint commissioning strategies will be instrumental in minimising the financial impact of these issues and to ensure maximum value for money is being achieved.

10.4 Urban Environment

10.4.1 During the previous administration, Environment has been the focus for investment in the **Better Haringey** programme. Although this remains a key priority for the Council under the cleaner, greener and safer agenda, it will be in the context of greater resource constraint and therefore the Council will need to seek further options to improve services from within existing resources.

10.4.2 The Council's delivery arrangements for waste management and cleansing will require review during this administration, with the **Accord contract** due to expire in 2009. This will provide an opportunity for reviewing the service delivery model with a view to improving performance and value for money.

10.4.3 The cost of **waste disposal** will continue to increase at a higher rate than other service areas. Our current plans allow for this, however extra costs may need to be provided for as plans are rolled-forward. Members of the North London Waste Authority (NLWA) have agreed a joint waste strategy and the procurement process for future provision of disposal facilities is progressing. The current projections are that without an injection of external funding there will be a significant increase in costs of the member authorities from 2012 onwards depending on the agreed option.

10.4.4 The increase in **landfill tax** announced in the Chancellor's budget in March this year of £8 per tonne from April 2008 will result in an additional ongoing cost of £335k.

10.4.5 Waste stream reduction and **recycling** will remain key issues, with demanding targets set by government. Our current year household recycling target is 25% rising to a stretch LAA target of 32% by 2009/10. The Council has already approved significant additional investment in the current financial plans to enable this target to be achieved. A waste strategy paper recently issued by government is recommending increasing recycling targets further.

10.4.6 The Council's share of the costs of **concessionary fares** in 2007/08 has increased above the level budgeted and it is recommended this is reflected in the base going forward. The annual cost of this is £0.235m. Future increases in costs will depend on the proportion of the take up in Haringey relative to the rest of London.

10.4.7 Effective support for Homes for Haringey will be important to enable the successful delivery of the **decent homes** investment. There will also need to deal with the financial consequences of any new arrangements for services provided by the Council which Homes for Haringey may wish to make following their review process. A contingency was set aside during the budget process in 2007/08 and the sufficiency of this will need to be reviewed later this year.

10.4.8 The **housing revenue account** shows a balanced position over the medium term, but this is predicated on planned savings that assume the resource for decent homes investment is obtained and the net subsidy position does not worsen further than current expectations. There are significant challenges going forward to maintain the balanced position and a robust business planning process will be key to ensuring that this is achieved.

10.4.9 The Council's recently agreed an updated strategy for dealing with **homelessness** and the current budget allocated resources to deal with the achievement of the government's target reduction in the number of people in temporary accommodation. Our previous position reflects success in commissioning private sector leases which are associated with a relatively favourable subsidy regime. The Department for Work and Pensions (DWP) have indicated that the subsidy regime will change in future years and started this process with a 5% across the board reduction in subsidy in 2007/08. Current financial plans include an estimate of further reductions and this position will need to be reviewed once a more definitive position is available from the DWP.

10.5 Corporate Resources

10.5.1 Delivery of efficient corporate and support functions will contribute significantly to the improvement in value for money and as part of the achieving excellence programme there will be specific projects designed to deliver that. This will include rationalising the number of IT applications and ensuring the investment in Customer Services is delivering measurable benefits.

10.5.2 The Department of Work and Pensions have announced in June 2007 that there will be a 2.5% reduction in grant for **housing benefits** administration. In real terms this represents a shortfall of 5%, which equates to £194k. A budget variation is proposed for this.

10.5.3 The debate on the issue of income from **land charges** is still progressing. It is likely that authorities will be required to reduce their charges to only cover costs on average over a three year period. It is proposed that a contingency of £400k is included in the financial plans for this.

10.6 Overview

10.6.1 Taking account of the starting position at the end of the 2007/08 budget process, and allowing for the matters set out in this report, the overall position is as set out in appendix 1. Appendix 1 sets out the gross budget showing the starting position, changes anticipated for that year, and the funding elements assuming a 3.0% increase in Haringey's **council tax** (as per previous planning assumptions). Members may wish to consider this assumption in light of the overall financial position later in the process.

10.6.2 A key change in the previous assumptions is the level of **revenue support grant** the Council may receive. As stated in this report, the likelihood is that government will include the 3% target efficiency saving in the grant calculation. Given that Haringey has been on the grant floor for five consecutive years this would mean that our current assumption of a floor grant settlement of between 2.7% and 2.0% over the next three years would change to a zero grant settlement position. It is therefore proposed that the sums assumed over the next three years for grant are now taken out for planning purposes and this totals £9.1m over the period.

10.6.3 An additional contingency of £2.4m for planning purposes is proposed in 2008/09 with further additions of £0.5m in each of the two later years. This is to take account of the key risk items outlined in this report including ongoing equal pay costs, inter-fund issues, the potential for increases in NLWA waste disposal costs, the possible

reduction in income from land charges and other evidenced based unavoidable growth items that may arise during the planning process.

10.6.4 The total resource shortfall of £15.239m demonstrates the financial challenge faced over the period of the administration. Members will, of course, note at this stage the significant uncertainty in respect of resource assumptions for future years.

11 Business planning process and consultation

11.1 In recent years, the Council has managed the **business planning** and budget process at business unit level with clear linkage to Community Strategy priorities. From this year the Council's contribution to the **Community Strategy** priorities are set out, along with other objectives, in a corporate plan (the **Council Plan**) and that this defines the detail of plans and actions at business unit level. This gives greater coherence to detailed work and avoids unnecessary work on investment options which do not reflect partnership and Council priorities. The process also derives information from residents' surveys and performance monitoring in order to properly inform effective service planning.

11.2 The current Council's financial strategy spans a four-year period, which coincides with the period of the new administration from 2007/08. It is proposed that this year's process adopts a **three-year time horizon** to the end of the period of the current administration and aligns to the CSR2007. It is further proposed that all existing plans are subject to thorough review to ensure they are still deliverable and appropriate in the strategic context.

11.3 Emerging business unit plans have previously been used to support the budget scrutiny and **consultation** processes. Members will wish to consider how these matters are handled in future, and specifically whether there should be specific budget consultation in the wider community. Alternatively, consultation activity could remain focussed around the existing consultation and information arrangements.

11.4 A prime requirement of the budget process will be the systematic identification of improved **value for money**, both in terms of improved outcomes from given resources and the delivery of cashable efficiency savings. This will be supported by corporate investment in improved systems and processes (including shared services and outsourcing where appropriate), but will primarily be delivered through change at local level. **Savings targets** are proposed to support this process and these will be calculated on a base combination of gross expenditure and income and will take into account existing savings proposals already agreed over the four year planning process from 2007/08. In previous years the base has been the net cash limit. Alongside this will be the analysis of the value for money position of services and high cost areas will be encouraged to deliver a higher proportion of the savings target.

11.5 Proposals for investment will also come forward from the business planning process and these will need to be aligned to:

- Key priorities in the Council Plan;
- Services requiring additional resources for improvement in performance, and;
- Areas requiring improved perception ratings (as measured in the residents surveys).

11.6 Key priorities that may require additional resources will include meeting the Council's aspiration to be 'one of London's greenest boroughs' and reducing worklessness and supporting business as part of the Regeneration Strategy. For the purposes of planning it is proposed that an **investment fund** of £2m is assumed at this stage.

11.7 Cabinet approved a **Sustainable Investment Fund** on 20 June 2007 as part of the financial outturn report for 2006/07 of £0.5m and this will assist in funding invest to save schemes including reducing energy use. This is designed to be a revolving fund and therefore will be reimbursed by the revenue savings that are generated by the investments.

11.8 A more detailed business planning and budget process will be presented in due course, but the key dates are outlined in the table below. A new aspect of the process this year, to provide more focus in the budget review process, is the introduction of **Star Chamber** meetings that will be chaired by the Leader and will include the Cabinet Member for Resources and the Cabinet Member for the Service as well as senior officers.

Activity	**Date**
Key priorities stated in Council plan	Jun 07
Cabinet consider financial planning report	Jul 07
Pre-business plan review (PBPR) preparation	Jul – Sep 07
PBPR officer review process	Sep 07
Star Chamber meetings	Early Oct 07
Comprehensive Spending Review 2007 released	Oct 07
Cabinet agree release of PBPRs for consultation	Nov 07
Budget consultation process including Overview & Scrutiny Committee	Dec 07
Cabinet consider draft settlement	Dec 07
Cabinet agree budget package	Jan 08
Council agree budget package and council tax	Feb 08
Finalise individual business plans and overall Council Plan	Apr 08

12 Comments of the Head of Legal Services

12.1 The Head of Legal Services confirms that the budget strategy and process set out in this report fulfil the Council's statutory requirements in relation the budget.

Appendix A

Gross Budget Trail	**2008/09 £'000**	**2009/10 £'000**	**2010/11 £'000**	
Budget brought forward	**384,602**	**393,733**	**403,201**	
Changes and variations				
Inflation	7,670	8,090	8,510	
Agreed in previous years budget process	11,517	(4,303)	2,648	
Changes and variations in this report:				
- contingency	2,400	500	500	
- concessionary fares	235			
- additional landfill tax	335			
- reduction in housing benefit admin grant	194			
	3,164	500	500	
Investments				
2006/07 process	(75)			
2007/08 process	668	0	40	
Proposed investment fund	2,000	0		
	2,593	0	40	
Savings				
2007/08 process	(6,837)	(1,847)	(2,745)	
Achieving Excellence programme	(3,000)	(2,000)		
	(9,837)	(3,847)	(2,745)	
Dedicated schools grant (DSG)				
Passporting of DSG	6,273	6,524	6,785	
Balances				
Contribution to / (from) balances 2005/06 process	(642)			
Contribution to / (from) balances 2006/07 process				
Contribution to / (from) balances 2007/08 process	(2,865)	5,725	(2,645)	
Gross Council budget requirement	**402,475**	**406,422**	**416,294**	
Less dedicated schools grant (specific grant)	(163,102)	(169,626)	(176,411)	
Net Council budget requirement	**239,373**	**236,796**	**239,883**	
Funding				
Council tax (see below)	98,123	101,067	104,099	
Government support - formula grant and NNDR	132,508	132,508	132,508	
	230,631	**233,575**	**236,607**	
Resource shortfall/(excess)	**8,742**	**3,221**	**3,276**	*15,239*
Council tax	**£**	**£**	**£**	
Council tax (LBH)	1,161.66	1,196.51	1,232.41	
Council tax base (after provision for non-recovery)	84,468	84,468	84,468	
Precept	**98,123,097**	**101,066,807**	**104,099,208**	
Rate of council tax increase (Haringey element)	3.0%	3.0%	3.0%	
GLA rate of council tax increase	n/a	n/a	n/a	
Combined council tax increase	n/a	n/a	n/a	
£ per week increase (Haringey element)	£0.65	£0.67	£0.69	