Haringey Council

Agenda Item

Cabinet On 22 January 2008

Report title: **Financial Planning 2008/09 to 2010/11**	
Report of: **The Director of Corporate Resources and Chief Financial Officer**	
Ward(s) affected: **All**	Report for: **Key Decision**

1. Purpose

1.1 To consider the Cabinet's proposed budget package for 2008/09 and later years.

2. Introduction by Cabinet Member for Resources

2.1 Following previous reports to Cabinet as part of this process we are now able to recommend a balanced budget package for the next three years. The tight grant settlement has been balanced with significant efficiency savings across the Council, but still delivering investment in key priorities and a recommended council tax increase of 3%.

3. Recommendations

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

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

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

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

3.5 To approve the approach and provision for redundancies as set out in paragraph 13.5.

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

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

3.8 To approve the housing rent increase at an average of £4.77 per week (6.5%) and that this element of the budget package be referred to the Overview and Scrutiny Committee for comment.

3.9 To approve the housing service charge increase at an average of £2.55 per week.

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

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

3.12 To agree the proposed general fund budget requirement of £399.578m, subject to the decisions of precepting and levying authorities, and the consequences for council tax levels

3.13 To note that the final decision on budget and council tax for 2008/09 will be made at the Council meeting on 18 February.

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

Contact officer: **Gerald Almeroth, Chief Financial Officer, 020 8489 3823**

4. Executive Summary

4.1 The report sets out the Cabinet's budget package for recommendation to Council. Based on this the council tax increase for 2008/09 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 6.5%.

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

4.5 The treasury management strategy and policy is recommended for approval and proposes an increase in the types of instruments used within the investment strategy.

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 the Director of Corporate Resources and Chief Financial Officer to Cabinet on 18 December 2007
- The draft local authority revenue support grant settlement 2008/09 issued 6 December 2007
- Report of the Director of Corporate Resources and Chief Financial Officer to Cabinet on 20 November 2007
- Report of Acting Director of Finance to Cabinet on 17 July 2007

7 Background

7.1 The reports to the Cabinet on 17 July, 20 November and 18 December 2007 set out the key financial planning issues facing the Council and follow the agreed process for the detailed consideration of the Cabinet's budget package. This report sets out the medium term financial strategy for the three-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 £15.2m 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 £16.4m.

7.2 This report proposes a budget package for the period 2008/09 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, and;
- key risk factors.

7.3 The report is supported by various appendices as follows:

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

7.4 The Council will consider the budget package and the limits under the prudential code on 4 February and the final council tax (including the GLA precept) and the policy and decision on reserves on 18 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) were replaced by Formula Spending Shares (FSS). Those changes removed significant sums from the Council's base allocation and meant that we received the grant floor increase for 2003/04 onwards.

8.2 There were then a number of significant changes in the formula that provided a two year settlement position for 2006/07 and 2007/08. The key changes were as follows:

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

8.3 Separate damping floors within the formula were introduced for the Social Services blocks above to minimise disruption with redistribution.

8.4 The government consulted on changes to the formula for the three year settlement period from 2008/09. Of particular interest to Haringey were the options to:

- provide a new geographical banding for East Inner London, within the area cost adjustment, and;
- remove the separate damping floors for Children's and Younger Adults Social Care.

8.5 The **provisional revenue grant settlement** for 2008/09 was announced on 6 December 2007. Responses to the consultation on the proposed settlement were due on 8 January 2008. The settlement provides indicative figures for the following two years as part of the government's proposal to move to three-year settlement announcements for individual local authorities. This is based on frozen or projected data and linked to spending review periods and therefore this time matches the Comprehensive Spending Review 2007 (CSR07) issued in October 2007.

8.6 This new three year grant settlement has set overall floors for the three year period. The settlement for Haringey is shown in the table below:

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

8.7 As expected Haringey has received a **floor increase** for all three years. There is an increase in the number of London authorities now on the floor to 27 compared to 20 previously. Haringey is calculated at being £7.5m below the grant floor in 2008/09. This is mainly as a result of the removal of the separate floors for Children's and Younger Adults Social Care.

8.8 The option to provide a new East Inner London geographical banding, a change that Haringey worked closely with Newham and Barking and Dagenham to lobby government on, has not been introduced.

8.9 As reported previously the **population** projections used in the grant settlement show a reduction over the next three years. It is my view that this is under-enumerating the true position in Haringey. A recently commissioned independent report accompanied a letter from the Leader's to the Minister prior to the grant settlement announcement and highlighted the inconsistencies of the reducing figures provided by the ONS in comparison with other data that is rising, e.g. council tax base, and the omission of any reasonable position on the issue of counting short term migrant movements. The government and ONS are planning reviews of the data and methodology over the next three years and before the next census in 2011.

8.10 The **dedicated schools grant** (DSG) is in respect of the money that goes directly to fund schools and the pupil led services within the LEA. Education services continue to receive above inflation increases from the government although the increases over the next three years are below that previously received. Haringey has received an increase of 4.1% per pupil for 2008/09, which is the minimum increase available.

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

8.11 The 4.1% increase represents a 3.1% basic increase plus funding for other priority areas such as personalised learning. This higher level of resources is designed to fund the minimum funding guarantee per pupil for all schools of 2.1% although the final cash sum available for each school will depend on the number of pupils as recorded in the January 2007 count. The implications for children's services budgets are explored later in the report.

8.12 Under the Council's policy on capital expenditure, increases in grant in relation to **capital financing** are earmarked to fund the revenue consequences of supported borrowing. The estimated increase in this part of the formula is £0.8m 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.

8.13 The draft settlement reflects function changes in respect of **specific grants** as reported previously. A total of £4.5m is added to the formula grant settlement in respect of these grants, the majority of which relates to children's services grant and social care access and systems capacity grant.

8.14 As previously reported a number of existing specific grants will be received through a new **area based grant** (ABG). This is a general non ring-fenced grant to be used for agreed local priorities. The overall position that has been announced is that the Council will receive £21.8m, which is approximately £0.5m (2.4%) less than received in 2007/08. The allocation of this will need to be agreed in conjunction with our partners as the new Local Area Agreement (LAA) is formed through the Haringey Strategic Partnership (HSP) and agreed with the Government Office for London (GoL).

8.15 The main change within the ABG is that the **neighbourhood renewal fund** (NRF) ceases and is replaced with a new grant **working neighbourhood fund** (WNF). The new grant is allocated to areas with higher levels of worklessness and there is an expectation that this issue will be a high priority within the LAA.

8.16 The position on the grant from **Local Authority Business Growth Incentive** (LABGI) is not known at this time and an announcement is expected in February, although the government are reviewing the position in light of recent legal challenges. The allocation is based on rateable values for the previous calendar year so it is difficult to predict. It is proposed that as in previous years any sum received from this will be added to balances. In future years there will be significantly less LABGI available nationally.

8.17 The Leader sent a response to the Minister in reply to the draft settlement by the 8 January deadline and also, with other Labour Leaders, met with the Minister on 16 January.

8.18 The **final settlement** was announced on 24 January. This will be laid before Parliament for the first week in February. The Minister has broadly confirmed the proposals as set out in the draft settlement with only data corrections and changes included in the final formula position. There is an adjustment to the base for all authorities in respect of public law family court fees as the court service move to full cost recovery for proceedings under the Children's Act. An estimate of this cost to Haringey has been made and it is proposed to add this sum to the cash limit for Children and Young People. The remainder of the additional grant is added to the contingency line.

9 Changes and variations

9.1 The 2007/08 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 2007/08 process and these are brought forward in the approved financial plans. During this year financial planning reports to the Cabinet in respect of 2008/09 onwards have agreed further changes and variations.

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

- an additional budget of £338k for waste disposal costs as a result of the Budget in March 2007 increasing **landfill tax** by £8 per tonne from April 2008;

- an increase in the 2007/08 base cost of **concessionary fares** of £235k and the ongoing impact of that in future years;

- a notification in June 2007 of a reduction in **housing benefit administration** grant from the Department of Work and Pensions with an impact of £194k in 2008/09;

- a **contingency** amount was approved by Cabinet in July 2007 to allow for other known or likely cost pressures amounting to £2.4m in 2008/09 and £0.5m in each of the later two years; this included equal pay costs, inter-fund issues, NLWA waste disposal costs and land charges income;

- the actuary's triennial valuation of the **pension fund** up to 2007 was completed in November 2007. As previously reported this takes into account implementation of the aspects of the 'new look' scheme due to come into effect from April 2008. The report states that the Council's employer's contribution rate can remain at the current level of 22.9%. The funding level is now estimated at 77.7% compared to the previous valuation in 2004 of 69.0%. This increase is due to an improvement in investment earnings and value, and the planned stepped increases in employers' contributions from 2004. In the last three years during the budget process an additional 1% contribution was provided for in anticipation that increases above the 22.9% would be required at this stage. This is not now required and this equates to a saving of £3.18m over the planning period;

- the government have issued guidance on the subsidy arrangements in respect of **homelessness** and have reduced the current thresholds by 10% in 2008/09 on top of the 5% reduction in 2007/08. They have signalled their intention to carry out a more fundamental review of how funding is allocated in time for 2009/10. Work has been done to estimate the potential financial impact of this including looking at 'cost plus' models. A base contingency of £3m is now included and this will need to be reviewed as the government review progresses, and;

- the savings assumptions from the **Achieving Excellence** programme in the original budget plans are £3m in 2008/09 and £2m in 2009/10. Although the programme and individual projects are progressing it has been agreed that the profile of this savings target is revised moving £2m into 2010/11 from 2008/09. This reflects a more realistic time period for asset disposals and therefore revenue savings arising from the smart working and accommodation strategy projects.

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

- recent meetings with the Home Office and their special team dealing with the backlog of **asylum** cases have been positive. It is expected that we will see a reduction in the number of cases directly supported by the Council over time. A reduction of costs in 2008/09 should lead to spend within the existing budget for the year and a saving of £0.5m in 2009/10 is proposed;

- the basis for allocating the cost of the **concessionary fares** levy under the new national scheme has been reviewed recently by London Councils. There is a desire to move towards actual usage data, however it was agreed that for 2008/09 a higher level of weighting should be placed on disabled passes, providing a small saving, but this will be reviewed for future years. The option using base TfL usage data would mean an increase in costs to Haringey of nearly £2m therefore this is reflected in the budget plans proposed;

- recent changes to the apportionment of costs for the **waste disposal** levy in respect of non-household waste data proposed by the NLWA and the latest budget projections provides an estimated saving of £0.5m in 2008/09 and 2009/10. This includes resources for the procurement process for new facilities in the long term. It is estimated that costs will return to the same level by 2010/11;

- the original school **PFI contract** arrangements had an affordability gap that the Council resolved to reduce or fund. The report to Executive on 20 July 2004 approved the planned contribution level at almost £1.6m from 2007/08 onwards. Since that decision the Council has been successful in obtaining additional PFI credit from the government and a further saving accrued as a result of the change to the revenue grant being paid on a annuity basis nationally. As a result of these changes and the final resolution to the future arrangements during BSF, this provision can now be removed;

- the lease transfer in respect of **Alexandra Palace** has not been implemented this year as planned. Whilst the Trust is fully committed to the development progressing it is prudent at this stage to restore the budget provision for the base level of support and add back the £1m originally removed as a saving in 2007/08;

- revenue costs in respect of **capital financing** were previously provided for at higher levels by nearly £1m for the investment in Building Schools for the Future, however, it is confirmed that the majority of this will be financed by capital grant, thereby avoiding additional borrowing costs for the Council;

- increased performance on **treasury management** investment earnings through debt restructuring, improved cash flow and higher interest rates, as reported in performance reports this year, can be reflected on an ongoing basis, albeit phased downwards in later years as it is expected that interest rates will fall in the medium term;

- notification has been received from government that **housing benefit administration grant** will reduce further in the later two years of the planning period and it is proposed that this is reflected in the budget plans, and;

- a review of the **contingency** provision agreed earlier in the budget process has concluded that a reduction in the base by £0.5m can be made in 2008/09 in respect of the additional allowance set aside for the ongoing impact of equal pay. However in light of the key risk factors set out in section 19 of this report, it is recommended that a sum of £1m is added in each of the later years. In particular this is in respect of concessionary fares, asylum, waste disposal, homelessness and Alexandra Palace.

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

10 Strategic approach

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

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

10.2 The Council Plan for 2007/10 has a set of key short and medium term actions that contribute to meeting the above priorities, which in turn will contribute to the Community Strategy as agreed by the Haringey Strategic Partnership. The financial plans arise from the business planning process, through Pre-business plan reviews (PBPR) and allocate resources to priorities as well as delivering efficiency savings and contributing to the value for money agenda. The final budget proposals will form the medium term financial strategy and will be aligned to the Council Plan. Individual annual business plans will be published in April 2008.

11 Consultation

11.1 Consultation on budget options is as follows:

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

11.2 <u>Scrutiny</u>

11.2.1 The Overview and Scrutiny Committee met on 10 and 13 December to consider the Council's financial strategy and the general fund revenue savings and investment options included in the PBPR's for each of the business units. The conclusion and comments of the Overview and Scrutiny Committee are attached in their report at appendix C2.

11.2.2 The Cabinet has given careful consideration to the specific budget issues that have been raised as part of the process and the responses are set out in appendix C1. The Cabinet concur with many of the recommendations made by Overview and Scrutiny Committee and some changes have been made to the budget proposals attached as noted. The capital investment bids for corporate resources were considered by Overview and Scrutiny Committee on 7 January 2008 and a summary of their comments are also included.

11.2.3 Overview and Scrutiny will also be meeting on 31 January to provide comments in respect of the Housing Revenue Account proposals including the proposed rent increase. These comments will be reported separately to Council on 4 February.

11.3 Haringey Strategic Partnership

11.3.1 Key partners have been consulted individually through this budget process. It is also proposed that the Council will report to the Haringey Strategic Partnership (HSP) in February 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 and the allocation of the area based grant and other funding streams.

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 a detailed report on the dedicated schools grant settlement at the Forum meeting on 13 December 2007. The recommendations extracted from the minutes of that meeting are attached at appendix F and all of these are included in the proposed budget plans.

11.4.2 The recommended budget changes together with the grant settlement position result in £3.34m of 'headroom' being available above the minimum funding guarantee. The Forum has recommended that this should be distributed to schools through additional educational needs (AEN) factors. This is in line with the recently agreed policy of increasing the AEN/deprivation funding in the formula.

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

11.5 Tenants and leaseholders

11.5.1 Homes for Haringey held a meeting of the Residents Finance Panel on 8 January 2008 and 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 on 8 January and some direct tenant communication as well as general publicity to all tenants. The consultation period, which began on 10 December, closed on 11 January. The general feedback from the small number of individual tenants is that the rent increase is too high and that housing stock is need of improvement. The Resident's Finance Panel resolved to respond as follows:

- the large increases through the government's policy to increase rents to the levels charged by housing associations were putting an unfair burden on tenants. This burden was particularly hard for tenants on pensions and fixed incomes;
- such increases in rent along with other rises in the cost of living such as council tax eroding tenant's standard of living;
- the government should use the consumer price index as a basis for setting rent increases as this index is used to assess pension increases; The use of the retail price index [*in the rent restructuring formula*] (which

is generally higher than the consumer price index) was an inequitable basis for setting rents, and;

- improvements in income collection performance should be sought as this would help to keep rents down.

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 was held on 24 January 2008 at which a presentation was given on the Council's financial strategy and the increase in business rates by the government. The event was well attended and a number of comments were received, in particular businesses were asking how they could assist in recycling their waste.

11.7 Trade unions

11.7.1 Meetings on 29 November and 10 January have been held with representatives of the trade unions to discuss the financial strategy and the pre-business plan reviews at a high level. Written responses have been received on the detailed proposals and these are being discussed at departmental levels. The key overall views expressed are set out in the following paragraphs.

11.7.2 We note that these proposals arise in response to financial restrictions imposed upon Local Government by Central Government. At national level, the three trades unions that make up Employee Side have made and continue to make strong representations that the public sector provides services that are essential to the well being and quality of life of the people of this country and that the public sector as a whole is being ill-advisedly undervalued. It is in this context that we comment on these budget proposals.

11.7.3 We realise that the Council has to respond to the financial restraints that it finds itself facing but we wish to put forward a view of how it should approach this response and what the priorities should be in making savings. The business of the Council is to deliver high quality services to its residents on a sound value for money basis. This requires a sufficient workforce who are motivated and feel that the Council is using its resources wisely and in furtherance of its core purpose. In looking at savings, therefore, we feel that the Council should only resort to staff cuts when other reasonable savings have already been taken. In undertaking expenditure, we believe the Council should ask whether the expenditure really furthers the delivery of services to those who live in or visit the Borough. This does not seem to have always been done. For example, the recent re-branding of the Council achieved nothing but a superficial change of image. The costs of that could have been used to offset some of the savings demanded by Central Government. Members of staff feel demoralised when they feel that their job security is diminished and their capacity to deliver a service compromised by the diversion of resources into something that provides no discernable benefit to anyone.

11.7.4 We welcome the work that has already been done and will continue to be done to reduce the level of redundancies that will arise from these cuts. We also welcome the Council's commitment to the redeployment process and to providing retraining to facilitate redeployment. The trade unions look forward to co-operating in these processes.

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.

11.8.2 The Leader has met with a number of voluntary groups in January to discuss the overall financial position, proposed budget options and the medium term financial strategy.

12 Investment options

12.1 The PBPR process has identified new investment opportunities which align with the Council's strategic agenda. These are set out in appendix D together with some other unavoidable growth items and are recommended for acceptance. These total £6.8m in the general fund revenue budget over three years. 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:

- promotion of direct payments for social care;
- additional resources for adoptions and special guardianship;
- learning and physical disability services – meeting additional demand;
- street cleansing – additional sweeping;
- highways – pot-hole repairs;
- additional recycling services;
- greenest borough strategy resources, and;
- enforcement – bringing derelict houses back into use.

12.2 A review of the pre-agreed investments under previous budget processes have confirmed the key areas for investment already in place and due to come in over the next two years as:

- recycling expansion of services;
- street cleansing additional resources;
- enforcement – additional out of hours noise services, and;
- youth services additional provision.

13 Savings options

13.1 Proposed savings totalling £16.4m over the planning period were agreed as part of the previous budget processes. These savings have been reviewed through the PBPR process 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 to reflect a more realistic delivery profile. The changes to the **pre-agreed savings** are set out in appendix E and this is a shortfall against the original plans of £2.7m.

13.2 Through the PBPR process new savings options have been identified against agreed targets and these are included at appendix E. The appendix sets out those **new savings** proposals in respect of the general fund, which are recommended by the Cabinet for agreement, and total £15.6m over the next three years.

13.3 Members are aware of the government's plans to generate **efficiency savings**, originally set out in the Gershon review, more latterly in the comprehensive spending review 2007 (CSR07). Local government has been set a target of £4.9bn, which equates to 3% of the net base budget and achievement of this has been taken into account in the grant settlement as being delivered in cash. In the previous financial planning period the target was a 1.25% cashable saving. Each local authority currently reports progress on efficiencies to the government in Annual Efficiency Statements (AES), this may be done through the new national indicator for value for money in the future.

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

Budget	**2008/09**		**2009/10**		**2010/11**	
	£m	%	£m	%	£m	%
General fund	12.548	5.2%	8.359	3.4%	8.467	3.4%
DSG (excl ISB)	0.800	3.8%	1.277	6.6%	0.457	2.5%
HRA	3.324	3.9%	0.544	0.6%	0.100	0.1%
Total	**16.672**	**4.8%**	**10.180**	**3.8%**	**9.024**	**3.2%**

13.5 The staffing implications of the savings proposals include the deletion of a number of posts as highlighted through the PBPR's. All efforts will be made to minimise the impact on permanent staff. The Council has a well established process for managing workforce reductions, which will apply. Redeployment, retraining, and the review of vacancies/temporary employment will assist to minimise the impact of reductions in the staffing establishment. The Council's trade unions have been consulted during the budget making process and will be closely involved in the actions described here. However, it is envisaged that some redundancies will be unavoidable and the due statutory process will be followed. It is proposed to make a one-off corporate provision for redundancy costs in the region of £2m. This will be funded from revenue reserves or from underspends in 2007/08 wherever possible. It is proposed that a small proportion of this could be utilised to support redeployment where it is cost effective. It is the Council's aim to minimise the use of this provision and progress will be reported back to Members in due course.

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

14.1 On the 12 November the Minister for Schools and 14-19 Learners announced the details of the Dedicated Schools Grant (DSG) settlement for 2008/09 and the indicative settlement for the following two years.

14.2 The headline figure for Haringey is a **4.1% increase per pupil** in 2008/09, compared with 6.9% in 2007/08. This represents a 3.1% basic increase plus funding for ministerial priorities, primarily personalised learning. This compares unfavourably with the national per pupil increase of 4.6% and the London increase of 4.4%. Haringey Council has made representations to the Secretary of State pointing out that amongst London authorities we have the fifth highest deprivation funding and the fourth highest additional needs yet rank 15th for per pupil funding, despite facing the same teacher costs as inner London authorities.

14.3 The **minimum funding guarantee** (MFG) is set at **2.1%** for each of the next three years, compared with 3.7% in the current year. The Minister, in announcing the MFG, noted that it would reflect average cost pressures and that their assessment of the cost pressures includes an assumed efficiency gain of 1% pa.

14.4 The actual cash settlement will be determined by January pupil numbers, but the Department for Children, Schools and Families (DCSF) makes an estimate of the number of pupils in calculating an indicative DSG. Last year their estimate proved to be substantially overstated and for prudence this report assumes the same pupil numbers as this year.

14.5 The table below sets out a summary of the current year's settlement and the indicative ones for the next three years including the minimum funding guarantees.

Year	Per Pupil Amount £	Increase over previous year %	Pupil numbers DCSF indicative No.	DSG at Jan 07 pupil no.s £m	MFG %
2007/08 Actual	4,791	6.9	32,207	154.297	3.7
2008/09 Indicative	4,987	4.1	33,039	160.617	2.1
2009/10 Indicative	5,161	3.5	33,588	166.220	2.1
2010/11 Indicative	5,364	3.9	34,303	172.758	2.1

14.6 The total DSG budget position is balanced and is summarised in the table below and in more detail in appendix F1. The overall schools budget, funded totally by the DSG, is subject to statutory consultation with the **Schools Forum**. The forum met on 13 December 2007 and considered the schools budget position and the recommendations are reflected in the proposed position in this report. The minutes of the forum meeting are attached for information.

Dedicated schools grant	**DSG - ISB £m**	**DSG -non ISB £m**	**Total DSG £m**
Estimated grant increase	5.204	1.116	6.320
Transfer of resources	2.326	-2.326	0
Total increased resource	**7.530**	**-1.210**	**6.320**
PBPR estimated net budget growth including inflation	4.190	-1.210	2.980
Estimated headroom	3.340	0	3.340
Total increased costs	**7.530**	**-1.210**	**6.320**

** ISB – Individual Schools Budgets*

14.7 The appendix to this report sets out the proposed use of the increased resources from the DSG settlement (£6.32m in 2008/09). The adjustments to the base budget for pre-agreed growth and savings items, mainly in the non ISB, include the pre-opening costs for the new sixth form centre and the single status contingency for back dated pay. The adjustments will have the effect of increasing the resources that will be made available to schools within their delegated budgets and will ensure the **schools budgets** see a **5.6% increase** compared to a 6.1% reduction to the non ISB (i.e. LEA side).

14.8 The use of '**headroom**' (residual funding available following allocation of DSG) was the subject of discussion by the Schools Forum. Their recommendation is to allocate the full £3.34m of 'headroom' in line with **AEN/deprivation factors** in the school funding formula. This is line with the policy agreed at Cabinet on 18 December 2007 in terms of passporting a higher level of resources through these factors.

15 Housing revenue account

15.1 The final housing revenue account (HRA) **subsidy determination** was received on 15 January as in line with the draft position issued on 23 November. The rent restructuring formula changes result in a recommended average **rent increase** of 6.5% equating to an average of £4.77 per week. In the last couple of years the government have introduced a maximum cap on the average rent increase of 5.0% funded by additional subsidy however this is not in place for 2008/09. The Council made representations to government on this issue, but the final determination was unchanged. The proposed rent increase for each individual property is therefore determined by the application of the government's rent restructuring formula, which aims to align HRA rents to the average Housing Association rent levels. The Council consulted with tenants on the rent increase based on the draft determination in order to meet the statutory deadlines. Although the average increase is 6.5%, rents are calculated on an individual property basis and the large majority of changes will be affecting the 1 to 3 bedroom properties and the range of variations in rent will be from 9.2% increase to 1.9% reduction.

15.2 A full review of service charges was carried out in this budget process. Since 2003/04 local authorities have been required to disaggregate service charges to tenants from rent. **Service charges** have generally risen in line with general inflation, however, it is clear that some costs have risen at a faster rate and therefore some service charges are out of line with the Council's general external income policy to recover full costs. This budget proposes to raise those charges, which will result in an average increase of £2.55 per week. The range will be from £0.02 to £5.81 per week. The cost of these elements of the service charges can be taken into account in the assessment for housing benefit and approximately 70% of tenants are currently in receipt of housing benefit.

15.3 In addition to the above, the medium term financial strategy for the HRA includes the following:

- delivery of savings under the new repairs and maintenance contract, won under competitive tendering by the in-house team within Homes for Haringey;
- delivery of savings from the value for money reviews conducted by Homes for Haringey;
- slight shortfall in subsidy than planned (£128k);
- reduced rent income as a result of reducing properties, including recent approval for hostel disposals, and;
- increased funding for revenue maintenance of aids and adaptations;
- delivery of rent collection at the agreed performance levels at 99% with a void rate of 2% on general stock.

15.4 The government subsidy position continues to worsen on an annual basis. The final subsidy determination for 2008/09 shows an overall increase of 1.59% for Haringey. This is considerably lower than inflation. The budget plans assumed a gain of £476k and there is shortfall on the forecast of £128k.

15.5 The management element of the subsidy increased by 4.58% and reflects an additional £4 per dwelling to fund Energy Performance Certificates. Government has indicated that this additional sum will be retained in the allowances for at least the next 10 years.

15.6 The maintenance element does not increase in 2008/09. This reflects the fact that entitlement under the formula is below previous years allowances. Under transitional arrangements allowances have been retained at last year's cash level in order to align maintenance allowances with the formula levels over time.

15.7 In the final subsidy determination the government have signalled their intention to carry out a wider review of the HRA subsidy system and therefore this settlement is for one year only.

15.8 The current approved HRA budget position in 2007/08 is set out in the table below, together with the proposed changes to give an overall position for the HRA. This table is shown in more detail in appendix G. The target level of balances for the HRA is £5m and this is broadly achieved over the planning period. The planned opening balance for 2007/08 of £3.432m has been revised to £3.596m as a result of the closing of the 2006/07 accounts.

£000	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Planned opening balance	(3,596)	(4,690)	(5,227)	(5,593)	(5,235)
In year budget	(1,094)	(537)	(365)	358	(2)
Proposed closing balance	(4,690)	(5,227)	(5,593)	(5,235)	(5,237)

16 Capital programme

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

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

16.3 The main resources for capital expenditure are provided through borrowing approvals i.e. supported capital expenditure (revenue) 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.

Capital Programme – Resources Utilisation	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	Total 2008/09 -2010/11 £'000
	*				
Supported (Earmarked) Expenditure					
Housing (HRA)					
SCE® Single Capital Pot	6,233	6,233	6,233	6,233	18,699
SCE® Separate Programme Element (Decent Homes)	0	36,105	61,737	61,951	159,793
Major Repairs Allowance (MRA)	11,991	11,855	11,581	11,813	35,249
	18,224	**54,193**	**79,551**	**79,997**	**213,741**
Children & Young People's Services					
BSF (SCE©, SCE® & other finance)	36,712	47,871	62,801	34,507	145,179
Targeted Capital Fund	125				0
Other SCE® (excluding BSF)	7,820	6,479	4,655	6,396	17,530
Other SCE© (excluding BSF)	7,958	6,245	12,444	15,617	34,306
Other Grants & Contributions	144	250	2,922	0	3,172
	52,759	**60,845**	**82,822**	**56,520**	**200,187**
Urban Environment					
Tfl Grant (Local Implementation Plan)	**4,215**	**5,337**	**6,000**	**6,000**	**17,337**
Corporate Resources					
SCE® (corporate applied)	191	0	0	0	0
Capital Receipts (corporate applied)	8,216	18,167	10,628	10,107	38,902
Local Public Sector Agreement (LPSA) Reward Grant (applied)	1,506	0	0	0	0
	9,913	**18,167**	**10,628**	**10,107**	**38,902**
Other Grants & Contributions	**12,381**	**6,891**	**7,086**	**870**	**14,847**
Prudential borrowing	**592**	**962**	**1,234**		**2,196**
Total Capital Programme	**98,084**	**146,395**	**187,321**	**153,494**	**487,210**

** 2007/08 figures provided for comparison purposes*

16.4 It should be noted that under the previous formula grant system the translation of SCE (R) into a revenue stream in the formula and then cash grant does not reflect the actual **cost of borrowing**. This is partly because a notional rate of interest of 5.5% is used compared to the actual average Haringey rate of 7.23% 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 the 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 in 2008/09 is approximately £0.7m.

16.5 The strategic context for **housing** is the investment gap to deliver against the decent homes target. Homes for Haringey have now successfully achieved the two star inspection, which was a pre-requisite for the release of decent homes funding. The bid for investment funding was £231m above existing funding streams and the DCLG are in dialogue with all local authorities in wave six regarding the timing and scale of the final approval. There is pressure from government to release the funding over a longer time period than the current CSR period as well as challenging the bid amount.

16.6 The capital programme proposed includes substantial sums of corporate resources (capital receipts) for investment in housing including estate improvement works that will contribute to the overall decent homes programme as well as provision for investment in major works voids, conversions and extensions. The programme for housing also includes a higher proportion of works on planned and preventative maintenance works.

16.7 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 £199m is planned to be spent on BSF (made up of £179m of mainstream 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).

16.8 The new **6th form centre** has already been successfully delivered, on time and on budget, as an early part of the BSF programme. The final capital cost of this project is £29m.

16.9 The funding announcements for 2008/09 and beyond are now known following the CSR07 and final notification in November. Previously a prudent estimate of basic need **formulaic funding**, plus funding for modernisation and access had been included at approximately £5m per annum. The notified amount for 2008/09 is £7.368m. This has allowed appropriate provision to be made in the programme for pressures including those related to major schemes as set out below.

16.10 The plan for 2008/09 is largely committed to the completion of the major **pupil place expansions** at Coldfall, Tetherdown and Coleridge and to the completion of the children's centres programme in Haringey, with the Highgate children's centre drawing on phase 3 capital resources.

16.11 Fundamental reviews have been carried out of the cost plans for the Coleridge and Tetherdown expansion schemes in the light of higher than expected tender returns for the final phases of each project, additional planning conditions at Coleridge and additional costs (some still disputed) in the first phases of both projects. There have been no significant changes to the original design of these two projects, but more prudent assumptions are now being made about contingencies and the costs of final fitting out of the new facilities. Coleridge is now budgeted at £7.5m, from £6.5m and Tetherdown at £6.7m from £5.8m. Significant effort is in place for the project management and control of these complex projects to ensure they are brought in on time and below these revised budget limits. These increases can be accommodated within the funded resources.

16.12 Plans for the period from 2009 to 2011 and beyond are tentative at this stage. They will be finalised following the development of a Primary Strategy for Change (PSfC) in order to release the new **Primary Capital Programme (PCP)** resource, which amounts to £12 million in the latter two years. This will be the subject of a further report to Cabinet in April 2008. The PSfC must be approved by DCSF and will be based upon consultation with schools and other interested parties.

16.13 These plans are required to demonstrate a joined up approach to capital investment and we would expect them to include considerable pooling of the PCP resources with those for extended schools, children's centres, harnessing technology and devolved formula capital.

16.14 The draft programme includes provision for the planned **inclusive learning campus** at Broadwater Farm. In December 2007 Cabinet agreed the school organisation proposal that allows Moselle and William C. Harvey special schools to be reorganised into a primary and secondary special school. The secondary special school is under development as part of BSF at the Woodside High site. The costs shown are an early estimate and a detailed budget plan for this investment will be reported to members in due course.

16.15 The requirements for **streetscene** were set out in the Local Implementation Plan, which was agreed by the Cabinet on 24 April 2007 as a draft (final version delegated to the Cabinet Member for Environment and Conservation and Director of Urban Environment) and submitted to the Mayor as a bidding document. A letter from Transport for London (TfL) on 15 November confirmed the grant approval of £5.36m compared to the total bid in 2008/09 of £10.2m. The grant approval is an increase of £1.176m (28%) on 2007/08; the overall increase in London was only 2.8%. The additional sums are mainly in respect of schemes for town centres (Tottenham High Road), bridge assessment and strengthening, and measures to promote walking, cycling and school and work travel plans.

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

£000	2008/09	2009/10	2010/11	Total
Resources available	(18,204)	(8,004)	(17,779)	(43,987)
Proposed programme	18,167	10,628	12,107	40,902
Shortfall / (surplus)	(37)	2,624	(5,672)	(3,085)

16.17 The assumption on income from **capital receipts** includes:

- ongoing right to buy receipts of £2m per annum;
- £16m from disposal of strategic sites including Bull Lane, the Civic Centre and Hornsey Depot (although only part of the receipt for this site is included in the third year with the rest coming later), and;
- a number of housing hostel properties that have been identified as surplus to requirements.

16.18 The commitment to the proposed programme of investment relies on achieving these disposals at the required values and any significant variation to this may require a review of the spending commitments at the appropriate time. It is proposed the shortfall of £2.6m in the second year can be managed through revenue contributions into the financing reserve.

16.19 The previously approved £2m within capital to support the implementation of the Achieving Excellence programme is switched to revenue in these proposals. This can be achieved within the flexibility of revenue contributions to capital.

16.20 The capital investment package delivered from corporate resources as proposed will contribute significantly to the **Council's priorities**, in particular:

<u>One of London's greenest boroughs</u>

- significant investment in recycling services, including expansion on housing estates and improving the Council's own recycling facilities, and;
- continuation of the tree planting programme.

<u>Better Haringey: cleaner, greener and safer</u>

- increased investment in street lighting (£1m pa increased from current £750k pa);
- increased investment in roads and footways (£1.7m pa increased from current £1.4m pa);
- new investment in parks and open spaces, and;
- investment in flood relief/gully works.

<u>Encouraging lifetime well-being, at home, work and play</u>

- strategic renewals investment in leisure services building;
- additional £1m investment in housing estate improvements;
- provision of £1.5m budget for small grants and loans to improve private sector rented housing stock condition;
- investment for major works voids, conversions and extensions, and;
- contribution to improvement works in respect of the decent homes programme.

<u>Promoting independent living while supporting adults and children when needed</u>

- significant capital investment, £3.2m in 2008/09, to provide aids and adaptations for people living at home.

16.21 There is an assumption of a small amount of new **prudential borrowing** in the proposed programme. This in addition to the existing approval in relation to the investment in Leisure facilities and IT investment. In all cases the proposals need to meet the approved Council's policy on passing the affordability test where the cost of borrowing is being met by additional revenue income and or expenditure savings.

16.22 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.

16.23 In addition, significant capital investment will need to have regard to the Council's **sustainable procurement policy** which is due to be considered by Members shortly and will include sustainable environmental impact as well as whole life costing evaluation.

16.24 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 2008/09 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 2008/09 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 2008/09 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 2008/09 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. There is one new scheme that includes an assumption for unsupported borrowing. It will be funded within available resources and as such is a '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 2008/09 by £38m as a consequence of the capital programme proposed. The net borrowing will be funded within the supported resources available.

17.8 The increase is primarily because of the anticipated additional supported investment in respect of Housing decent homes – potentially up to £231m of capital investment additional resources in housing stock from 2008/09 onwards. It is assumed that this will be financed by supported borrowing. The impact of supported borrowing in revenue terms will largely be in the housing revenue account. The cost of borrowing should be met by actual government support through housing subsidy although this will be kept under close review.

17.9 The Building Schools for the Future programme (BSF) has a total of £199m 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). This is largely to be met from grant.

17.10 Sector, our external advisers, has 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 The annual investment policy forms part of the appendix. There are some proposed changes to the types of investment instruments permitted following the recommended review last year and these are to take advantage of some types of non-specified instruments that cover a period longer than 365 days. These are set out in section 8 and will be utilised to take advantage of locking in excess cash to higher interest rates for longer periods, particularly when the market is predicting a falling base rate. These instruments are fairly liquid and therefore can be called in if necessary and therefore financial risk is low.

17.12 A further change is an increase in some of the counterparty investment limits, which have not been increased for some time and with the current high levels of cash-flow the limits are restricting investment returns.

18 Council tax

18.1 The planning assumption following the conclusion of the 2007/08 process was that the council tax would increase by 3% in 2008/09 and each year thereafter. This is within the majority group Manifesto commitment of council tax increases not being more than 3%. Members will be aware that Ministers wish to see council tax increases of 'substantially below 5%' as stated with the announcement of the draft revenue support grant settlement.

18.2 Ministers made use of capping powers in respect of the budget decisions of a number of authorities for 2007/08. The powers are framed in terms of both tax and budget increases and can take account of a number of years. The specific criteria for application of capping powers is within Minister's discretion.

18.3 I have considered the position with regard to the Council's tax base for 2008/09 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 Cabinet's budget package at £399.578m. 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 2008/09 will be set formally by Council on 18 February. Subject to the factors set out above, and the provisional plans for future years, the proposed increase in Haringey's council tax will be as follows:

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

18.6 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 2.4% for 2008/09, which would give an overall band D increase of 2.9%. 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 2008/09.

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** are a key determinant of financial strength and standing. Our reserves position remains 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 without disruption to services or future plans. The latest budget management information indicates no significant net overspending. The current 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 target level of £10m over the period. Planned use of this in 2008/09 will reimbursed in 2009/10. I will be reporting formally, as part of my statutory duty, 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 high number of clients is starting to reduce, however there is still significant demand for housing in Haringey and the strategy to meet the government reduction targets will need to be strictly adhered to. There is considerable uncertainty associated with the subsidy regime from 2009/10 onwards and this will remain a key risk area for the Council. 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/equal pay'** arrangements incorporating manual staff from April 2007 is nearing conclusion and a provision for the ongoing cost of this has been made in the budget plans. The issue of backdating is also close to agreement, subject to negotiations with unions at a national level. The plans for funding this are to utilise the capitalisation direction obtained from the government, but this can only be used if the payments are made in 2007/08;

- the **supporting people** programme is a key area of service delivery for the Council with grant funded expenditure of £21.3m in 2007/08. Haringey's allocation has been reduced by £0.65m (3% for 2008/09) and by a further 5% for future years. Such reductions were not unexpected, and plans are in hand to manage the impact on the level of services which can be commissioned, however, this will need to be managed through the area based grant from 2009/10 onwards. There is a risk of larger reductions in later years as the consultation on allocating grant on a formula basis continues;

- 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. There are also positive messages coming from the Home Office in terms of clearing the back log of cases to be heard and appeals, however, there is still a risk these may not result in positive action;

- commissioning strategies for **looked after children** and **adult social care** clients are demand driven to some extent and although estimated growth based on current evidence currently is included in the budget plans, the position remains a volatile one and is therefore still considered a high risk area;

- **waste disposal** costs are budgeted to increase over the next three years in line with NLWA projections including known tax increases. The plans for the major procurement to secure new long term recycling and environmentally sound disposal facilities are underway, which may have significant cost implications for the member boroughs. The plans will seek to obtain additional PFI credits announced in the CSR07 in order to reduce the net additional ongoing revenue costs, but this is not yet certain;

- the budget position in respect of the **pension fund** reflects the 2007 actuarial review and although the Council is on target with its recovery plan, the investment returns are subject to sometimes considerable volatility in the markets and therefore the governance arrangements for monitoring investment performance will play an important part in maintaining the current stability in respect of this;

- there is now a significant level of planned **savings** that underpin the medium term financial strategy, the delivery of which will need to be specifically monitored through the budget management process and through the existing risk management strategy and project management framework. The project management framework will also be used to deliver the Achieving Excellence programme. The target £5m budget savings over the next three years have been re-profiled to reflect a more realistic timescale of achievement. This will require significant corporate effort to ensure this is delivered and will need to be managed closely through these project governance arrangements;

- the re-allocation of resources within the new **area based grant**, through the LAA to support delivery of locally agreed priorities, may present some difficulties in transition. Although the overall amount of grant remains fairly constant in 2008/09 there may be issues in moving away from NRF funding to the new working neighbourhoods funding (WNF);

- the lease transfer position on **Alexandra Palace** remains uncertain and the previously agreed budget position for support to the Trust is proposed in this report; significant one-off costs have arisen in 2007/08 and it is proposed that any further additional costs are met from within the base contingency sum set aside in this year's budget process;

- the **HRA** medium-term strategy requires significant revenue savings to be delivered, in particular on the new competitively tendered repairs service. The estimated impact on the general fund of savings from value for money reviews has been provided in the budget plans. The timing and final quantity of capital resources being secured for the decent homes investment following the achievement of two stars in the inspection is still a risk as will the cost effective arrangements for implementation of the investment, and;

- the BSF programme, primary capital programme and the additional housing capital resources for Decent Homes 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 and delivery within time and budget.

20 Summary and conclusions

20.1 This report sets out the Cabinet's general fund budget proposals for 2008/09 and the plans for the subsequent two years. The budget is balanced with plans for significant levels of savings proposals, the draft grant settlement position and council tax increases of 3.0% in each of the three years.

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

20.3 The DSG financial plans, as agreed with the School's Forum, provides an overall balanced position that includes a significant shift of resources to schools from the central element.

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 9.3 and appendix B.

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

21.3 To agree the new investment proposals set out in appendix D.

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

21.5 To approve the approach and provision for redundancies as set out in paragraph 13.5.

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

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

21.8 To approve the housing rent increase at an average of £4.77 per week (6.5%) and that this element of the budget package be referred to the Overview and Scrutiny Committee for comment.

21.9 To approve the housing service charge increase at an average £2.55 per week.

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

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

21.12 To agree the proposed general fund budget requirement of £399.578m, subject to the decisions of precepting and levying authorities, and the consequences for council tax levels

21.13 To note that the final decision on budget and council tax for 2008/09 will be made at the Council meeting on 18 February.

22 Equalities Implications

22.1 Equalities implications are considered through the business planning process and are a specific consideration within the pre-business plan reviews. As reported to members in November a detailed equalities impact assessment has been carried out on the final recommended budget package and the issues and mitigating actions will be incorporated in the final individual detailed business plans for April 2008.

23 Comments of the Head of Legal Services

23.1 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.