Report for: Cabinet 19th January 2016

Item number: **9**

Title: 2016/17 Budget

Report authorised by: Tracie Evans – Chief Operating Officer

Lead Officer: Neville Murton – Lead Finance Officer.

Ward(s) affected: ALL

Report for Key/ Non Key Decision: Non Key.

1. Describe the issue under consideration

1.1. The Chancellor, George Osborne, made his Autumn Statement and Spending Review 2015 announcements on 25th November setting out in very broad terms the position on the country's finances.

1.2. Subsequently, on 17th December, the Secretary of State for Communities and Local Government, Greg Clark, announced the provisional local government finance settlement. That announcement set out at an individual authority level, the proposed level of government support for 2016/17 and indicative allocations for future financial years.

1.3. This report updates members on the issues arising from these statements and in particular their effect on the Council's budget for 2016/17; the impact on future years' budgets will be considered later in 2016 as we begin to review the MTFS for future years.

2. Cabinet Member Introduction

2.1. Last year we grasped the nettle of strategic long term planning, we published our Medium Term Financial Strategy alongside our Corporate Plan and priorities developed with our residents. Despite the government only giving a settlement covering 2015/16, we took the hard decisions not only for the current year but also for 2016/17 and 2017/18.

2.2. In that respect our approach has been vindicated; our forecast resources for 2016/17 have proven to be accurate allowing us to continue to focus our effort on delivering the actions we approved as part of the Medium Term Financial Strategy. Paradoxically the government has followed our lead as it offers local authorities the opportunity for a 'guaranteed four year settlement'.

2.3. We have embraced the necessity of gaining financial independence from locally raised revenue and we have approved a capital strategy for growth and jobs alongside the 5 priority areas we set out in our Corporate Plan.

2.4. However, despite our best endeavours we see financial and service risk continue to be passed to local authorities often without adequate funding: business rate appeals have had a significant effect this year despite us only seeing 30% of the impact and so whilst we welcome the financial independence that 100% retention of business rates brings we are also conscious of the increased risk and the uncertainty over which additional responsibilities will be passed on.

2.5. We still await details of the funding that will be passed to us in support of the Independent Living Fund and to support those in receipt of Attendance Allowance; we have experience from Council Tax benefit, where a 10% top-slice was taken before the responsibility was passed on; we therefore have legitimate concerns about the extent to which any grant funding will be sufficient or indeed maintained.

2.6. We have also been telling the government about the emerging crisis in Adults Social Care for many years and the shortcomings of using grants to artificially suppress council tax levels; the new Adult Social Care precept coupled with the removal of the Council Tax Freeze Grant puts the pressure for funding this crisis onto our residents but is still insufficient to deal with the extent of the pressures we are seeing.

2.7. By simultaneously stopping and moving the grant previously used to keep council tax levels pegged into RSG; a grant even the government acknowledges will have disappeared by 2020, the long term implication will be again to increase pressure on local tax rates.

2.8. We always knew that there would be further tough times ahead which is why we took the decisions we did last year; it has not been easy and it will not get easier but our strategic approach to planning has proved to be the right one and we must continue to pursue our priorities to deliver the services that our residents deserve at the most efficient cost.

2.9. We are confident that our strategy of encouraging growth and transformation will work and deliver the changes we want for our residents; using our reserves strategically to support those changes is right and we will continue to do so.

2.10. I will present further information to the Cabinet as it becomes available and as we proceed to setting our budget and Council tax in February.

3. Recommendations

3.1. Cabinet are asked:

- to note the outcomes arising from the Provisional Local Government Finance Settlement and the impact on the Council's financial plans for setting the 2016/17 budget.
- agree that the Council should advise the Department for Communities and Local Government of our intention to consult on the implementation of the 2% Adult Social Care precept.

4. Reasons for decision

4.1. In February 2015, and following extensive consultation, the Council approved its Corporate Plan and Medium Term Financial Strategy (MTFS) covering the period 2015 - 18. The Corporate Plan set out the Council's priorities, the MTFS outlined the overall financial strategy and the Workforce Plan outlined the workforce strategy for achieving those priorities.

4.2. As a result of the significant reductions to the Council's funding from central government grants, the MTFS required around £70m of approved saving proposals to deliver a balanced budget position in each of the three years' covered by the MTFS (2015 – 18).

4.3. Previous government Spending Reviews have provided information covering the financial years up to and including 2015/16; projections beyond that point have been made on assumptions based on national data and trajectories provided by the Office for Budget Responsibility (OBR).

4.4. Following the General Election in May 2015 a new Spending Review was necessary and the November 2015 announcement provided summary financial data for the period up to 2020.

4.5. On 17th December the Department for Communities and Local Government (DCLG) provided much of the authority level detail necessary to update the information required to finalise the setting of the 2016/17 budget. Whilst the Council has already approved a three year MTFS, the Council must statutorily set an annual budget including agreeing the level of the Council tax for that year.

5. Alternative options considered

5.1. The Council has already approved a three year Medium Term Financial Strategy in February 2015 and we are not proposing to revisit the savings decisions made at that point in time as we still consider them to be the right ones. The approved savings for 2016/17 have been restated in Appendix B for ease of reference. A number of further alternatives have also been considered as set out below:

(i) The 2015/16 budget monitoring information indicates that there are some financial pressures (slippage) arising from the delivery of the 2015/16 saving proposals and consideration has been given to using reserves to cover the slippage in the short term. However, whilst it has been concluded that the use of reserves is an appropriate approach to dealing with slippage, and the Council will adopt this approach where it is agreed through the budget monitoring process, the Council has no evidence to suggest that it should change any of these savings plans however, we will be conducting further reviews in 2016/17. If these reviews identify that savings are unachievable then the council will explore what different options are available to achieve the transformational changes that are required in the provision of Council services.

(ii) Further Service Savings - There has been consideration, as an alternative to raising Council tax, that the organisation could find more savings in its service base thereby reducing the service budget requirement. This was discounted because the services are already faced with a significant savings programme. Adding more savings to an already difficult programme would be detrimental to the achievement of outcomes already agreed in the Corporate Plan.

(iii) The option of raising Council tax has also been considered. Due to the significant pressures in Adults Social Care we are consulting on whether to apply the Adult Social Care precept, announced by the government in the Spending Review. This would raise an estimated £1.7m. It is further possible to increase Council tax by up to 2% before a referendum is required. We are not proposing to implement this more general increase. This decision has been made because the council's current level of Council tax is above the London average and there are concerns about the regressive nature of the tax.

6. Background information

6.1. Following the publication of the Provisional Local Government Finance Settlement there follows a period of consultation in which authorities are being asked to respond to a number of consultation questions by 15th January and also highlight any 'technical adjustments' such as to correct erroneous data; following this period a final settlement will be announced in early February which may make changes to the provisional settlement. Changes arising from the publication of the final local government finance settlement are not expected to have a material effect on the proposals made in this report.

6.2. Table 1 below sets out at a summary level, the 2015/16 funding base previously approved by the Council in February 2015. Taking into account the impact in 2016/17 of virements approved in 2015/16, a revised 2015/16 and restated funding position for 2016/17 is also shown; the difference is the removal of Better Care Funding from Core Grants which was originally approved as part of the Council's budget. It was subsequently determined that this would not be administered by the Council but by Haringey CCG although as both funding and expenditure were removed; this has had no net effect on the council's overall budget.

6.3. The restated 2016/17 budget below forms the starting point for the various funding changes set out in this report.

Table 1 – Funding and Net Expenditure Summary 2015 - 2017

2015/16 Original Base £000		2015/16 Revised Base £000	2016/17 Restated £000
	Net Expenditure	**266,398**	**251,016**
	Funding		
47,232	Core Grants	36,025	34,694
4,256	New Homes Bonus	4,256	5,443
64,061	Revenue Support Grant	64,061	46,011
243	NHB returned funding - top slice	243	1,027
83,862	Council Tax	83,862	84,276
18,968	Retained Business Rates	18,968	19,404
54,763	Top up Business Rates	54,763	57,045
-	Surplus/(Deficit) on Collection Fund	-	-
4,220	Contribution from/(to) Reserves	4,220	3,116
277,605	**Total Funding Available**	**266,398**	**251,016**

6.4. 2016/17 will be the fourth year local authorities have received resources under the Business Rate Retention (BRR) scheme. Under the current arrangements London local authorities retain 30% of the Business Rates collected locally with 20% being passed to the GLA and the remainder (50%) to the government. The government announced as part of the 2015 Spending Review that, by 2020 local authorities will retain 100% of Business Rates collected locally and will be consulting shortly on how this might happen.

6.5. Each year a Settlement Funding Assessment (SFA) is calculated for each authority comprising two main components:

- An amount of RSG
- A Baseline Funding Level (BFL) under the BRR scheme

6.6. Under the original calculations a comparison between an authority's BFL and its locally retained share of business rates was made – if its BFL was higher than the locally retained share a 'top-up' payment was made and conversely where the BFL was lower a tariff was levied. Haringey was determined as a top-up authority and each year thereafter, until the 2020 reset, the top-up increases in line with the Small Business Rate multiplier; for 2016/17 the Small Business Rate multiplier was 0.8%.

6.7. In 2016/17 the government is proposing a change to the way that it calculates SFA which is considered further below and is the subject of a number of the consultation questions.

6.8. The remainder of this report considers the detailed impact of the provisional settlement on the estimated 2016/17 budget position. Table 2 below summarises the revised funding position for 2016/17.

Table 2 – Summary changes to 2016/17 Funding Sources.

	2016/17 Restated £000	2016/17 Revised £000	2016/17 Variance £000	Report reference Para.
Funding				
Core Grants	34,694	33,586	(1,108)	6.41/ 6.43/ 6.47
New Homes Bonus (NHB)	5,443	5,878	435	6.50
Revenue Support Grant	46,011	50,988	4,977	6.23
NHB returned funding - top slice	1,027	1,027	-	
Council Tax	84,276	85,976	1,700	6.31
Retained Business Rates	19,404	19,404	-	
Top up Business Rates	57,045	55,220	(1,825)	6.38
Contribution from/(to) Reserves	3,116	3,116	-	
Total Funding Available	**251,016**	**255,195**	**4,179**	

6.9. This report forms the basis for the scrutiny of the 2016/17 budget by the Overview and Scrutiny Committee. Their comments on the proposed approach will be brought to the February Cabinet meeting which, having considered those comments, will finalise and recommend the 2016/17 budget for approval by Full Council.

6.10. In addition this report forms the basis of the Council's statutory budget consultation with business rate payers and the outcomes from consultation activities will also be reflected in the final proposals for approval.

Core Spending Power

6.11. The provisional settlement set out the government's new measure (Core Spending Power) that it uses to illustrate the extent to which the overall resources available to local authorities are proposed to change over the Spending Review period (2016 – 2020).

6.12. This new measure is a modification to the previous 'Spending Power' that was widely criticised as it included funding streams not directly under the control of local authorities and so tended to understate the true level of reductions that authorities faced.

6.13. The new Core Spending Power measures changes in:

- An authorities Settlement Funding Assessment (SFA)

- Council tax yield.
- The improved Better Care Fund (from 2017/18)
- New Homes Bonus (including returned funding)
- Rural Services Delivery Grant (n/a for Haringey)

6.14. Haringey's Core Spending Power (CSP) exemplification taken from the Government's provisional local government finance settlement is included as Appendix A, this shows that over the period to 2020 our CSP is expected to increase by 1.6% (+£3.7m) and this figure will be used by the government to illustrate the extent to which funding reductions have affected individual authorities. For comparison the changes over the same period for all London Boroughs is a reduction of 1.9% (-£127.5m) and for the whole of England is a reduction of 0.5% (-£222.5m).

6.15. However, the CSP figures above reflect the cash change and when inflation (measured by the CPI) is taken into account the real terms decrease for Haringey is -5.7% rather than the 1.6% increase referred to.

Settlement Funding Assessment and Revenue Support Grant

6.16. For the period 2015/16 to 2019/20, there is a reduction to the England Settlement Funding Assessment (SFA) of 31.8% (based on an adjusted 2015/16 figure), as per Table 2 below.

6.17. The Government has confirmed that the Settlement Funding Assessment will be £18.6 billion in 2016-17. This comprises £7.2 billion of Revenue Support Grant (RSG) and £11.4 billion of Baseline Funding (i.e. the amount the government expects to be retained locally under the business rates retention scheme net of tariffs and top-ups).

6.18. At a national level, Settlement Funding Assessment (SFA) will reduce from £21.3 billion in 2015-16 to £18.6 billion in 2016-17 (12.5%). For London boroughs, SFA will reduce by £435 million or 11.3% (from £3.8 billion to £3.4 billion) in 2016-17. This is split between an increase of £17 million or 0.8% in baseline funding (the increase due to the Small Business Rate multiplier) and a reduction in RSG of £452 million or 24.7%.

Table 2 – Changes to Settlement Funding Assessment (SFA) 2015 - 2020

	2015-16 adjusted	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
SFA	21,250	18,601	16,622	15,536	14,500
Change %		-12.5%	-10.6%	-6.5%	-6.7%
Cumulative change %		-12.5%	-21.8%	-26.9%	-31.8%

6.19. The settlement includes an important change to the way resources will be allocated, this is to ensure that "local councils delivering similar services receive a similar percentage change in 'settlement core funding' for those services".

6.20. Unlike the last 3 years, when the Government 'protected' rolled-in grants on the funding trajectories set out in Spending Review 2010 and applied the same % reduction to the remaining RSG element - thereby focusing larger proportionate cuts on upper and lower tier funding element and those authorities with higher absolute levels of RSG, the new funding distribution method for RSG takes into account the wider resources available to councils including Council tax, locally retained business rates and RSG, when distributing RSG.

6.21. The methodology therefore aims to take into account the amount that an authority can raise locally and the impact on overall funding of RSG reductions. By using actual council tax levels, rather than an assumed level, this approach also favours authorities with below average Council Tax, and disadvantages those with above average Council Tax levels.

6.22. The impact of the various changes to RSG is that the 2016/17 provisional RSG allocation for Haringey is now ***£50.988m*** which represents an improvement (£4.977m) over the previous assumed level of £46.011m in the MTFS.

6.23. This increase of ***£4.977m*** reflects:

- the inclusion of the 2015/16 Council Tax Freeze Grant of c£1.m, which was previously within Core Grants. As a consequence this is offset by an equivalent reduction in Core Grants described below, and is not new money available for allocation.
- the inclusion of a sum for additional Care Act responsibilities, estimated at £1.2m. The proposed use of this resource in support of the additional responsibilities is described in Section 7 below; and
- a residual increase in RSG due to methodology and estimation changes of c£2.7m.

Council Tax

6.24. The provisional settlement sets out the Government's council tax referendum principles for 2016/17; the core threshold for local referendums will be set at ***2%***. It also confirms the policy outlined in Spending Review 2015 that councils with adult social care responsibilities will be able to increase council tax by up to 2% for each year between 2016-17 and 2019-20 to fund adult social care services.

6.25. Adult social care authorities can increase their council tax by up to 2% more than the core referendum principle on the following basis:

Spending on ASC in 2016-17 is £X higher than it would have been, where X= revenue from additional ASC council tax flexibility. This will be confirmed by a number of steps:

(a) S151 officers are asked to write to the Secretary of State indicating whether they intend to use additional flexibility (by 15th January 2016).

(b) Section 151 officers in ASC authorities to provide information demonstrating that an amount equivalent to the additional council tax has been allocated to adult social care. This must be done within 7 days of their authority setting its budget and council tax for 2016/17.

6.26. The above information will be required each year that the scheme is in operation. From 2017/18 onwards, the requirement will also encompass the cumulative year-on-year revenue being allocated to adult social care as per (b) above

6.27. It has been confirmed that the Council Tax Freeze Grant will cease in the current (2015/16) year and will not be a separate feature of the 2016/17 settlement onwards. The government has confirmed that the previously provided grant for 2015/16 (£1.03m) will be 'rolled in' to Revenue Support Grant and this accounts for some of the increase seen in our RSG allocation.

6.28. All previous freeze grants have now been 'mainstreamed' into government grant (RSG) however, given that the government's austerity measures continue to be transacted through RSG, and specifically that by 2020 RSG will cease, it is apparent that government support for previous Council tax freezes will be gradually eroded over the period to 2020 whereupon it will have completely disappeared.

6.29. It is clear that the pressures on Adult Social care are enormous; Haringey like most other London Boroughs have seen continuing increase in the demand for Adult Social Care services as a result of an ageing population and market demand leading to increased provision costs.

6.30. As a result the Council is consulting on a proposal to apply the 2% Adult Social Care precept in 2016/17 and will, in accordance with the regulations apply it fully, alongside the additional resources provided within the overall RSG increase for the new Care Act responsibilities, to Adult Social Care.

6.31. A 2% precept would raise ***£1.7m*** and this sum together with the £1.2m for new Care Act responsibilities would be applied to the 2016/17 Adult Social Care budget if approved at the Full Council meeting in February; further details about how this resource will be utilised is set out below in Section 7.

6.32. At Band D the proposed 2% increase in Council Tax would represent an increase of around £24 per annum.

6.33. The Council has also considered the options for increasing the Council tax in addition to the 2% ASC precept. In particular it has considered whether it should increase the Council tax up to the level permitted before a referendum is required (2%). This would yield a further sum of c£1.7m.

6.34. The Council is not, after consideration, proposing to implement such an increase in 2016/17 this is because Members have given a commitment in their manifesto not to raise the Council tax during this administration as it recognises that Council tax is a regressive tax. It also reflects that the council's tax rate is already above the London average rate and that any further increase will affect those on low pay or fixed incomes.

Retained Business Rates and the Top-Up

6.35. The settlement consultation restates the government's intentions outlined in the Spending Review to reform the business rates retention system and move to 100 per cent retention by 2020. The relevant new information relating to business rates devolution from the settlement consultation is that the Government will:

- consider giving more responsibility to councils to support older people with care needs – including people who, under the current system, would be supported through Attendance Allowance and is planning to consult in the New Year on this proposal.
- seek the "earliest opportunity" to legislate on this next year;
- set up systems to involve councils, businesses and others in the process early in 2016; and
- consult on the implementation of the 100% business rates retention scheme in summer 2016, following a period of extensive engagement with councils and their representatives in the preceding months.

6.36. For business rates the key variables are broadly the same as for Council tax i.e. taxbase, tax rate and collection rate. However the tax rate; the Uniform Business Rate (UBR) is currently set by the government. London authorities retain 30% of the Business Rate yield and either receives a top-up, or pays a tariff according to the extent to which their business rate yield matched its Baseline Funding Level when the scheme was established.

6.37. In the future the government has said that local authorities will be given the power to reduce the NNDR tax rate in order to promote business growth and jobs.

6.38. The top-up that the Council receives under the Business Rate Retention scheme has been increased by the rise in the Small business Rate multiplier (0.8%). However, the previous MTFS assumed a rise of 2.3% and therefore the Council's overall funding assumptions from this source must be ***reduced by £1.8m***

Other Grants

6.39. Alongside the provisional settlement a number of grant allocations were also announced including in some cases changes to the proposed methodologies. The announcements made are outlined below although it is expected that further details on other grants will be released by the government throughout the new year.

6.40. As such further adjustments in relation to grants made by the government after the publication of this report will be included in the February Cabinet report or before the 2016/17 budget is approved by the Council.

Council Tax Freeze Grant

6.41. As described above the Council Tax Freeze Grant has been subsumed within RSG and therefore the existing provision for a separate freeze grant of ***£1m must be removed*** from the 2016/17 budget assumptions.

Education Services Grant (ESG)

6.42. Overall ESG will be cut by 7.5% from £815 million in 2015/16 and to £750 million in 16/17. This is “a first step towards achieving the savings announced in the spending review” of £600 million. The amount paid directly to local authorities will fall 8.8% from £564 million in 2015/16 to £514 million in 2016/17, including an 8.5% cut from £93.6m to £85.7m in London. The remainder is paid directly to academies, which will continue to receive protection against large falls in ESG. The retained duties rate of £15 per pupil will be maintained, but general funding rates will be reduced by 11.5% across all school types.

6.43. Given the uncertainty about the trajectory of the funding reductions to ESG a pessimistic assumption was previously made and therefore, whilst ESG has been reduced, it is not as severe as that assumed in the MTFS and an additional amount of **£0.6m** can be built back into the Council’s funding assumptions for 2016/17.

Improved Better Care Fund

6.44. Together with the additional council tax flexibility for adult social care, the Government is providing £1.5 billion of additional funding for authorities to spend on adult social care by 2019/20; this is to be included in an improved Better Care Fund although only from 2017/18. The government proposes to allocate this funding through a separate grant to local government using a methodology which benefits those councils who benefit less from the additional council tax flexibility for social care. The estimated effect can be seen in the CSP calculation (Appendix A)

Public Health Grant

6.45. Having recently confirmed that nationally £200m was to be removed, during the year, from the 2015/16 Public Health grant allocations the Spending Review announcement set out that there were to be further reductions in that grant averaging real terms savings of 3.9% each year throughout the period to 2020/2021.

6.46. According to further details from Public Health England, the savings will be phased in at 2.2% in 2016/17, 2.5% in 2017/18, 2.6% in each of the two following years, and flat cash in 2020/21. There remains some uncertainty about the methodology that will be used to apply these reductions to individual authority’s allocations since there has also been a recent consultation on potential changes to the distribution methodology however, an assessment of the estimated impact of these reductions for Haringey has been made.

6.47. Taking into account the previous level of assumed Public Health grant, both for the main grant and the element for the new 0 -5 year old duties, it is estimated that a further **£0.7m** reduction over the provision in the 2016/17 MTFS will need to be made to take account of both the continuation of the 2015/16 in-year reduction and the further reductions announced in the Spending Review.

New Homes Bonus

6.48. The Spending Review set out the overall envelope for New Homes Bonus payments over the period to 2019/20 as being £1.485 billion for 2016/17, reducing to £900 million by 2019/20. The Government has published provisional allocations for 2016/17 – the final year of the 6 year rolling New Homes Bonus (NHB) scheme.

6.49. Alongside the settlement consultation there is a separate consultation on reforms to NHB that were announced at the Spending Review. This consultation seeks views on the options for change to two aspects of the Bonus: reducing overall costs by moving from 6 years to 4 of payments and reform of the Bonus in order to better reflect local authorities' performance on housing growth. It also considers options for staying within the funding envelope in the event of a sudden surge in housing growth.

6.50. The core spending power figures (Appendix A) include an estimate for NHB allocations in each of the years to 2019/20. For 2016/17, the funding line includes both New Homes Bonus allocations and returned funding which are the actual allocations. For Haringey the allocation is **£6.905m** which reflects an increase of around***£0.4m*** over the estimate in the February MTFS.

Independent Living Fund

6.51. The government had previously announced that the Independent Living Fund (ILF) was to cease from April 2016, although it was unclear how on-going support to those previously in receipt of this benefit was to be provided. Although no details were provided as part of the provisional settlement subsequent information from DCLG has clarified that Local Authorities are to be grant funded to support their duties under the Care Act for former ILF clients.

6.52. We are expecting details of the grant allocations shortly at which stage we will be in a position to gauge the extent to which there are additional financial implications for the Council from this transferred responsibility.

Schools

Dedicated Schools Grant (DSG)

6.53. The DSG continues to be set out in three notional blocks: the early years block, the schools block and the high needs block. Total DSG will be £40.2 billion in 2016/17, with London receiving 18.5% (£7.4 billion). The provisional DSG allocation for Haringey is £242.7m although this is subject to change following the finalisation of pupil numbers. A separate budget strategy report is being prepared for consideration by the Schools Forum on 14th January 2016, taking into account the detailed implications of the changes summarised below; any recommendations for changes to school funding will be reported to Cabinet in February.

Schools block

6.54. Per pupil units of funding will be broadly the same as in 2015/16. The minimum funding guarantee will continue to be set at ***minus 1.5%*** per pupil before the pupil premium is applied.

High needs block

6.55. £92.5million of extra funding on top of the 2015/16 baseline has been provided for the high needs block, distributed using age 2-19 population projections for 2016.

Early years block

6.56. Early years per child rates are the same as in 2015/16. The amount per pupil for the early years pupil premium will also remain the same.

Pupil premium

6.57. Pupil premium rates for 2016/17 will be the same as in 2015/16, with final allocations published in June 2016 following the receipt of pupil number data from the spring 2016 schools and alternative provision censuses

National Funding Formula

6.58. As announced in the Chancellor's spending review statement, a national funding formula is to be introduced from 2017 following a period of consultation in the new year.

Homes for Haringey and the HRA

6.59. The Homes for Haringey Board are meeting shortly to consider their proposed budget, including the implications of the government directed rent reduction of 1% per annum, and these proposals will be brought to the Cabinet in February.

Capital Strategy and the Capital Programme

6.60. Cabinet approved a Capital Strategy in December 2015 and further details of the proposed programme including details of the schemes will be brought back to Cabinet following an assessment against the Corporate Plan priorities and overall affordability over an initial 10 year period.

Summary of Changes

6.61. Table 2 at paragraph 6.8 summarises the changes to the Council's key funding streams for 2016/17 including both government resources and locally generated and retained resources; on the basis of the proposals set out in this report; these result in an overall ***increase in resources of £4.2m***.

6.62. The next section considers the proposed options for changes to the Council's revenue budget based on this estimated increase in available resources.

7. Proposed Use of Estimated Additional Resources

Adult Social Care

7.1. The Government recognised the growing pressures on adult social care in the Spending Review. In Haringey, demand for adult social care support has been growing significantly in recent years as a result of a number of trends. Demographic change means people are living longer and often therefore requiring more support in their later years. At the same time, unhealthy lifestyles are contributing to more people living for longer with chronic conditions, and often with more than one condition, and again requiring more support. Their needs are often complex and therefore costly to meet. There also continues to be a small increase in the numbers of people with very complex needs who require significant amounts of support.

7.2. Overall, demand related pressures are expected to translate into increased costs of at least £3m in 2016/17 and in each year thereafter (further work and refinement of these numbers will be done over coming months).The revenue from the £1.7m raised through the precept on Council Tax will therefore be required to fund the increased cost of care placements arising from the pressures described above.

7.3. As described in previous reports, the Care Act places a range of new duties on local authorities. These include general duties of promoting wellbeing; preventing, reducing or delaying needs; information and advice; market shaping and managing provider failure as well as enhanced duties around person-centred assessment and support planning for users and carers; charging and financial assessment; adult safeguarding; integration and partnership working; transition between children and adult services; cross-border issues.

7.4. In line with the requirement that the Government fund new burdens placed on local authorities, Haringey's allocation has been set at £1.2m. This will be used to increased safeguarding duties, support for carers, prevention services and support for young people transitioning from Children's to Adults Services.

Other Pressures

7.5. Alongside the demographic pressures described above for Adult Social Care, the costs of care are rising for a range of reasons such as increases in salaries associated with living wage payments, fuel inflation etc. This also applies to other services provided by the Council including in respect of the previously approved 0.5% increase to the employer's pension rate as a result of the 2013 Pension Fund revaluation; the remaining £1.3m will be applied in support of these additional inflationary costs.

8. Consultation

8.1. Statutory consultation will take place with business rate payers at two events scheduled during the week commencing 11th January 2016; in addition a consultation questionnaire seeking taxpayer's views on the proposed 2% Council tax increase for Adults Social Care will be launched following the publication of this report. All consultation outcomes and responses will be included as part of the February 2016 Cabinet report which will, alongside any Overview and Scrutiny Committee recommendations, form the basis of the Cabinet's 2016/17 budget proposals and Council tax for that year.

9. Statutory Officers comments

Comments of the Chief Finance Officer and financial implications:

9.1. This report is primarily financial in nature and no additional comments from the Chief Finance Officer are necessary at this stage.

Comments of the Assistant Director of Governance and legal implications:

9.2 The Local Authorities (Standing Orders) (England) (Regulations) 2001 and the Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution, set out the process that must be followed when the Council sets its budget. It is for the Cabinet to approve the budget proposals and submit the same to the Full Council for adoption in order to set the budget.

9.3 The proposals in this report will be considered by the Overview and Scrutiny Committee on 25 January 2016, and the views of the Committee shall be included in the report submitted to the Cabinet in February who shall take them into account in drawing up firm proposals for onward submission to the Council.

9.4 The Cabinet will need to ensure that where necessary, consultation is carried out and equalities impact assessments are undertaken and the outcomes of these exercises inform any final decisions.

10. Use of Appendices

Appendix A – Core Spending Power calculation.

Appendix B – Saving Proposals

11. Local Government (Access to Information) Act 1985

11.1. For access to the background papers or any further information please contact Neville Murton – Lead Finance Officer

Appendix A

Haringey Core Spending Power.

Haringey

Core Spending Power of Local Government;					
	2015-16 (adjusted) £ millions	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment	140.8	126.0	115.1	109.0	102.9
Council Tax;	83.9	91.5	100.2	109.9	120.7
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	*83.9*	*89.7*	*96.4*	*103.7*	*111.7*
additional revenue from 2% referendum principle for social care	*-*	*1.8*	*3.8*	*6.2*	*9.0*
Improved Better Care Fund	-	-	*0.4*	*3.8*	*6.7*
New Homes Bonus and returned funding	6.2	*6.9*	*6.9*	*4.4*	*4.2*
Rural Services Delivery Grant	-	-	-	-	-
Core Spending Power	**230.8**	**224.4**	**222.7**	**227.1**	**234.6**
Change over the Spending Review period (£ millions)					3.7
Change over the Spending Review period (% change)					1.6%