

Report for: Cabinet 9th February 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:** Key.

1. Describe the issue under consideration

- 1.1. In accordance with the Local Government Finance Act (LGFA) 1992, the Full Council must approve the budget for the forthcoming year and agree the Council tax for that year, by the statutory deadline of 11th March
- 1.2. The government published the Provisional Local Government Finance Settlement on 17th December 2015 and the Cabinet meeting held on 19th January considered the implications of that announcement.
- 1.3. This report sets out the latest position in respect of the Council's finances with the aim of finalising the budget proposals from Cabinet for the year 2016/17 for consideration and approval by the Council on 22nd February 2016. The report covers proposals in respect of the General Fund revenue account, the Housing Revenue Account (HRA), The Dedicated Schools Budget (DSB) and the Capital Programmes for both the General Fund and the HRA.
- 1.4. The report incorporates the results from the council's budget consultation, the views of the Overview and Scrutiny Committee and the latest financial information. It also reflects the detailed work undertaken by the Haringey Schools Forum whom have considered and proposed changes to the Formula for Financing Schools.

2. Cabinet Member Introduction

- 2.1. The proposals set out in this report are based on our approved Medium Term Financial Strategy for 2015 -2018 that we agreed in February 2015. In planning over the medium term, we have tried to give some certainty about our priorities and how we would finance them. However, even at this stage of the process and despite our best endeavours, there remain uncertainties due to the failure of the Government to plan in a similar way.
- 2.2. For example, although we understand that the Government will continue with its proposals to mandate a 1% rent reduction for our tenants, the legislation

Annex 1

has not been enacted; and only in the last week of January did we hear about new proposals to exempt those in Sheltered or Supported Accommodation. We are having to make assumptions that reflect what we believe will happen, as to do otherwise would be disruptive for tenants and present an unnecessary risk to the Council's finances.

- 2.3. It is unacceptable that we have to work with these major uncertainties. However, this administration is determined to do everything within our power to set a realistic and robust budget for 2016/17. We know that this is an essential component to managing the risks facing the Council in light of continued funding reductions and I believe that the position set out in this report represents appropriate proposals for consideration at Full Council.
- 2.4. The budget monitoring report I presented to Cabinet last month highlighted the significant pressures we face to provide adult social care in Haringey. Like other London Boroughs, an ageing population is causing an increase in the demand for such services. As a result, in January, we consulted with residents on proposals to levy the Chancellor's 2% Adult Social Care precept, which would raise £1.7m and add £23.64 to a Band D council tax bill.
- 2.5. Although these additional funds are welcome, the Chancellor's precept comes nowhere near addressing the challenges we face in providing adult care. In my view, the Government is failing to properly fund adult social care and is seemingly pushing the problem down to local authorities. £1.7 million is a very small amount compared to the budget pressures we face – indeed we are already spending around £13 million more on adult social care this year than originally estimated. The scale of the cuts by the Government means that our services will have to change fundamentally. However, we will use the additional funds to further protect care packages and to support the outcomes that emerge from the co-production process to design a new model for social care in Haringey.
- 2.6. The proposals within the proposed budget have been rigorously scrutinised and I welcome the recommendations of Overview and Scrutiny, which will help to support efficient and effective management of the council's budget.
- 2.7. What is clear is that in 2016/17, the Council and our borough will continue to face challenging times. However, despite the failure of the Government to recognise the important role local authorities play in building strong communities, in Haringey we will continue to use the resources at our disposal to support economic growth and tackle inequality. This budget will see the seventh consecutive freeze of the council tax base rate; investment in each of Haringey's nine libraries, investment in our roads and pavements; and continued support for regeneration schemes that will draw in £1 billion worth of external investment.

3. Recommendations

3.1. Cabinet are asked:

- 3.1.1 to approve, subject to any agreed amendments, the proposals set out in this report at appendix 1, including the 2% precept on Council Tax towards funding Adult Social Care pressures and submit them for consideration by the full Council at their meeting on 22nd February 2016 as Cabinet's 2016/17 budget proposals;
- 3.1.2 to propose approval to the Council of the 2016/17 General Fund revenue budget as set out in Appendix 1, including specifically a General Fund budget requirement of £255.627m but subject to the final decisions of the levying and precepting bodies and the final local government finance settlement;
- 3.1.3 to propose approval to the Council of the 2016/17 Housing Revenue Account budget as set out in Appendix 2;
- 3.1.4 to confirm and propose approval to the Council of the 2016/17 General Fund capital programme detailed in Appendix 3;
- 3.1.5 to confirm and propose approval to the Council of the 2016/17 Housing Revenue Account (HRA) capital programme detailed in Appendix 4;
- 3.1.6 to approve the changes to the rent levels for General Needs Homes for Haringey tenants reflecting the expected regulations requiring a 1% rent reduction in 2016/17 and subsequent years'. This will reduce the average weekly rent from £106.62 to £105.55 as set out in paragraph 9.4 and Table 2;
- 3.1.7 to approve the changes to the rent levels for Sheltered/ Supported Housing tenants reflecting the expected, 1 year only, exemption from the government's rent reduction policy. This will increase the average weekly rent from £94.49 to £95.34 as set out in paragraph 9.8 and Table 3;
- 3.1.8 to approve the changes to service charges for leaseholders set out in Table 4;
- 3.1.9 To approve that rents for decanted properties are set at the appropriate Local Housing Allowance rate as set out in paragraph 9.14 and 9.15

- 3.1.10 to note the recommendation of the Chief Operating Officer (S151 officer) that any additional resources , including those generated from the improved taxbase identified in this report, should be initially held in a risk reserve to support the statutory review of the adequacy of reserves in the context of the 2015/16 overspend position;
- 3.1.11 to propose to the Council the indicative Dedicated Schools Budget (DSB) for 2016/17 of £242.685m as set out in Appendix 5;
- 3.1.12 to approve the proposed changes to the Haringey Formula for Financing Schools as recommended by the Haringey Schools Forum and set out in paragraphs 8.13 – 8.14 for the secondary lump sum factor and, for the deprivation factor, option 2 set out in paragraph 8.19;
- 3.1.13 to approve the responses made to the Overview and Scrutiny Committee recommendations following their consideration of the draft budget proposals and as set out in Appendix 6;
- 3.1.14 to note that this report will be considered by the Council at its meeting on 22nd February 2016 to inform their decisions on the 2016/17 budget and the associated Council Tax for that year; and
- 3.1.15 to delegate to the S151 officer, in consultation with the Cabinet Member for Resources and Culture, the power to make further changes to the 2016/17 budget proposals consequent on the publication of the final local government finance settlement or other subsequent changes up to a maximum limit of £1.0m.

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. Following the publication, on 17th December 2015, of the Provisional Local Government Finance settlement, Cabinet reviewed the impact of the settlement on the 2016/17 budget set out in the approved MTFS.

- 4.4. Taking all relevant factors into account, including in particular the outcomes from statutory consultation with business rate payers, further public consultation, the recommendations from the Overview and Scrutiny committee meeting held on 25th January 2016 and any other subsequent changes, this report sets out Cabinet's final budget proposals which, if approved, will be sent for consideration at the Full Council budget setting meeting scheduled for 22nd February 2016.
- 4.5. The final budget report to the Council on 22nd February will also additionally include a number of requirements consequent on the proposals set out in this report and in particular:
- The formal Budget Resolution required in accordance with the LGFA 1992 as amended by the Localism Act 2011, which sets the Council tax for the forthcoming financial year;
 - The Precept of the Greater London Authority (GLA) for 2016/17 in accordance with S40 of the LGFA 1992 which must be added to the Haringey Council element of the Council tax to give a total Council tax for each category (band) of dwelling in the Council's area;
 - The formal assessment of the relevant basic amount of Council tax against the principles established by the Secretary of State for the purpose of determining whether any Council tax increase is 'excessive' and therefore is subject to referendum.
 - Approval of the Cash Limits for 2016/17;
 - The S151 Officers evaluation of the adequacy of the Council's reserves and the robustness of the estimates including the council's reserves policy;
 - Approval of the Treasury Management Strategy Statement (TMSS) which has been formulated by the Corporate Committee and subject to the scrutiny review process

5. Alternative options considered

5.1. The Cabinet has considered or are asked to consider the following alternative options:

- (i) The Overview and Scrutiny committee met on 25th January 2016 and the formal recommendations from that meeting have been reviewed by the Cabinet Member for Resources. Cabinet are asked to further consider the recommendations and approve the proposed responses set out in Appendix 6.
- (ii) The outcomes from all of the consultation activities and our consideration of all of the comments are summarised in this report.
- (iii) The Cabinet have considered the extent to which further resources could be generated from an increase in the Council tax

above the proposed 2% precept for Adult Social Care and, taking into account the impact on Council tax payers, the Cabinet is not proposing any further increase above the Adult Social Care precept of 2% set out in this report.

6. Background information

- 6.1. In January the Cabinet considered a number of proposed changes to the 2016/17 budget, which was initially set out in the 2015 – 2018 Medium Term Financial Strategy. These changes reflected an overall increase in government grant resources amounting to around £2.5m and a further increase in resources based on the proposal to apply the 2% Adult Social Care precept. This will be used to meet demographic and other pressures as set out below.
- 6.2. The Provisional Local Government Finance Settlement also raised the option for Council's to request a 'guaranteed' four year settlement subject to the production of an efficiency plan. The exact details of this offer are unclear; for example what the efficiency plan would include, who is authorised to request the offer, whether a request can be subsequently rescinded and the extent to which the financial allocations might need to be reviewed to take account of variables such as the Uniform Business Rate multiplier.
- 6.3. Consequently, we are intending to explore in detail the offer as it is developed with the intention to achieve as much financial planning certainty as possible from the government as this approach is consistent with that adopted by the Council in setting its MTFS for 2015 -2018 and its future intentions for strategic longer term financial planning.
- 6.4. It is also apparent that the whole approach to financing Local Authorities is changing; over the next Four years implementation of the proposals for Council's to retain 100% of Business Rates and the cessation of the existing Revenue Support Grant mechanism are likely to have profound effects for the way that Council's finances are set and this settlement is therefore likely to be the final one transacted under the existing arrangements.
- 6.5. The revised budget for 2015/16 was £266.4m. Table 1 below summarises the Council's 2016/17 budget position following the January 2016 report approved by the Cabinet.

Table 1 – Revised 2016/17 Budget Position at January 2016

	2016/17 Revised £000
Funding	
Core Grants	33,586
New Homes Bonus (NHB)	5,878
Revenue Support Grant	50,988
NHB returned funding - top slice	1,027
Council Tax	85,976
Retained Business Rates	19,404
Top up Business Rates	55,220
Contribution from/(to) Reserves	3,116
Total Funding Available	255,195

- 6.6. On a like for like basis this reflects additional resources of £4.179m over the level of resources assumed in the 2016/17 budget set out in the Councils approved MTFS.
- 6.7. Since that report was approved by Cabinet, the Chief Operating Officer (S151 Officer) has further approved, in consultation with the Lead Member for Resources and Culture, the Council taxbase for 2016/17 and, in accordance with the statutory requirements, notified that taxbase to the relevant bodies
- 6.8. The government's final settlement is expected to be announced in February which may make further changes to the provisional settlement. Changes arising from the publication of the final local government finance settlement should reflect minor technical adjustments and are not expected to have a material effect on the proposals made in this report.
- 6.9. In order to finalise the budget proposals in time for the scheduled Full Council meeting, the Cabinet is asked to delegate authority to the Chief Operating Officer (S151 officer) to agree any changes up to a level of £1.0m consequent on the final settlement or any further notified changes to government grants.
- 6.10. This will allow the Council meeting scheduled for the 22nd February to agree a full set of budget proposals reflecting all relevant financial information.

7. The Council's taxbase

- 7.1. Each year the council as Billing Authority is required to calculate the tax base for the Borough in order for it to calculate its own council tax but is also required to notify this figure by 31st January each year to any major precepting authority (the GLA) as well as any levying body (Environment Agency, Lee Valley Regional Park Authority, North London Waste Authority, London Pension Fund Authority) in order for them to calculate and set their own budgets and determine the level of precept / levy to be made to Haringey.
- 7.2. The calculation of the council tax base is prescribed by regulations. Put simply, it is the aggregate of the estimated number of properties in each valuation band each year, subsequently adjusted to take account of the estimated number of discounts, disregards and exemptions which are likely to apply and any estimated increase / decrease in the list for the forthcoming year.
- 7.3. The Chief Operating Officer, in consultation with the Cabinet Member for Resources and Culture, considered and approved a report setting out that the Council's taxbase for 2016/17 would be 72,175 (from 70,810 in 2015/16). The taxbase has increased over 2015/16 due to the combined effect of an increase in dwellings and a reduction in estimated numbers to be applied under the Council Tax Reduction Scheme (CTRS) which was approved by the Cabinet in December 2015.
- 7.4. A small increase in taxbase was already projected in the 2015 -2018 MTFs, based on the proposed level of Council tax for 2016/17, excluding the levying of the Adult Social Care Precept, the increase in the taxbase results in additional resources of £1.2m. This report proposes to place this additional yield into a Risk Reserve (see section 11 below)
- 7.5. Similarly the latest position in respect of anticipated Business Rates (NNDR) income has been reviewed and now reflects a c£0.4m increase in the anticipated yield which has been added to the overall funding position.

8. Schools

Dedicated Schools Budget (DSB).

- 8.1. The DSB is made up of the Dedicated Schools Grant (DSG), post 16 funding provided by the Education Funding Agency (EFA) and the Pupil Premium. As the post 16 funding is calculated by the EFA and paid directly or passported to schools and academies the Cabinet is not required to make any decision on this funding.

8.2. The Local Authority is required to consult with the Schools Forum on the Dedicated Schools Budget. Reports on the proposed strategy for the year were presented to the Forum on 3rd December and 14th January. A further report is planned for the Forum meeting on 25th February. The following paragraphs set out in overview the proposals relevant to the DSB most of which are subject to Forum approval. However, the changes, set out in paragraphs 8.11 – 8.21, and which reflect proposals to amend the Haringey Formula for Funding Schools are made by the Forum for approval by the Cabinet.

8.3. A summary of the indicative DSB resources is included in Appendix 5

Pupil Premium.

8.4. The current rates for the Pupil Premium are £1,320 per eligible primary age pupil, £935 per eligible secondary age pupil, £1,900 for Looked After Children (LAC) and children adopted from care and £300 for children of service personnel. We have not been notified of any changes to these rates for 2016-17 and the Pupil Premium receivable in 2015-16 for schools in Haringey is therefore:

• Academies and free schools	£3.794m
• Maintained Mainstream	£11.347m
• Special Schools	£0.249
• LAC	£0.781m
• Alternative Provision and other	<u>£0.110m</u>
Total	£16.281m

8.5. For the first time in April 2015 three and four year olds in nursery provision were eligible for the Pupil Premium. This was paid at the rate of £0.53 per hour per eligible child and it is estimated that this will generate a total of £317k for Haringey children.

Dedicated Schools Grant (DSG).

8.6. The DSG is a ring-fenced government grant covering pupils aged 2 to 15 that can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations. The DSG is calculated in three blocks: The Schools Block (SB), the Early Years Block (EYB) and the High Needs Block (HNB), which are considered separately. Funding may be moved between blocks with the agreement of the Schools Forum.

8.7. The indicative DSG settlement was received at the time of the Provisional Local Government Finance Settlement in December.

Schools Block.

8.8. The Schools Block covers the cost of all funding delegated to schools and academies as determined by the local funding formula. It is calculated using

pupil numbers recorded in the census for mainstream settings in October 2015.

- 8.9. There has been a technical change at the National level to the calculation of the Schools Block in that funding for all academies and free schools was included in the grant as a lump sum in 2015-16. In 2016-17 the funding was built into the main allocation.
- 8.10. Overall there will be an increase of £2.901m in the Schools Block (SB) attributable to increasing pupil numbers and a slight increase in per pupil funding for the technical change mentioned above.

Haringey Schools Funding Formula.

- 8.11. Local Authorities (LAs) are required to keep their funding formula under review and following significant changes in 2013-14 and 2014-15 no material alteration was made for 2015-16. Schools Forum on 8th July 2015 appointed a sub-group to review the formula for 2016-17.
- 8.12. The group took account of a number of factors including The Department for Education's (DfE) expressed intention to introduce a national schools funding formula. The Government's Spending Review on 25 November announced that consultation on a national funding formula will begin in 2016 with the intention of introducing one for 2017-18.
- 8.13. Its deliberations concluded that there should be no general change to the 2016-17 funding formula; however, a proposal was made to remove the secondary lump sum (£74k) and retain this within the High Needs Block (HNB). The reason for the proposed change was the disproportionately high number of pupils with high needs taken by some secondary schools, with the resulting additional pressure on their delegated budget share, and a disproportionately low number taken by others.
- 8.14. To support the effect of this imbalance the proposal was to create a fund in the HNB to support schools taking high needs pupils above a threshold. The methodology would be different in the first year of operation.
- a. In Year 1 (2016-17) the funding would be released to secondary schools proportionate to the numbers of Haringey children with statements/EH&CPs to the school roll (Years 7 to 11 only).
 - b. Subsequently, the funding will be released to secondary schools in the same way but only taking account of the numbers of year 7 students with statement/plans proportionate to the year group.
- 8.15. This phased approach will allow schools to redress the balance of their intake over time and recognise the efforts of schools that positively support children with additional needs.

- 8.16. The proposal was consulted on with all schools with the majority of replies coming from secondary schools. Secondary school responses by the deadline were evenly divided for and against the proposal, a late response was in favour. A particularly strong response against was received from Greig City Academy and a representative from the school spoke against the proposal at Schools Forum.
- 8.17. Schools Forum on the 3rd December considered the proposal and the responses to consultation and resolved to recommend the change to the Cabinet (18 in favour with 2 abstentions).
- 8.18. The data set for the 2016-17 funding allocation was released in mid-December. There were significant changes to the Income Deprivation Affecting Children Index (IDACI) with no Haringey child being in the most deprived band and a far higher proportion now in the lower bands. To retain the same factor value as in 2015-16 would have reduced the funding through deprivation factors from 12.4% to 9.2% and introduced unplanned turbulence between years in the lead up to the introduction on a national schools funding formula in April 2017.
- 8.19. Modelling was undertaken to minimise the year on year changes and two options were consulted on. Option 1 up-rated all factor values to allocate the resources released from IDACI whereas Option 2 first up-rated the IDACI value to allocate the 2015-16 IDACI quantum and then up-rate all factors to allocate remaining headroom.
- 8.20. Consultation with schools produced 36 responses which were considered by the Forum on 14th January. Of these 27 supported Option 2 and nine Option 1. Forum agreed to recommend Option 2 to Cabinet.
- 8.21. The Minimum Funding Guarantee (MFG) remains at the same level as last year (98.5%) and this will serve to act as a further control against any excessive turbulence in an individual school's budget as a result of the proposed formula changes.

High Needs Block (HNB)

- 8.22. The HNB is not driven by census data and is therefore not as buoyant as the other two. The resources available in the HNB have increased by £0.447m.
- 8.23. The HNB covers all funding for pupils with Special Educational Needs (SEN) other than that included in delegated mainstream school budgets. It includes funding for special schools, special units and alternative providers, funding for pupils placed in other local authority or private provision and centrally provided services. It also incorporates funding for the extended duty of providing for students in FE establishments with SEN up to the age of 25. A significant concern is the uncertainty around the costs of the new responsibilities for students up to the age of 25 with SEN which began in September 2013.

8.24. A sub-committee of the Schools Forum meets to look at this area in detail and a report will be presented to Forum on 25th February looking at the pressures within the HNB and the plans for 2016-17 budgets and for containing expenditure within the resources available.

Early Years Block (EYB).

8.25. The EYB funds in Haringey:

- a. The universal early years free educational entitlement for three and four year olds in nursery classes, nursery schools and the Private Voluntary and Independent sector. This includes the agreed number of full-time places.
- b. The targeted funding for the two year old entitlement.
- c. The childcare subsidy.
- d. A contribution to the cost of the Early Years Team and centrally retained budgets that have been delegated in the Schools Budget.

8.26. Forum will be considering proposals for the allocation of the 2016-17 EYB (indicative at this stage) at its meeting on 25th February.

Longer Term Dedicated Schools Budget Strategy.

8.27. The 2015 Spending Review announced consultation in early 2016 on the introduction of a national funding formula for schools, early years and high needs costs from April 2017. This may either take the form of a specific allocation per school using the national formula or the aggregate of these sums allocated to local authorities with the final distribution being determined by schools forums. It is expected that this will affect the distribution of funds between local authorities and between schools.

8.28. The Spending Review highlighted the increase to 30 hours of childcare for 3 and 4 year olds with working parents. Upper and lower limits on earnings and hours will be applied to eligibility for the additional 15 hours. A headline announcement on investing over £1bn a year more in childcare for 2, 3 and 4 year old by 2019-20, was also made. The government plans to invest at least £50m capital funding to create additional nursery places and over £300m a year to increase hourly rates.

8.29. Funding for education budgets outside of the DSB will be cut nationally by £600m. As a result the role of LAs in working with schools will be reduced and a number of statutory duties removed.

9. Homes for Haringey and the HRA

Housing Rents

- 9.1. Since the introduction of Self Financing in April 2012, the main income to the Housing Revenue Account (HRA) has been the rent and service charges of tenants. Rents in the past four years have been set in line with the Government's guideline rent increase. However, there has been a change of policy on the part of the Government. In July 2015, as part of the summer budget, the Government stated their intention to reduce social housing rents by 1% from whatever the rent actually was on 8th July 2015.
- 9.2. This is the first time in recent years that the Government has taken direct control of rents, and therefore there are no realistic options for the Council to consider, when setting rents for existing general needs housing tenants. The legislation has not yet received Royal Assent, but it is considered too complex not to implement the anticipated legislation. If the Council were to ignore the impending legislation, and only apply it once fully approved, it will probably have a rent reduction to apply retrospectively, including refunding overpaid rents.
- 9.3. The Council has adopted a current policy of putting rents up to target rents on empty properties, and it is proposed that this should continue (although these rents will also be subject to the 1% rent reduction).
- 9.4. The average rent for general needs housing, after application of the 1% rent reduction will fall from £106.62 per week to £105.55 per week (with effect from Monday 4th April 2016) and this will mean that there will be a rent loss of £2.681m from the anticipated budget for 2016/17. Table 2 below sets out the average weekly rents for 2016/17 by property size.

Table 2 – 2016/17 Average Weekly Rents (General Needs Housing)

Number of Bedrooms	Number of Properties	Current average rent 2015/16	Provisional average rent 2016/17	Proposed average rent decrease
Bedsit	131	£85.73	£84.87	-£0.86
1	4,228	£89.18	£88.29	-£0.89
2	5,242	£105.81	£104.75	-£1.06
3	3,819	£121.27	£120.06	-£1.21
4	594	£137.79	£136.41	-£1.38
5	100	£159.42	£157.82	-£1.59
6	12	£166.78	£165.11	-£1.67
7	2	£159.18	£157.59	-£1.59
8	1	£180.20	£178.40	-£1.80
Total	14,129	£106.62	£105.55	-£1.07

Sheltered/ Supported Housing

9.5. However, whilst the new approach on rent reduction applies to general needs housing, the Government announced on 27th January that it will put in place a year-long exception for all supported accommodation from the 1% rent reduction in the social rented sector.

9.6. The impact of this government exemption is to allow a rise in the rent for Sheltered/ Supported Housing in line with existing government guidelines of inflation (measured by the September Consumer Price Index (CPI) + 1%) which the Council has previously followed. Given that in September 2015 the CPI was in fact -0.1% the proposed rise in rents for these houses is actually 0.9%.

9.7. This has been done to give the Government time to study the findings of an evidence review that was commissioned by the Department for Work and Pensions (DWP) and the Department for Communities and local Government (DCLG) into the various forms and definitions of supported accommodation. The exemption follows sustained efforts by a wide range of bodies including housing providers and Local Authorities to highlight the negative effect that the 1% rent cut would have on supported accommodation due to the increased costs that this type of provision attracts.

9.8. Therefore, Sheltered/ Supported housing rents would increase by £0.85 per week (0.9%) from an average of £94.49 per week to £95.34 per week as set out in Table 3 below. These units provide accommodation that is specially designed for older and disabled people who need support on a day to day basis.

9.9. More than 98% of existing residents in Sheltered / Supported housing already receive support to pay their rent in the form of Housing Benefit, the Council will work with the small number (less than 30) of residents where this is not the case to provide financial advice and support with budgeting to ensure that the impact is mitigated.

Table 3 – Sheltered/ Supported Rents 2016/17.

Number of Bedrooms	Number of Properties	Current average rent 2015/16	Provisional average rent 2016/17	Proposed average rent decrease
Bedsit	8	£83.71	£84.47	£0.75
1	1,271	£94.28	£95.13	£0.85
2	39	£103.11	£104.04	£0.93
3	2	£105.08	£106.02	£0.95
Total	1,320	£94.49	£95.34	£0.85

- 9.10. The Council agreed a 3 year budget for the Housing Revenue Account (HRA) in February 2015. However, given the Government's decision to impose a 1% rent reduction for the next 4 years and the forced sale of Council houses to fund the extension of Right to Buy, this budget has become unsustainable, as the available funding is now expected to reduce by around 15% from the position assumed when the budget was set in 2015 over a 4 year period.
- 9.11. The Council is very limited in its options to stop a sharp fall in HRA income which means that to continue to deliver a balanced budget we will need to reduce expenditure on Housing. All HRA expenditure will be reviewed and challenged over the next 12 months. However, the rent loss in 2016/17 can be met in the first year of this new policy, by a reduction in the provision for bad debt (0.5m), and through a reduction in the HRA Capital Programme (£2.1m).
- 9.12. This will in turn allow the Council time to more fully explore the other options to balance the budget as part of the Business Planning process and hence return to setting a longer term budget during 2016-17.

Service Charges

- 9.13. In addition to rent, tenants also pay service charges. Tenants' Service charges are cost neutral. The charges must be set at a level that recovers the costs of the service, and no more than this. The proposed service charges for 2016/17 are set out in Table 4.

Table 4 – 2016/17 Service Charges

Tenants' service charges	Current Weekly Charge 2015/16	Proposed Weekly Charge 2016/17	Proposed increase	Projected Annual Income
Concierge	£15.29	£15.66	£0.37	£1,595,800
Grounds maintenance	£3.01	£3.16	£0.15	£1,291,100
Caretaking	£4.25	£4.29	£0.04	£1,664,500
Street sweeping (Waste collection)	£3.63	£3.56	-£0.07	£1,451,300
Light and power (Communal lighting)	£2.15	£2.19	£0.04	£1,015,500
Heating (average charge)	£10.15	£10.20	£0.04	£311,600
Integrated reception service (Digital TV)	£0.77	£0.77	£0.00	£353,200
Estates road maintenance	£0.49	£0.50	£0.01	£235,400
Bin and chute cleaning	£0.16	£0.16	£0.00	£64,300
Proposed tenants' service charge income 2016/17				£7,982,700
<i>Projected income is based on the number of tenants x weekly charge x 52 weeks x *99% (*Income recovery rate with 1% rent loss due to empty properties)</i>				

Rents for our own stock, when used as temporary accommodation

9.14. There is a significant decant programme underway, to support the current and future regeneration projects on housing estates. There is usually a long gap between the time when tenants move out, and the blocks are demolished. It is proposed to use these properties as temporary accommodation for people towards whom the Council has a duty to provide, when they are homeless. Such properties are occupied under licence, and excluded from becoming secure tenancies under the Housing Act 1985 Schedule 1 (4).

9.15. Rents are for licences and non secure tenancies are not restricted under the rent restructuring rules. The local authority can set appropriate rents, and it is proposed that rents in these properties are set at the appropriate Local Housing Allowance (LHA) rate.

9.16. The revised HRA budget for 2016/17 taking into account all of the above changes to rents and service charges is set out in Appendix 2.

10. General Fund and Housing Revenue Account (HRA) capital programmes

- 10.1. Multi-year capital programmes were approved for both the General Fund and the Housing Revenue Account (HRA) in February 2015. Currently the only proposed change is to the HRA programme – Decent Homes successor project, where the impact from the fall in housing rents has been reflected. Further changes to the council's capital programme(s) and associated funding are pending the exercise to review capital expenditure in the context of the Council's new Capital Strategy.
- 10.2. Appendix 3 and 4 sets out the 2016/17 capital programmes for the General Fund and HRA respectively. To the extent that additional schemes need to be approved in advance of a revised programme, Cabinet will be asked as part of the scheme approval to add them, together with the associated funding requirement, into the relevant capital programme.

11. Reserves and Risk.

- 11.1. The Council's MTFs 2015 – 2018 relied on contributions from reserves in 2015/16 and 2016/17 of £4.220m and £3.116m respectively. A replenishment of reserves amounting to an estimated £3.047m was set out for the 2017/18 financial year meaning that, in total reserves would, all other things being equal, be around £4.289m lower at the end of 2017/18 than they were in 2015/16.
- 11.2. In the event the improved 2014/15 outturn position allowed the creation of a £2.2m risk reserve going into 2015/16. However during 2015/16 it has been necessary to utilise both the Risk Reserve of £2.2m in addition to the further application of some £5m of reserves approved by the Cabinet in December 2015.
- 11.3. The latest financial monitoring report considered by Cabinet and based on the P8 (November) position identified that, even after the application of the Risk and other reserves referred to above, there remains budget pressure of around £6m. The Cabinet Member for Resources and Culture has made it clear to officers that he expects them to take action to improve this position; however, it is probable that a further call on the Council's reserves will be necessary to balance the 2015/16 budget.
- 11.4. The Chief Operating Officer (COO) has a statutory duty to report on the adequacy of the Council's reserves when the Council sets its budget in February and, in doing so, account will be taken of the 2015/16 estimated outturn position. However, given the clear pressure on the Council's reserves the COO is strongly recommending at this stage that any additional resources that are generated for 2016/17 are held in a Risk Reserve to offset the significant financial pressures.
- 11.5. When taken together, the net draw down of reserves over the MTFs period of £4.289m offset by the £2.2m Risk Reserve from 2014/15 and the improved

yield from the Council tax as a result of the higher taxbase (£1.2m as set out in para.7.4) would mean that reserves would be expected to be around £0.8m lower in 2017/18 than in 2015/16.

- 11.6. Given the extent of the projected overspend in 2015/16, and the additional need to utilise reserves as a strategy for managing those short term pressures, the COO is strongly of the view that this action is necessary in order to confirm the adequacy of the reserves when the budget is set.

12. Consultation – Summary of Responses Received

12.1. Statutory consultation took place with business rate payers during the week commencing 11th January 2016; a presentation was made to representatives of the business community summarising the council's budget proposals. Attendees represented business groups such as: Tottenham and Green Lanes Traders Associations; Haringey Business Alliance and the Federation of Small Businesses. In addition there were individual representatives of a range of local businesses from property developers to individual traders. In general, business rate payers welcomed the Council's approach to growth and were positive about changes the Council's policy on business rates. Business rate payers also recognised the need to fund social care appropriately but were neutral on the matter of a Social Care precept.

12.2. A consultation questionnaire seeking Council tax payer's views specifically on the proposed 2% Council tax precept for Adults Social Care together with the opportunity to reflect more generally on the Council's 2016/17 budget proposals was made available on-line following publication of the January Cabinet report. A total of 315 responses were received by the closing date.

12.3. In addition 5 further responses were received through a dedicated budget proposals email address.

12.4. The responses reflect a wide range of views from local residents. The outcomes from these consultation activities in relation to the 2% ASC precept are summarised below:

- When asked about whether residents agreed with the Council's proposal to raise the 2% Adult Social Care precept, 165 (52.4%) either strongly agreed or agreed.
- 121 (38.4%) either strongly disagreed or disagreed
- The remainder were either unsure (22) or did not respond (7)
- Overall therefore, 44 or 14% more responses were considered to be positive for a 2% precept for Adult Social Care than negative

12.5. Free text comments were also sought in respect of any more general observations on the budget. Overall there were 278 comments received reflecting a wide range of perspectives. These comments have also been

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analysed according to whether they were supportive of the proposal to raise a council tax precept of 2%, whether they were neutral unclear or whether they were against the proposal.

- Nearly half of the comments (123 or 44%) were broadly supportive of the proposal to raise council tax. Many of these respondents commented on the pressures on adult social care and recognised the funding shortfall facing the sector.
- 74 of the comments (27%) were against the proposed increase for a variety of reasons. Most of those who expressed a negative position indicated that they were strongly against it.
- Around 81 of the respondents either did not comment explicitly on the proposed council tax change or their comments did not make it clear whether they were in favour.
- It should be noted that around 75 respondents (27%) made it clear that they would prefer that the additional money raised was used differently. Most of these respondents suggested that the money should be used to keep open some or all of the day centres. A few wished for the money to be spent outside of Adult Social Care – in children’s centres or parks.
- Of the 5 responses received via email 1 was received from SASH and 2 further submissions were in support of the SASH position.. The remaining 2 were specifically supportive of the proposals to precept the Council tax but both gave the view that they wanted other existing provision maintained rather than the additional resources being used more generally in support of the Adult Social Care budget.
- In particular the extensive SASH response expressed concern that the funding would be spent on meeting the needs of the elderly and not on other vulnerable groups in the population such as those with learning disabilities.

12.6. The main themes of all the consultation responses can be summarised as:

- More people who responded were in favour of raising a council tax precept for Social Care than not.
- There was significant support for the continuation of funding for day centres.

- There were a number of comments made suggesting that the Council should either make more efficiency savings or make other changes rather than increasing taxes..

12.7. The consultation responses have been analysed and can be found attached as appendices 7 (analysis of comments on-line), appendix 8 (SASH response) and appendix 9 (other emailed responses).

The Council's Response

12.8. As set out in the Corporate Plan the Council is committed to enabling all adults to live long, healthy and fulfilling lives. This includes meeting the needs of the most vulnerable while helping them to participate more fully in the community and remain as independent as possible.

12.9. However there are growing pressures on the Adult Social Care Sector arising from a range of factors including demographic changes, an increasing complexity of need and growing costs of providing care. The commonly used tools for assessing demographic pressures in Health and Social Care are: POPPI (projecting older people population information) and PANSI (Projecting Adults Needs and Services Information) – tools produced by Oxford Brookes University and the Institute of Public Care. These suggest a rising need for care across the population – not just among the very elderly. These tools suggest the following:

- A rise in the over 65 population of just under 5% increase and 3.2% increase in the working age population.
- A rise of around 3.98% in numbers of older people requiring some assistance with self care
- The number of people with some Mental Health problems will rise by 3.3%
- The number of people with severe Learning Disabilities will rise by 3.2%
- The number of people with Physical Disabilities such that they will require personal care will rise by around 300 or 4.2%

12.10. These models confirm that the pressures in expenditure we are seeing reflect the levels of need in the population. Specifically we are experiencing significant pressures in both Older People and Learning Disabilities services. The level of pressure is such that the comparatively small increase in funding provided by the 2% precept will not resolve the whole of the pressures in the system which means that the Council needs to continue with its ambitious transformation plans in order to ensure that there is a sustainable service over the medium and longer term.

12.11. However the Council does accept that the focus in the original proposal for consultation may have been too narrow. It will therefore be proposed that the funding should be used for care packages for Older People and Younger Adults with complex needs and learning disabilities.

- 12.12. A significant proportion of the consultation responses focused on day centre provision and a number of respondents wish to see those day centres, which are planned to close following the decision of Cabinet in November 2015, stay open as a result of the charging of the 2% precept. However the Council's position remains that this is not the best use of this funding as it would only meet the needs of existing service users and does not acknowledge or address the increase in numbers of vulnerable adults needing services.
- 12.13. The proposals agreed by Cabinet in November 2015 for the future of day services will enable more people to be supported within the community within the same budget envelope and allows for a move away from segregated building based day opportunities and a chance to develop further access to mainstream activities in the community including local leisure, educational and employment opportunities with the Ermine Road Day Centre being retained and expanded to act as a physical hub for both the organisation and direct provision of day opportunities for all people with eligible needs. All individuals, following assessment of needs, will be allocated a personal budget (which in the case of new users may be funded from the 2% precept) and support will be on offer to manage personal budgets. Such a model is both more cost effective and more responsive to individual needs.
- 12.14. The funding of care packages rather than specific services moreover will provide more flexibility, choice and control for individuals and better meets our over-riding objectives of enabling adults to lead healthy and fulfilling lives.
- 12.15. For these reasons it is recommended that the Council uses the money raised by the 2% precept to fund care packages for Older People and adults with Learning Disabilities as set out in section 14 below.

13. Overview and Scrutiny

- 13.1. In addition the council's Overview and Scrutiny Committee met on the 25th January 2016 to scrutinise the council's budget proposals as set out in the 19th January 2016 Cabinet report. The committee raised a number of recommendations which have been considered and those recommendations together with a formal response from the Lead Member for Resources and Culture to those recommendations is included at Appendix 6.

14. Summary of Proposals for Council

- a. The Council's approved MTFs for the period 2015 – 2018 set out a balanced budget for 2016/17 including the delivery of £24.746m of approved savings proposals (summarised in Appendix B of the 19th January 2016 Cabinet report)

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together with support of £3.116m from the Council's General Reserve. Those proposals remain the basis of the recommendations now being made for consideration and approval by the Council on 22nd February 2016.

- b. The net additional resources of £2.5m arising from the government's Provisional Local Government Finance Settlement are proposed to be added to the Council's revenue budget in the following way:
 - £1.3m to be added to the Adult Social Care budget in recognition of the additional Care Act responsibilities placed upon that service;
 - £1.2m to be added to the centrally retained inflation provision to be allocated to services in support of the identified pressures arising from the government's single tier pension proposals and the increased costs from the most recent pension fund revaluation.
- c. It is further proposed that the 2% Adult Social Care precept be implemented. The additional yield of £1.7m from the proposed 2% Adult Social Care precept would be added to the Adult Social Care budget as required under the terms of the government's precept regulations and applied taking into account the need to meet the Council's statutory obligations to vulnerable adults in the most cost effective way.
- d. This additional funding will be used to fund care packages to meet the needs of individuals. The money will be allocated in line with the budget pressures currently being experienced by the service. £600k will be allocated to care for Older People including those with complex needs (including learning disabilities) and will be used to fund a range of support in the community including the development of alternatives to residential care.
- e. The remaining £1.1m will be allocated to younger adults with complex needs – primarily young people in transition (turning eighteen or leaving education) and people aged 18-64 with Learning Disabilities.
- f. The additional yield of £1.2m from the increased Council taxbase to be placed into a Risk Reserve in order to provide cover against budget pressures in 2016/17.
- g. The proposed changes to the Haringey Schools Funding Formula be implemented from 2016/17.
- h. The HRA Rent be reduced by 1% from the July 2015 level in accordance with the expected government legislation except for the council's sheltered/ supported housing unit which are anticipated to be formally exempted from the government's proposed rent reduction policy.
- i. The previously agreed Capital Programmes for the General Fund and the HRA be confirmed taking into account the amendments to the HRA programme required as a result of the reduction in rental income.

15. Statutory Officers comments

Comments of the Chief Finance Officer and financial implications:

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

16. Comments of the Assistant Director of Governance and legal implications:

- a. 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 proposals and submit the same to the Full Council for adoption in order to set the budget. However the setting of rents and service charges for Council properties is an executive function to be determined by the Cabinet.
- b. 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.

17. Equality comments

17.1 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

17.2 Ensuring a fair and equal borough is a priority for the Council and this is reflected in the objectives and performance targets set out in the 2015-18 Corporate Plan. Equality Impact Assessments (EQIAs) were developed and published in February 2015 against each of the five priorities in the Corporate Plan and linked explicitly to budget allocations.

17.3 Further EQIA's have been developed as new operating models, service and policy changes have been considered, consulted on and implemented during the first year of our three year Medium Term Financial Strategy, Corporate Plan and Workforce Plan. These are consulted on and published as each decision is taken or change implemented.

- 17.4 As more work is completed against Corporate Plan priorities which include new models of working, further EQIA's will be completed.

18. Use of Appendices

Appendix 1 – 2016/17 General Fund Budget summary by Priority

Appendix 2 – 2016/17 HRA Revenue Budget summary.

Appendix 3 – 2016/17 General Fund Capital Programme.

Appendix 4 – 2016/17 HRA Capital Programme.

Appendix 5 – 2016/17 Indicative DSG.

Appendix 6 – Overview and Scrutiny Committee recommendations and proposed response.

Appendix 7 – Summary of Consultation Responses.

Appendix 8 – Consultation submission from SASH.

Appendix 9 – Additional responses to the Consultation by email

19. Local Government (Access to Information) Act 1985

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