Report for: **Cabinet 13th December 2016**

Item number: **10**

Title: **5 year Medium Term Financial Strategy (2017/18-2021/22)**

Report authorised by : Tracie Evans, Chief Operating Officer

Lead Officer: Hannah Le Vay, Budget & MTFS Senior Programme Manager

Ward(s) affected: All

Report for Key/ Non/Key Decision: **Key decision**

1 Describe the issue under consideration

1.1 In February 2015, Haringey Council agreed five priorities as part of a three year strategy that set out our ambitions for the borough and our citizens. They are:

- Enable every child and young person to have the best start in live, with high quality education
- Enable all adults to live healthy, long and fulfilling lives
- Create a clean and safe borough where people are proud to live, with stronger communities and partnerships
- Drive growth and employment from which everyone can benefit
- Create homes and communities where people choose to live and are able to thrive

1.2 Alongside the corporate strategy that set out that vision, the Council approved the current three-year Medium Term Financial Strategy (MTFS 2015/2016 – 2017/18). Since then, a number of significant political changes have taken place including the arrival of a new Government, the election of a new London Mayor, and the Brexit decision, all of which bring high levels of uncertainty. In addition, welfare reform changes continue to be implemented and the number of residents those changes impact has increased as the benefit cap has been lowered. We are also faced with rising demand for temporary accommodation, adults and children social care.

1.3 Local government and the entire public sector have been faced with funding reductions since 2010. This, combined with significant economic and legislative uncertainty, plus significant changes to the way councils are funded and take decisions, mean that we are operating in an uncertain and changing environment.

1.4 There are also a number of funding changes that are still to be determined by the Government which will impact on our public sector partners. Funding for education is expected to be significantly reduced and there is uncertainty as to what responsibilities we will retain and how we will be able then to deliver our strategic objectives. Changes to health services are complex and about how we work in partnership to make the system sustainable when the cost and availability of investment and benefits are in different parts of the system. Business rates will be devolved by 2020 meaning that our sources of funding will change significantly. These are just a few issues which highlight the much more complex world we now operate in, how important our partnerships will continue to be and that together, we are setting out an ambitious vision for Haringey as a place, not just on our own organisations.

1.5 Given the level of change over the last 18 months and in order to continue delivering our priorities for the borough, it is evident that the MTFS will need to be refreshed and extended in order to provide a sound base for decisions for the next five years and includes plans for savings proposals.

1.6 The Council's refreshed MTFS presented in this report sets out the strategic financial context and details of the major budget changes being proposed for the five year planning period 2017/18 to 2021/22, and, in addition, the process for setting the Council's 2017/18 Budget.

1.7 The strategy considers the estimated revenue funding from all available sources together with estimated expenditure budgets, particularly in the high demand areas, for each of the five years, setting out and seeking approval to the savings proposals aligned to the Council's priorities.

1.8 This report considers all relevant components of the Council's revenue budget including the Housing Revenue Account (HRA) which a ring fenced account for the delivery of the Council's social housing activities, and the Dedicated Schools Budget (DSB) which is ring fenced for the delivery of education activities.

1.9 The report also considers the Council's capital budget, bringing sources of capital funding together with prioritised projects that reflect the Council's priorities. Given the level of complexity due to the regeneration aspirations of the Council, the capital budget will become an increasingly important component of the Council's overall financial position.

1.10 The detail in this report is based on the best available information but is still subject to significant uncertainty particularly in relation to later years. The final government settlement for 2017/18 is yet to be announced. Details of how business rates devolution will work is also yet to be agreed and the impact of business rates revaluation has yet to be modelled. Future reports to Cabinet and Council will take account of the impact of those changes as far as is possible. Haringey's medium-term working assumptions plan for a neutral impact of reductions in RSG to be completely matched by an upside in business rates. At this moment in time, we do not have enough information to make any other assumption. For example, we will not be clear on what education funding is available until the end of December.

2. Cabinet Member Introduction

Introduction

2.1 Since 2010, the government has reduced the amount of funding local government receives which in Haringey has meant a loss of around 40% in real terms. It is important to note that in 2010 the Government had indicated that its austerity programme would be over by now. Six years late, Haringey is still adjusting to staggering cuts to our budget.

2.2 Alongside this, the landscape is increasingly complex with the most significant changes to the local government funding regime in decades. The introduction of 100% business rates retention brings significant uncertainty with regards to financial planning. By 2020, local government will have seen its Revenue Support Grant (RSG) disappear to be replaced by localised funding arrangements including the introduction of the retention of business rates. This is unprecedented and creates a significant amount of uncertainty in terms of financial management.

2.3 Locally, those changes have included reducing the number of staff employed by the council by 45%; we have a shared ICT service with Camden and Islington and we have 12 fewer council buildings as well moving services to ensure we become more efficient.

2.4 However, demand is still rising. Since 2013 the number of adults receiving support for learning and mental health difficulties has increased by 17%; the number of people who have become homeless has risen by 11%; and unless we change the way we deliver adult social care services, spend in that area will go up by over 30% by the next general election. With this last point in mind, it was disappointing and very concerning that social care funding was not referred to at all in the Chancellor’s Autumn Statement.

2.5 Pursuing our ambitions for growth to deliver more housing and jobs in Haringey in the context of this uncertainty is critical if we are to achieve our ambitious plans for the borough to be one of the best places in London to live and work.

Local Context

2.6 There is a political commitment to freeze council tax rates until 2018. However, we are very aware that council tax is a regressive tax and the Institute for Fiscal Studies made clear in a statement in 2015, that there is an urgent need for an overhaul. Two thirds of our residents are in Band D or below and whilst Haringey is in the higher half of Band D rates in London, we will need to review our council tax levels every year. This is necessary given the importance of local sources of income in the context of the end of revenue support grant from central Government in 2020.

2.7 The Council faces demand increases in areas of social care and temporary accommodation, which have been on an increasing trajectory for Haringey over the last 2-3 financial years. Growth in the numbers of service users with learning disabilities within adult social care is expected to increase by 8% each year, and in Children’s services growth averages at 2% per year. In temporary accommodation demand is increasing on an annual basis and requires both preventative action and an emphasis on using accommodation with lower average costs.

2.8 General demographic changes are a key component of the MTFS pressures. The population of Haringey is growing and is estimated to reach 286,900 by 2020, an increase of 5.9% from 2015. By 2025, Haringey’s population is estimated to reach 300,600, an increase of 10.9% from 2015. An increased population adds strain to the Council's budgets, particular to universal services, and the challenge is to manage this within existing budgets by achieving efficiencies in the way we deliver services. Transformation activities are therefore of paramount importance in managing finite resources in times of uncertainty.

2.9 Investment in regeneration across the borough and the formation of the Haringey Development Vehicle (HDV) will provide the impetus to ensure an increase in income in the form of additional council tax income from new homes and business rates from the development of Wood Green and Tottenham, as well as delivering employment and growth opportunities.

2017/18 and the Medium-Term (2018/19 to 2021/22)

2.10 A considerable amount of work has been undertaken to predict and hence prepare for our demand in key areas over the next 5 years. Consequently, we have embarked on building a 5 year Medium-Term Financial Strategy (MTFS) to take us beyond the uncertainty of the localisation of business rates in 2020.

2.11 In developing the financial model we have identified a funding gap of £20m over the 2-year period for 2017/18-2018/19. Savings proposals have been presented in order to bridge the gap with the Council's administrative functions taking almost 50% of the total savings so as to protect and rebuild service budgets as much as possible.

2.12 We will be continuing our extensive programmes of transformation activity across the organisation focusing on those areas of pronounced demand. Activities are also underway to further transform the Council's administrative functions and accelerate the pace of activity. Over the last 12 months significant savings have already been achieved through the development of an internal Shared Services Centre and a joined-up Digital and IT service with Camden and Islington. There is significant joint work happening with the health and social care organisations in the North Central London (NCL) led partly through the Sustainable Transformation Plan (STP) and partly through other joint work with the NCL organisations. We are continuing to look at options for further integration both internally and with other organisations, whilst always focussing on and actively managing and mitigating risks.

2.13 Through the delivery of the savings presented in this report for consultation and by accelerating our transformation activity we will be able to set a balance budget for 2017/18 with some use of Reserves. The extent to which we utilise our Reserves will be dependent on the level of our deficit at year-end. We will look to recommence building Reserves in the next financial year to provide further future resilience to our financial position.

2.14 With considerable investment in transforming our services, regeneration and growth, we are actively managing improvements in our tax base for both council tax and business rates to provide upsides towards the back end of the MTFS, 2019/20 and beyond.

2.15 Our budget consultation activity through the autumn has seen wide engagement from Haringey's residents and has helped us to form the proposals that support this paper. Thank you to everyone who has provided their thoughts so far. I encourage as many people as possible to continue engage over the next few months as we finalise our five-year MTFS.

3. Recommendations

It is recommended that Cabinet:

3.1 Note the initial budget proposals and financial planning assumptions set out in this report and note that they will be refined and updated after the provisional Local Government Finance Settlement is published in December;

3.2 Note the 5 year MTFS 2017/18 to 2021/22 to be reviewed at Cabinet in February 2017, to recommended for approval at Full Council's meeting in February 2017 to set the budget for 2017/18;

3.3 Agree consultation with residents, businesses, partners, staff and other groups as necessary on the draft revenue proposals for 2017/18-2021/22 as set out in Appendix 2;

3.4 Note that the results of the consultation on the draft revenue proposals will be considered by Cabinet in February 2017 and recommendations made to Full Council at its meeting in February 2017 for the Council's formal budget setting for 2017/18;

3.5 Note that the detailed proposals will be submitted to Scrutiny Committees in December and January for scrutiny and comments;

3.6 Note proposed changes to Fees and Charges in respect of executive functions will be considered by Cabinet in February 2017 and those requiring approval by the Regulatory Committee to be considered at its meeting in January 2017;

3.7 Note the capital programme for 2017/18-2021/22 for those schemes requiring corporate resources and grant, to be considered again by Cabinet in February 2017 and then to be recommended to the Council at its meeting in February 2017;

3.8 Note the draft Housing Revenue Account (HRA) budget for 2017/18 as set out in Appendix 5 which will be considered again by Cabinet in February 2017 and then recommended to the Council at its meeting in February 2017;

3.9 Note that the proposed housing Council rent changes and service charges for 2017/2018 set out in section 16 and 17 of the report will be considered by Cabinet for approval in February 2017, that:

- Rent charged to tenants for general needs accommodation is reduced by 1% from their current levels from Monday, 3 April 2017;
- The proposed weekly tenants' service charges set out in section 17, table 22 is approved;
- The existing rents in HRA hostels should remain unchanged for 2017/18.

3.10 Approve the proposed changes to the draft Dedicated Schools Budget (DSB) set out in section 19.

4. Reasons for decision

4.1 The Council has a statutory requirement to set a balanced budget for 2017/18 and this report forms a key part of the budget setting process by setting out the likely funding and expenditure for that year. Additionally in order to ensure the Council's finances for the medium term are put on a sound basis, this report also sets out the funding and expenditure assumptions for the following four years in the form of a Medium Term Financial Strategy.

5. Alternative options considered

5.1 This report recommends that the Cabinet should consider proposals to deliver a balanced and sustainable MTFS over the five year period 2017/18 to 2021/22, to be reviewed further at Cabinet in February, and ultimately adopted at its final budget meeting at Full Council in February 2017, which is a statutory requirement in terms of agreeing the Council's 2017/18 budget.

5.2 Clearly there are a number of options available to achieve a balanced budget and officers have developed the proposals for determining levels of both income and service provision in this report taking account of the Council's priorities, the extent of the estimated funding shortfall and the Council's overall financial position.

6. Background information and the national context

Local Government Finance Settlement 2016/17 to 2019/20

6.1 The 2016/17 local government finance settlement received in December 2015 provided revenue support grant and other grant funding allocations for 2016/17 and indicative figures up to 2019/20. At a national level the Core Spending Power[1] figures (which include Council Tax and un-ring fenced grants) **showed a 0.4% reduction in government funding over the period 2015/16 to 2019/20**, as shown in the Table 1 below.

Table 1: Core Spending Power totals for England

England					
	2015-16	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment*	21,250	18,601	16,624	15,559	14,500
Council Tax of which;	22,036	23,163	24,459	25,853	27,353
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	*22,036*	*22,749*	*23,602*	*24,513*	*25,486*
additional revenue from referendum principle for social care	-	*393*	*821*	*1,290*	*1,804*
additional revenue from £5 referendum principle for all Districts' Band D Council Tax level	-	*21*	*37*	*51*	*63*
Improved Better Care Fund	-	-	105	825	1,500
New Homes Bonus	1,200	1,485	1,493	938	900
Rural Services Grant	16	81	65	50	65
Transition Grant	-	150	150	-	-
Core Spending Power	**44,501**	**43,480**	**42,896**	**43,225**	**44,318**
In year change in funding %		-2.3%	-1.3%	0.8%	2.5%
Cumulative Change in funding %		-2.3%	-3.6%	-2.9%	-0.4%

6.2 The equivalent table for Haringey is shown at table 2. It shows a 1.6% increase over the period. However, it is important to note that:

(i) Excluding council tax, government funding actually falls by 23% from £147m in 2015/16 to £114m in 2019/20.
(ii) The council tax amounts assume increases to taxbase and council tax increases at the 1.99% referendum limit plus a 2% increase per annum for the Social Care Precept in each year.
(iii) The New Homes Bonus Funding is subject to (a) building new homes (and therefore more residents to provide services to) and (b) a public consultation which may change the allocations (see below).
(iv) The Improved Better Care Fund allocations are only provisional and are also subject to a consultation (as at October 2016).
(v) The Settlement Funding Assessment (SFA) amount assumes local authorities will collect Business Rates at the target set by government (see below for Haringey's current projections in this area).

Table 2: Core Spending Power totals for Haringey

Haringey					
	2015-16	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment*	141	126	115	109	103
Council Tax of which;	84	91	100	110	121
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	*84*	*90*	*96*	*104*	*112*
additional revenue from referendum principle for social care	-	*2*	*4*	*6*	*9*
additional revenue from £5 referendum principle for all Districts' Band D Council Tax level	-	-	-	-	-
Improved Better Care Fund	-	-	0	4	7
New Homes Bonus	6	7	7	4	4
Rural Services Grant	-	-	-	-	-
Transition Grant	-	-	-	-	-
Core Spending Power	**231**	**224**	**223**	**227**	**235**
In year change in funding %		-2.8%	-0.8%	2.0%	3.3%
Cumulative Change in funding %		-2.8%	-3.6%	-1.6%	1.6%

6.3 Whilst the SFA allocations for 2017/18 to 2019/20 are only indicative at this stage, local authorities had the opportunity to fix these at the announced amounts by submitting an efficiency plan by 14 October 2016. Haringey submitted its efficiency plan to the Department of Communities and Local Government (DCLG) and last month received confirmation that Haringey, along with 97% of local authorities, is now formally on the multi-year settlement (covering 2017/18-2019/20). Final decisions are subject to the normal statutory consultation processes and to parliamentary approval.

6.4 The funding for local government, as well as reducing, will also be subject to significant change in the medium term. As mentioned previously, the New Homes Bonus Funding and Improved Better Care Fund allocations are subject to consultations around methodology. However, by far the biggest change will be to the SFA figures and in particular, business rates.

6.5 A summary of the main changes planned is provided below.

Business Rates

6.6 Up to 2020, there are going to be a number of significant changes to Business Rates, including:

- Business Rates Revaluation in April 2017
- A new appeals process
- A new revaluation process
- The introduction of 100% Business Rates Retention
- The Reset of the Business Rates Baseline

The potential implications of these changes for Haringey are discussed below.

Business Rates Revaluation

6.7 The business rates base will be revalued, effective from April 2017. DCLG intend for the process to be revenue neutral for local government nationally. However, the extent to which this will be the case is not possible to forecast at this stage. DCLG will make an allowance for the national loss in Rateable Value, due to appeals, following revaluation. If this estimate is too low, then local government will lose out; if this estimate is too high then local government will gain.

6.8 The financial implications of revaluation for individual local authorities is more difficult to estimate, as these will be a combination of the accuracy of the national allowance for appeals and the extent to which local appeals are above or below the estimated national average.

6.9 Due to the number of unknowns it has therefore been assumed that revaluation will be revenue neutral at this stage for Haringey. However, officers will be monitoring developments around the updated Rateable Values and the DCLG's approach to appeals over the coming months, with a view to adjusting the medium term resources projection, if needed.

Business Rates Appeals

6.10 In October 2015, the government consulted on proposals for a new approach to business rates appeals. The reforms would see the introduction of a three-stage system: Check, Challenge, Appeal. The objective of the reforms is to reduce the complexity and increase the speed of the appeals process.

6.11 The Government have now issued a second consultation paper regarding the required amendments to existing regulations, with the intention of introducing the new system in April 2017.

6.12 If the reforms meet the objective set by the government, they could potentially reduce the number of appeals that arise and that remain outstanding; and therefore reduce the financial uncertainty that the current appeals process creates.

Business Rates Revaluation

6.13 In March 2016, the Government published a discussion paper regarding the challenges of delivering more frequent business rate revaluations. The paper discusses three potential approaches for more frequent revaluations, these being:

- The current system;
- A system based upon self-assessment; and
- A formula based system.

6.14 Whilst more frequent revaluations will create greater financial uncertainty, due to the potential for local gains or losses from the allowance for appeals, if the proposals were coupled with changes that reduced the likelihood of appeals, there may be a reduction in business rate income volatility as a result. However, any new system will create additional risks to local government, in terms of its suitability and the transition to it. There would also be winners and losers (in terms of business rate payers) within any new approach, even with transitional arrangements. Where businesses do receive higher bills as a result, this may create problems in terms of their longer term viability, and therefore, for local authorities, the ability to collect the business rates.

6.15 At present the medium term financial forecast assumes that the reforms to both appeals and revaluation will be revenue neutral for the authority. However, developments will be closely monitored by officers to ensure any risks emerging are reflected appropriately within resource forecasts.

100% Business Rates Retention

6.16 In July 2016, DCLG published the consultation paper “Self-sufficient local government: 100% Business Rates Retention”. This paper begins to deal with issues in transferring the remaining 50% of business rates income to local government; consulting on issues such as which existing funding streams will be withdrawn as a result of the move and how income will be split in multi-tier areas e.g. between the GLA and London Boroughs. It is still not known if 100% Business Rates Retention will be introduced in 2019/20 or 2020/21.

6.17 The paper invites views on the general principles involved in moving to the new system, rather than any technical specifics. As a consequence it is not possible to forecast the implications of this reform for Haringey. However, it would appear to be the intention of Government to make this change revenue neutral for local government and, where possible individual authorities. Whilst there will be still the possibility to lose (or to a lesser extent, gain) from this transfer, there is perhaps a greater potential for it to be close to revenue neutral, compared to other changes (i.e. revaluation or the Reset). As the main element will be a transfer of funding which is easier to objectively measure (at least initially), compared to the local implications of national policy change.

6.18 A second, more technical, consultation paper is planned and this should provide greater insight into how the new system might work.

6.19 The funding for the sector beyond 2020 (and therefore beyond Spending Review 2015 the final year of which is 2019/20) will still be a key component of the funding local authorities receive under 100% Business Rates Retention e.g. will the government assume for further reductions to Revenue Support Grant beyond 2019/20 and/or allow local authorities to retain the CPI increase on business rates applied after 2020.

6.20 Prior to the introduction of the full scheme the intention is for London to become a pilot area in 2018/19. This may involve retaining a higher share of business rates in exchange for the loss of existing funding streams e.g. Revenue Support Grant or the transfer of additional responsibilities. It is the intention of the Government that those participating in the pilot schemes should not be financially disadvantaged.

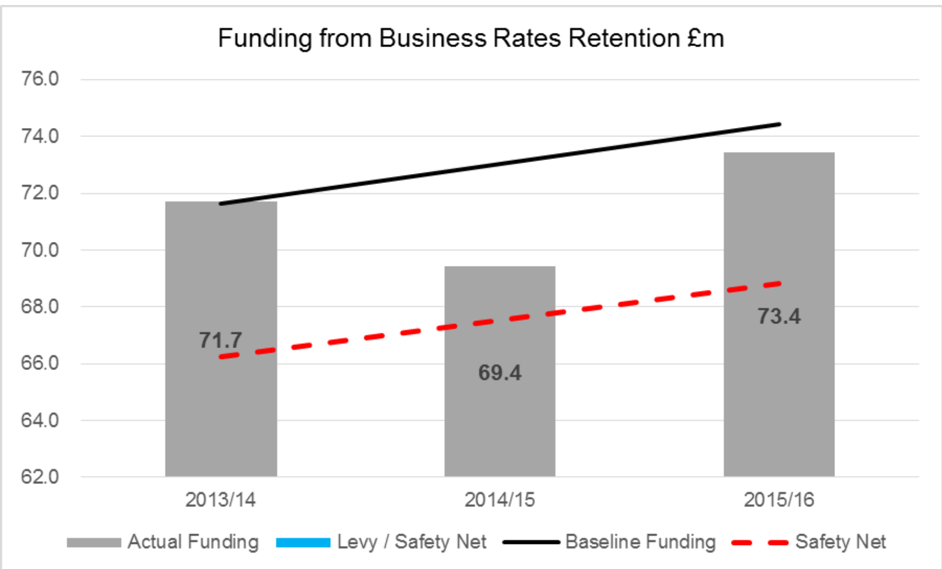
6.21 Given the lack of clear detail regarding 100% Business Rate Retention and the intention for it to be revenue neutral at both a local government and local authority level, Haringey has not adjusted it medium term projections for this change.

Business Rates Reset

6.22 Alongside the move to 100% Business Rates Retention, the target level of business rates that authorities need to collect (known as the Business Rates Baseline) is to be reset in 2020. This figure is key to individual authorities, because where a target is set too high they will receive a lower amount of business rates revenue than was originally allocated via the needs based funding formulae (although, there are resource gains to be made if it is set lower than anticipated business rates income).

6.23 If the methodology in determining the baseline is similar to that used in 2013/14 (for the current baseline), it will be based upon actual amounts collected in a specified number of prior years. This approach may be advantageous to Haringey as it has been below its baseline over the period 2013/14 to 2015/16 (as per the chart below) and therefore, all things being equal, it could expect a have the baseline reduced as part of this reset. This should provide it with a lower target amount to collect and therefore increase the chance of exceeding the future target and therefore receive higher revenue from business rates than the initial target allocation.

Table 3: Business Rates Retention Funding



6.24 Given the amount of risk and reward is likely to increase post 2020 (i.e. Haringey currently receives 30% of business rates retained and this is likely to increase), a lower business rates baseline is even more important than at present.

Fair Funding Review

6.25 The sources of the funding of the SFA allocations announced at the settlement are Revenue Support Grant and Business Rates (with the Revenue Support Grant being guaranteed and the Business Rates element being subject to local collection versus target). However, the actual SFA amounts are determined by historic needs assessment. The last time this assessment was undertaken was for the 2013/14 settlement. The government propose to update the needs assessment along a similar timeline to 100% Business Rates Retention (i.e. end of the parliament).

6.26 It is possible that authorities could gain or lose from this re-assessment of need. In particular for high population growth areas, such as the majority of authorities in London, how population figures are determined and updated will be crucial in determining future funding allocations. At present Haringey's forecasts are projecting the review will be revenue neutral, as the work is at a very early stage. It is also likely that even if changes do occur, there will be transitional arrangements that will delay / damp the impact. Officers will monitor developments of this review and update forecasts where appropriate.

New Homes Bonus

6.27 It was announced at the Provisional Local Government Settlement that the New Homes Bonus scheme will now continue indefinitely. However, the government propose to change the New Homes Bonus scheme from 2017/18 onwards. The table below compares the amount that they propose to allocate to New Homes Bonus for the following four years against what might have been expected. The table shows that the loss of funding, based on the 2016/17 in-year allocation of £293m being repeated in future years, is only £62m in 2017/18, but then jumps to £677m in 2018/19 and £773m by 2019/20.

Table 4: Comparison of New Homes Bonus forecast New Homes Bonus allocations 2016/17 to 2019/20

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Existing Forecast Allocations	1,461	1,555	1,615	1,673
New National Control Totals	1,461	1,493	938	900
Change in Funding	**-**	**(62)**	**(677)**	**(773)**

6.28 In order to keep within the lower funding amounts the government suggested a number of changes to the scheme, including:

- Reduce the scheme from 6 to 4 years
- Scale allocations to the national control totals (if they are exceeded)
- Introduce a minimum level of growth before rewards are earned.

The outcome of the consultation is expected in December 2016. Haringey's current forecasts take into account the reduced value of the scheme and forecast local growth. However, these will be subject to change based on actual housing growth and the outcome of the consultation.

Summary

6.29 All of the above changes could have an impact on Haringey's future resources, depending on the final approach taken by Government to each of the reforms outlined. Whilst at this stage an assumption of revenue neutrality would appear reasonable, each of the elements will be monitored closely to ensure the medium term financial projection reflects likely future material variances. In addition to monitoring developments, officers will also be contributing to consultation papers, where appropriate, to try and influence the changes made in a positive way for the borough.

7 Funding assumptions for Haringey

7.1 At the time of writing the Council is waiting for the local government settlement announcement. Taking into account the uncertainties outlined above, the assumptions currently built into the proposed 5 year MTFS set out in this report are:-

Government funding

7.2 **a) New Homes Bonus**

This has been forecast in line with Greater London Authority (GLA) population projections, with scaling from 2018/19 onwards as per the national control totals.

b) Revenue Support Grant (RSG)

In 2019/20 the level of residual RSG for Haringey is £21.6m; for 2020/21 onwards it is expected that RSG will cease to exist as Business Rates are fully retained. It is expected, although not certain, that resource equalisation would be achieved through continuation of the top-up and tariff system within the Business Rate Retention Scheme. Our assumption therefore is that the increase in retained Business Rates will offset the loss of RSG.

RSG has therefore been forecast in line with the Spending Review 2015 information and is assumed to end in 2019/20, but after that will be matched by an equivalent increase in business rates.

c) Business rates

For business rates, it is assumed that the only growth will be due to inflation (using Retail Price Index up to 2019/20 and Consumer Price Index post 2019/20), adjusted for the loss of RSG from 2020/21 onwards. For the reset in 2020, Haringey's net Business Rate Retention income will be adjusted to reflect the RESET (i.e. it is above the NDR baseline at the moment, but will move to the baseline by 2020). A significant element of the Council's growth strategy is to increase business rates towards the end of the MTFS period (and thereafter), and the hope is that the HDV leads to this, however it is not yet clear what value this will deliver, so no growth has been incorporated at this time.

The overall assumptions in terms of government funding for the MTFS period are that:-

- Haringey will not have a cut or increase in central government support post 2019/20;
- Haringey will maintain its rateable value;
- The revaluation in 2017 will be revenue neutral;
- 100% business rates reset in 2020 will be revenue neutral;
- Haringey will lose slightly from the 2020 reset, as it will set a higher target than currently (meaning a reduction in top up grant to offset the higher NDR income being collected historically).

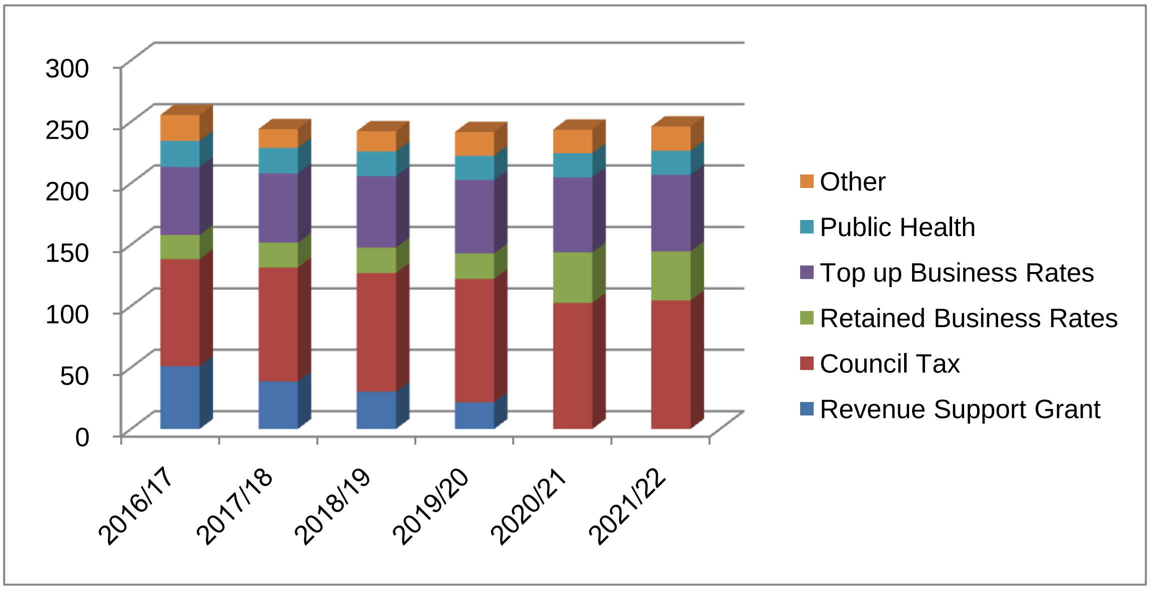
d) Core Grants

- Public Health - estimated reduction including 0 - 5 element.
- Forecast Actual S31 Payments - as per NNDR1.
- LACSEG (Department for Education Grant) - General Element will disappear from September 2017, and we have assumed that the allocation for the first 5 months is 5/12ths of £2.235m. The Retained Services element will go the school block of the DSG from 2017/18 and then into the new central block of the DSG from 1 April 2018. This transfer has been reflected in cash limit adjustments for Schools and Learning.
- Better Care Fund – no change

A summary of the funding is set out in Table 5 below.

Table 5: Summary of funding assumptions 2017/18-2021/22

FUNDING ASSUMPTIONS						
	2016/17 £000	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Main funding						
New Homes Bonus	6,905	7,812	3,952	4,228	4,899	4,899
Revenue Support Grant	50,988	38,590	30,202	21,641	0	0
Council Tax	87,187	92,827	96,625	100,499	102,550	104,600
Retained Business Rates	19,828	20,227	20,824	20,758	41,188	39,953
Top up Business Rates	55,220	56,306	57,967	59,820	61,016	62,236
Contribution from/(to) Reserves	1,913	-3,048	0	0	0	0
	222,041	**212,713**	**209,569**	**206,944**	**209,652**	**211,689**
Public Health	21,278	20,742	20,203	19,677	19,677	19,677
Other core grants	12,308	10,657	12,687	15,116	14,381	14,895
TOTAL FUNDING	**255,627**	**244,112**	**242,459**	**241,738**	**243,711**	**246,262**
Change year on year		-11,516	-1,652	-722	1,973	2,551



The latest funding announcement is expected in December and an update will be provided for this committee.

Council Tax

7.3 The latest position on council tax income for 2016/17 is that taxbase increases during the year will result in an additional £2.3m of income. This forecast has been used as the base position for the MTFS.

Table 6: Improved Council Tax position for 2016/17

	2016/17 Original £000	**2016/17 Forecast £000**
Taxbase for year	75,973	77,605
Collection Rate	95.00%	95.5%
Taxbase after collection rate	**72,175**	**74,113**
Council Tax increase	0%	0%
Social Care precept	2%	2%
Band D rate	1,208.01	1,208.01
Council Tax Yield	**87,188**	**89,529**
Change		**2,341**

7.4 Key assumptions in the MTFS are that:-

- Members will continue the policy of freezing council tax up until 2018/19, in line with this administration's manifesto commitment;
- The 2% social care precept will continue for the next three years;
- The taxbase is assumed to grow in line with GLA housing projections;
- The collection rate will be 95.5%.

The resulting projections for council tax income are set out in Table 7 below.

Table 7: Council Tax assumptions 2017/18-2021/22

COUNCIL TAX ASSUMPTIONS						
	2016/17 £000	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Taxbase		77,605	78,916	80,595	82,274	83,953
Taxbase change		1.7%	2.1%	2.1%	2.0%	2.0%
Taxbase for year	77,605	78,916	80,595	82,274	83,953	85,632
Collection Rate	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%
Taxbase after collection rate	**74,113**	**75,365**	**76,968**	**78,572**	**80,175**	**81,779**
Council Tax increase	0%	0%	0%	0%	0%	0%
Social Care precept	2%	2%	2%	2%	0%	0%
Band D rate	1,208.01	1,231.70	1,255.38	1,279.07	1,279.07	1,279.07
Council Tax Yield	**89,529**	**92,827**	**96,625**	**100,499**	**102,550**	**104,600**
Change year on year		3,298	3,798	3,874	2,051	2,051

New responsibilities

7.5 No new transfers of responsibilities to or from local authorities have been assumed in the MTFS at this stage. However the proposed Homelessness Reduction Bill will mean new statutory duties to prevent homelessness, including a requirement to make short-term accommodation provision available for those not currently in priority need.

8 Expenditure assumptions and budget gap

2016/17 Financial Performance – Operating

8.1 2016/17 has been a very difficult year for the Council. We commenced the year with significant financial pressures as a result of demand-led activity.

8.2 At Period 6/Quarter 2 (September 2016) the Council is projecting a full-year deficit of £22m. This is an improvement of £0.8m from the Period 5 position of £22.8m reported to Cabinet in October 2016. We are actively planning and managing for a reduced bottom-line impact at year-end. We have also previously built a reserves position that will allow us to cushion the impact of these challenging financial times.

8.3 Of the overspend, a significant proportion resides in the areas which continue to face increasing demand pressures: Adults (£12.5m), Children's (£5.2m) and Temporary Accommodation (£7.4m), mitigated by some reductions elsewhere in the budget corporate Revenue budgets.

8.4 The increase in demand and therefore the cost for the Council's acute services is outstripping actions being taken to manage costs down and generate income. The increases in demand have been so significant that they have outstripped our ability to make comparable savings.

8.5 In order to manage the in-year risks, targeted action is being taken to address the overspend. To manage the financial position, a number of spend reduction mechanisms have been introduced across the organisation:

- Increased pace on restructures;
- Enforced agency and interim staff leave;
- Further reduction of agency and interim staff;
- Not filling vacant posts;
- Blocking spend categories to prevent purchases of non business critical items;
- Assistant Directors signing off all purchases; and
- A further round of Voluntary Redundancies during October

8.6 The implementation and impact of these mechanisms are being managed through a Savings Steering Group chaired by the Leader, with the Cabinet Member for Finance, Chief Executive and Chief Operating Officer.

8.7 This is supported by our planned programmes of transformation being driven at pace. There are positive movements in most of the Council's budgets in recent months which is a continuing sign that the spending restrictions across the Council are having a positive impact.

8.8 Our concerted efforts of transformation and change will mean that we will set a balanced budget for the 2016/17 financial year, with the use of General Fund Reserves.

2016/17 Financial Performance – Capital

8.9 The approved capital budget is £198m. A significant challenge exercise was undertaken for Period 6/Quarter 2 to ensure that business cases and delivery programmes for each scheme are robust, and that future year expenditure profiles accurately reflect expected progress in each case. There will be another programme challenge process for Quarter 3 (December 2016).

8.10 This challenge has facilitated the identification of an overall positive variance to budget of £52.4m comprising of project slippage (£46.3m) and under spend (£6.1m).

8.11 The major variances reside in the following Priorities:

Priority 4 [Employment and Growth], (£23.5m underspend against a £60.5m budget):

- Slippage at Wards Corner where the Compulsory Purchase Order is now expected to be executed next year (£8.4m);
- Bruce Grove station forecourt (£0.4m) and the White Hart Lane improvements (£1.8m), amended to align with TfL activity;
- Six month delay at the Council's Marsh Lane Depot development (£6.0m) which will have a knock on effect to the demolition and relocation at the Ashley Road site and CCTV upgrades;
- Re-profile of expenditure at the Tottenham Green Spaces, Streets and Heritage programmes (£2.3m);
- High Road West business acquisitions this year include Jones Baker and the British Queens site (£1.55m slippage);
- The Opportunity Investment Fund will not be fully utilised this year (roll forward £1.1m);
- Alexandra Palace West Yard project has been re-profiled (£2.0m) to reflect the agreed delivery schedule.

Priority 6 [Enabling] – (£6.5 under spend against a £14.7m budget)

- The Business Improvement (£3.0m) and the Corporate IT (£1.0m) programmes comprise the largest areas of under spend, with the balance being project re-profiling, including Libraries and Customer Services.

Housing Revenue Account (HRA) – (£16.1m under spend against a £83.8m budget)

- Significant re-profiling of the leaseholder buy-backs (£6.2m) due to the phased nature of leaseholder acquisitions taking into account the support that needs to be given for relocation;
- The HRA stock acquisition programme (£3.6m) is currently forecast to under spend but the programme has now passed to Homes for Haringey to deliver and there may be a revised forecast for Quarter 3;
- The Homes for Haringey managed programme (budget £58.4m) has a potential under spend (£2.0m) as well as programme slippage (£4.3m).

Savings assumed in the previous MTFS

8.12 In the previous MTFS (2014/15-2017/18), savings of £24,163k were assumed for 2017/18 based on the proposals agreed at that stage. However, during 2016/17 it has become apparent that many of those savings are not being delivered as planned. For the purposes of this revised MTFS, the assumption is that where savings have been flagged as being at risk in 2016/17 then these will not be achieved in 2017/18. In total £22,197k of these savings have been taken out of the planned 2017/18 budget. Details of at risk savings have been reported to Cabinet in November.

Demand pressures

8.13 As outlined above the cost of providing support to our vulnerable residents has increased dramatically during 2016/17, and the assumptions underpinning the estimated increases built into the MTFS for adult and children social care and for temporary accommodation are set out in this section. For each of these an extensive exercise has been carried out to assess the levels of activity that have been driving costs as well as reviewing past experience of changes in client numbers and costs, and comparisons with the position for our statistical local authority neighbours. The additional demand amounts for the three areas for 2017/18 are:

- Temporary Accommodation: £7.133m
- Adults Social Care: £11.889m
- Children's Social Care: £2.604m

8.13.1 **Temporary accommodation**

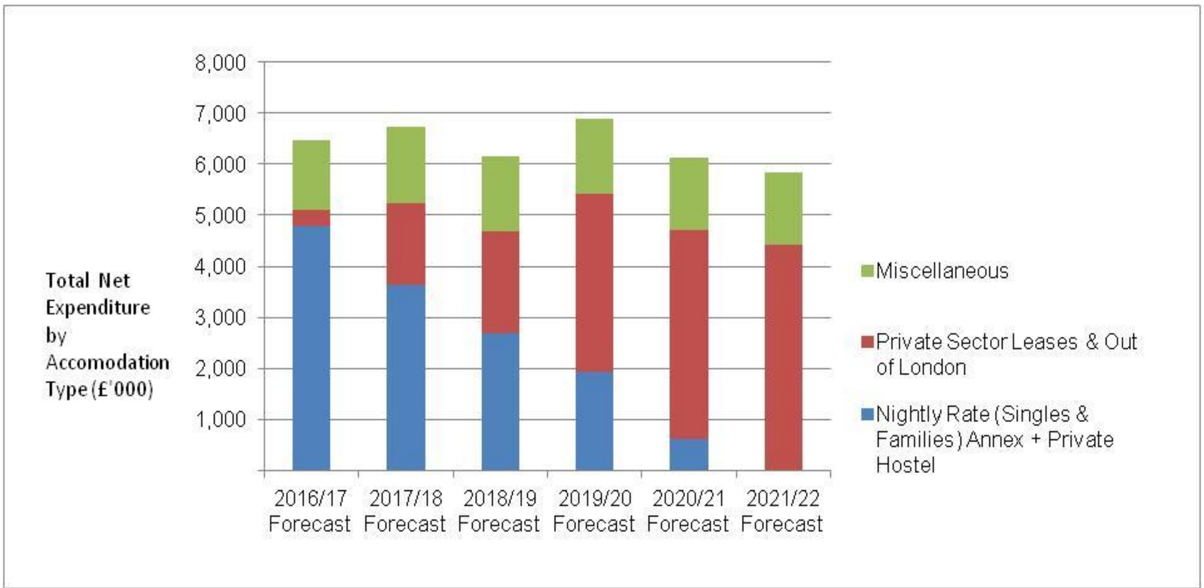
The Temporary Accommodation budget pressure is a result of 2 main issues:

- a small but steady increase in the number of households living in temporary accommodation as access to supply to discharge our homelessness duty has reduced (12% fall year on year of available social lets and a buoyant private sector market, which has made it more difficult to secure lets);
- a changing temporary accommodation portfolio which is seeing a reduction in leased accommodation which had previously achieved a surplus and a significant increase in expensive nightly rated emergency accommodation.

The overspend in 2016/17 has previously been reported to Cabinet. A comprehensive plan is in place that aims to reduce both temporary accommodation numbers and costs. The number of homelessness preventions are increasing and we are on course for an increased number of private sector lets compared to last year (250 rather than 176) but despite this the net increase in temporary accommodation has continued – overall fewer households are entering temporary accommodation but even fewer are leaving. As a result a key part of the plan is to develop initiatives that will reduce the expenditure on temporary accommodation, including the conversion of Council owned buildings into shared facility hostels (the first, Broadwater Lodge, is due to open in January 2017), and securing temporary accommodation out of London following the approval of the temporary accommodation Placements Policy at Cabinet in October.

The graph below shows the change in mix of supply over the period of the MTFS which is anticipated to ensure costs are contained within the £7.133m budget increase for 2017/18 (and subsequent minor adjustments for the following four years).

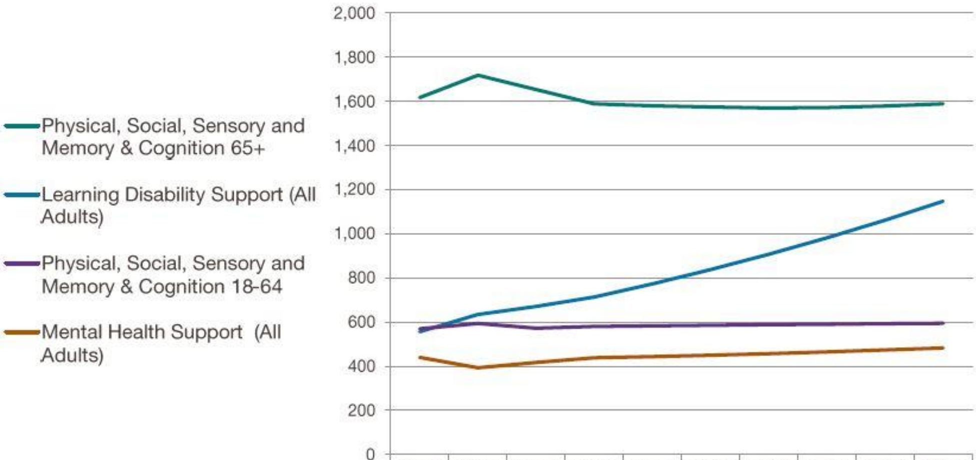
Table 8: Temporary Accommodation expenditure forecasts



8.13.2 **Adult Social Care**

The key cost drivers are the number, cost and duration of packages of care for individual clients. The actual and forecast numbers of clients in the main categories of need are set out in the table below. These figures take account of the likely level of cases which would be expected to cease. Physical, Social, Sensory and Memory and Cognition client numbers are likely to be broadly stable up to 2022. Mental Health is expected to rise modestly by an average of 1.5% per year (45 clients or 10% by 2022). Learning Disabilities, however, is expected to rise by an average of 8% per year (434 clients or 60% by 2022).

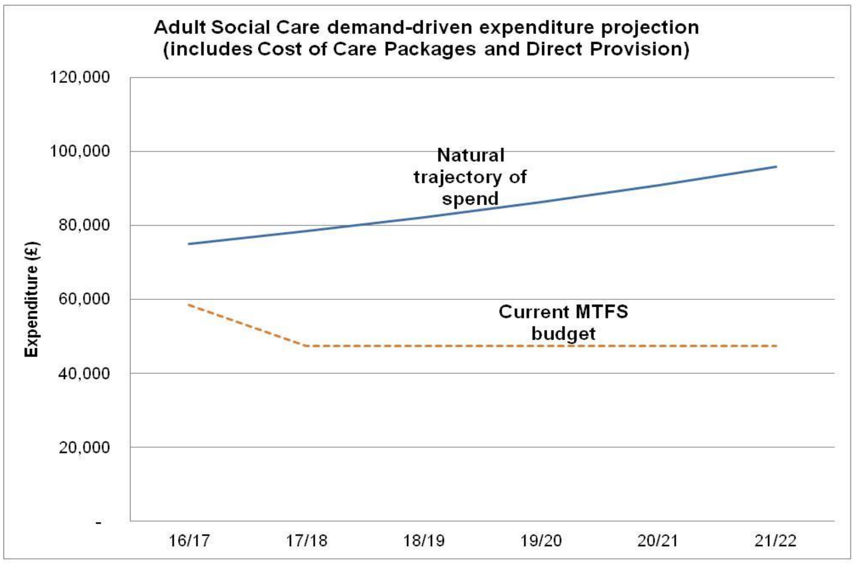
Table 9: Projected adult social care client numbers



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Physical, Social, Sensory and Memory & Cognition 65+	1,617	1,718	1,653	1,588	1,579	1,574	1,569	1,572	1,578	1,589
Learning Disability Support (All Adults)	556	634	671	713	773	838	907	981	1,061	1,147
Physical, Social, Sensory and Memory & Cognition 18-64	569	593	572	580	583	585	588	590	592	594
Mental Health Support (All Adults)	440	393	417	438	443	450	457	465	473	483

These numbers have been translated into a financial forecast which averages an increase of 4% cost increase each year as set out in the table below.

Table 10: Projected adult social care costs



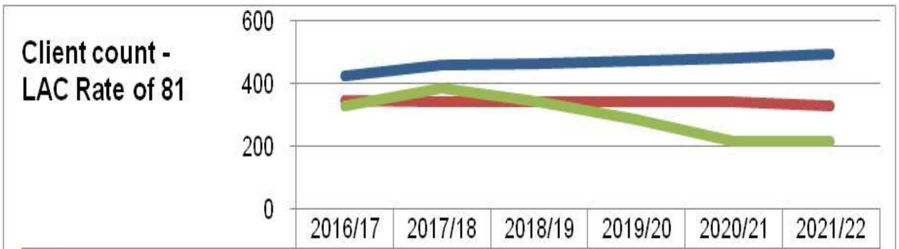
The gap between the natural trajectory and the budget for 2017/18 is around £29m and this can only be achieved by either reducing the level of spend or increasing the amount of budget. The revised MTFS works on the basis that there are already savings measures as part of existing plans which can reduce the natural trajectory spend by £9m, and that after taking into account the passporting of the Adult Social Care precept and adjusting for previously agreed savings that have been added back to the base, the amount required to fund the gap for adult social care demand in 2017/18 is £11.889m. The same principles apply for future years.

8.13.3 Children's Social Care

The key cost drivers are the costs of provision for looked after children, permanency cases (special guardianship and adoption) and care leavers. These costs are net of any specific government grants for support for asylum seekers or contributions from health or education partners. A local model had been developed, which started with the cohort of existing placements, identified what the future pathways were expected to be for those children, then considered the number of new cases and leavers at prevailing costs.

The current Looked After Children (LAC) rate per 10,000 is 72, assuming a future stable rate of 76-81 (in line with Statistical Neighbour trends), we will continue to have a significant budget pressure. For Looked After Children the assumption has been 17 new cases per month (consistent with the rate of new admissions during 2015/16, to get to a rate of 81 LAC per 10,000 population by 2012/22). This would be the level if there were no savings initiatives being pursued. For permanency cases, the assumption is that current rates of cases moving from LAC to special guardianship/adoption will continue. For Care Leavers, new cases will predominantly be LAC who reach the age of 18, plus some cases which arise through homelessness or eligible young people returning to seek support from the service. Table 11 overleaf reflects the profile of cases for each of these client groups.

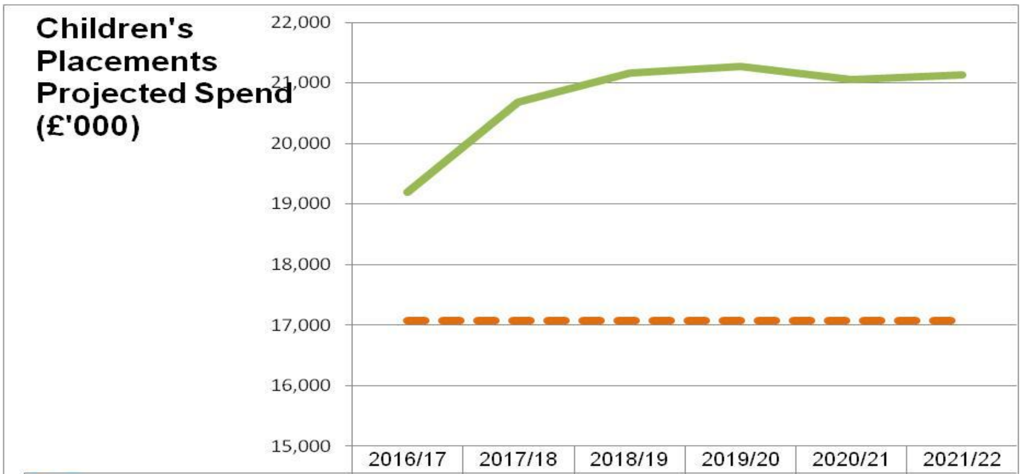
Table 11: Children's Social Care Client Numbers Forecast



	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
LAC numbers with 17 LAC pm (Finance model)	424	458	464	474	484	496
Permanency numbers	345	343	342	341	341	329
Leaving Care numbers	330	386	344	286	215	215

The financial impact of these client numbers is set out in Table 12. It suggests that the prevailing level of spend would rise by 10% by 2020/21, an average increase of 2% per year. The main increase, however, would be expected to be in the first couple of years, then the expected spend would plateau.

Table 12: Children's Social Care Financial Forecast



	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Budget £'000	17,074	17,074	17,074	17,074	17,074	17,074
Baseline spend based on LAC Rate of 81 by 2021/22	19,194	20,678	21,170	21,281	21,061	21,142

The MTFS demand figure for Children's Social Care Placements is an additional £2.604m for 2017/18. The extra £2.604m is the amount of additional budget required, after taking account of the base budget, the planned MTFS savings for 2017/18 and that element of the placements budget that is undeliverable.

Other expenditure pressures over the next 5 years

8.14 In Non Service Revenue budget provision has been made for the following:-

- An estimated £2m is required in 2017/18 as an additional employer's contribution to the pension fund following the triennial revaluation. The working assumption is that a further £2m will be required following the next revaluation (ie in 2020/21).

- Levies:
  a) £385k for a new Apprenticeship Levy which comes into effect on 1st April 2017. This is a levy on all employers whose payroll exceeds £3m and is charged at 0.5% of the pay bill.
  b) £1,335k increase in the North London Waste Authority levy.
  c) 2% increase has been assumed on all other levies (eg the Environment Agency).

Additional savings/income

8.15 Where savings and/or increased income have already been identified these have been incorporated into the MTFS. Significant items include:-

- £6m reduction in Minimum Revenue Provision to be achieved via a fundamental review of current provision and a change in accounting policy.
- 1.5% increases in fees and charges (see Section 12 below)

Budget Strategy

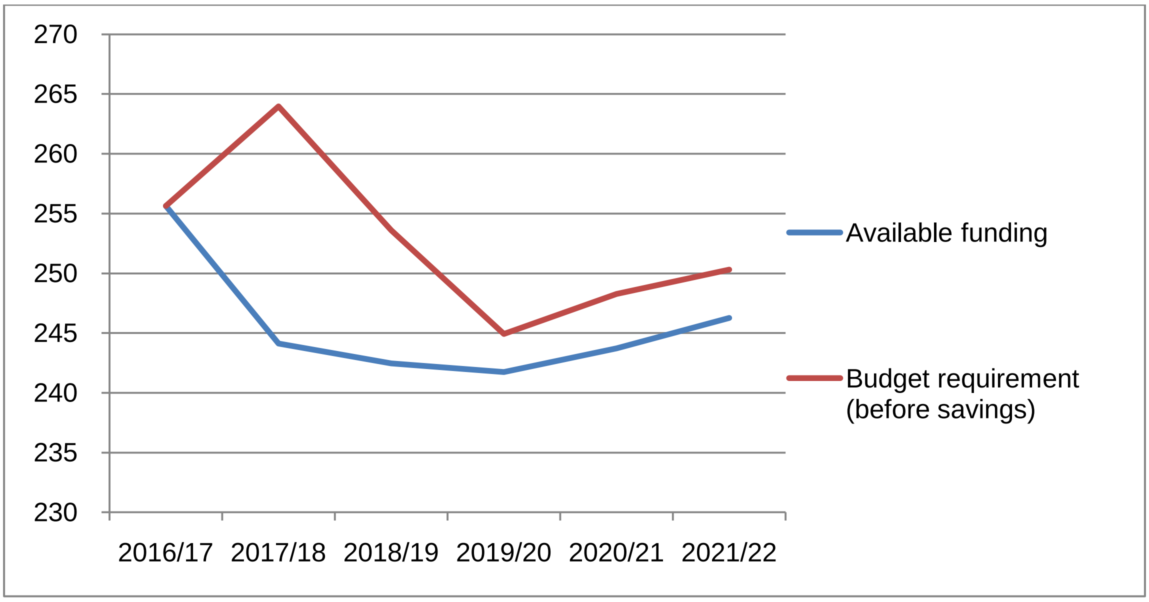
8.16 After taking into account the funding and expenditure assumptions outlined above, the overall position is a budget gap in each of the years covered by the MTFS.

Table 13: Summary expenditure 2017/18-2021/22

EXPENDITURE ASSUMPTIONS						
	2016/17 £000	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Budget requirement b/f		255,627	253,967	243,602	244,913	248,284
Unavoidable growth		26,626	1,948	1,072	2,136	746
Original MTFS year 3 savings		-24,163	-450	0	0	0
Original savings not achievable		22,197	0	0	0	0
Additional savings		-18,800	-1,000	-500	0	0
New investment		4,383	537	624	1,639	1,379
Additional income		-2,454	-1,022	-2,022	-2,022	-23
Other adjustments		551	-379	2,137	1,618	-72
Budget requirement	**255,627**	**263,967**	**253,602**	**244,913**	**248,284**	**250,314**
Available funding	-255,627	-244,112	-242,459	-241,738	-243,711	-246,262
GAP	**-0**	**19,856**	**11,143**	**3,175**	**4,573**	**4,053**

The key issue for Haringey is how to address 2017/18 and 2018/19 where there is a substantial budget gap before funding and expenditure become more closely aligned. This is best shown graphically as in Table 14 below:-

Table 14: Projected gap between funding and expenditure projections



8.17 The scale of the gap in 2017/18 (£20m) is such that it is not possible to make sufficient savings to bridge the gap in one year, and therefore the strategy has been to smooth the savings over the MTFS period through the use of reserves. The challenge is to achieve this via:

- Balancing the need to maintain our focus on transformation in high demand priorities with acknowledgement of the growing pressures in those areas
- Ensuring the proportion of total budget committed to those high demand areas is in line with appropriate benchmarks
- Ensuring an appropriate balance between the proportion of the gap apportioned to delivery of priorities and to growth
- Providing an element of cushioning for non-essential but important services

8.18 The £20m savings targets were prioritised against the following areas:

- Increased income generation (either through new areas, old areas or debt): £2.5m
- Non-essential but important universal services (principally environment areas): £1.5m
- Back office functions: £8m
- Regeneration, Housing and Planning (non-growth): £0.5m
- Adults: £4.5m
- Children's: £3m

8.19 The £20m savings target is designed to bridge the funding gap for the first two years of the MTFS – see table overleaf.

Table 15: Bridging the budget gap – saving requirement

EXPENDITURE ASSUMPTIONS						
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Budget requirement	**255,627**	**263,967**	**253,602**	**244,913**	**248,284**	**250,314**
Available funding	255,627	244,112	242,459	241,738	243,711	246,262
GAP	**-0**	**19,856**	**11,143**	**3,175**	**4,573**	**4,053**
Savings targets		**-10,000**	**-10,000**	**0**	**0**	**0**
GAP after savings targets		**9,856**	**1,143**	**3,175**	**4,573**	**4,053**

8.20 Savings in excess of the £20m required to balance the budget for the first two years of the MTFS period have been developed. These are set out in detail for consideration in the next section. At this stage there is insufficient clarity around 2019/20-2021/22 to make decisions about further cuts, and the residual budget gap for those years will be addressed once the longer term government funding and local resources have been firmed up. Additionally the next administration will review council tax rates.

8.21 The process to refine the variables set out in this report will continue until the final budget report in February.

9 Savings proposals 2017/18-2021/22

9.1 Officers have developed savings proposals in order to address the budget gap, and each is supported by a document describing the action/outcome, highlighting the value of the saving, the impact on workforce numbers, and setting out the associated risks and assumptions. Higher value proposals (those over £1m) are supported by a full business case.

9.2 Table 16 below sets out the proposed savings. The individual proposals are attached at Appendix A.

Table 16: Summary of savings proposals

Proposal	2017-18 £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	2021-22 £000's	Total £000's
P1 - Childrens (Enable every child to have the best start in life, with high quality Education)	2,762	1,748	310	-	-	**4,820**
P2 - Adults (Empower all adults to live healthy, long and fulfilling lives)	2,411	3,137	84	-	-	**5,632**
P3 - A clean and safe borough where people are proud to live	1,685	2,580	150	-	-	**4,415**
P4 - Drive growth and employment from which everyone can benefit	503	-	-	-	-	**503**
P5 - Create homes and communities where people choose to live and are able to thrive	-	-	-	-	-	**-**
PX - Enabling	2,798	551	3,400	1,500	20	**8,269**
Total	**10,159**	**8,016**	**3,944**	**1,500**	**20**	**23,639**

Note that where there are costs relating to savings proposals these have been netted off the savings figures shown above.

9.3 These proposals are being put forward for consideration and in principle agreement, and will be further refined over the next few weeks. Specifically the immediate challenge is to review the scope to bring forward the implementation timeframes in order to achieve £20m of savings into the 2017/18-2018/19 period and/or to review the scope for identifying further savings for 2017/18-2018/19 to bridge the gap for those years.

10 Summary Revenue Budget Position 2017/18-2021/22

10.1 The summary revenue budget position over the 5 year period is show in the table below:-

Table 17: Summary of proposed budgets

PROPOSED MTFS						
	2016/17 £0	**2017/18 £0**	**2018/19 £0**	**2019/20 £0**	**2020/21 £0**	**2021/22 £0**
Services						
Priority 1	48,301	45,582	42,903	42,704	42,484	42,565
Priority 2	92,783	97,447	98,239	100,368	103,624	107,261
Priority 3	26,325	21,988	17,158	15,008	13,008	13,008
Priority 4	17,355	16,493	16,493	17,215	16,468	16,159
Priority 5	3,881	9,207	8,184	8,184	8,184	8,184
Priority X	34,392	29,340	28,534	24,309	22,809	22,789
Total services	**223,037**	**220,057**	**211,511**	**207,789**	**206,577**	**209,967**

10.2 A summary showing how the budget movements affect key services is set out in Table 18 below:

Table 18: Proportionality of priority budgets

	2016/17 £'000	**Share of £10m £'000**	**All other adjs £'000**	**2017/18 £'000**	**Share of £10m £'000**	**All other adjs £'000**	**2018/19 £'000**	**Share of new savings %age**	**Net change %age**	**2018/19 proportion of total budget**
Services										
Priority 1	48,301	-2,762	43	**45,582**	-1,748	-931	**42,903**	23%	-11%	17%
Priority 2	92,783	-2,411	7,075	**97,447**	-3,137	3,929	**98,239**	28%	6%	40%
Priority 3	26,325	-1,685	-2,652	**21,988**	-2,580	-2,250	**17,158**	21%	-35%	7%
Priority 4	17,355	-503	-359	**16,493**	0	0	**16,493**	3%	-5%	7%
Priority 5	3,881	0	5,326	**9,207**	0	-1,023	**8,184**	0%	111%	3%
Priority X	34,392	-2,798	-2,254	**29,340**	-551	-255	**28,534**	17%	-17%	12%
Total services	**223,037**	**-10,159**	**7,179**	**220,057**	**-8,016**	**-530**	**211,511**	**100%**	**-5%**	**86%**
NSR	32,590	0	1,162	**33,752**	0	164	**33,916**	0%	4%	14%
BUDGET	**255,627**	**-10,159**	**8,341**	**253,809**	**-8,016**	**-366**	**245,427**	**100%**	**-4%**	**100%**

11 Consultation and Scrutiny

11.1 A pre-budget consultation exercise with the public, businesses and the Council's partners, consisting of a series of events and activities during October and November 2016, has been undertaken in order to involve the public, businesses and partners at the earliest possible stage in future decision-making.

11.2 The feedback process highlighted that there was a solid understanding of austerity and the funding challenges local authorities face. Conversation at our drop-in events showed that the public found it incredibly difficult to prioritise just five of the most important. A few people were unwilling to participate in the survey based on this. This view was also echoed in some of the comments received from the survey responses.

11.3 When asked to identify 5 things of the that are most important (Q3) - Children and Families services made up the top three slots in the top five priorities – with **School improvement** seen as the top priority in terms of things that the borough should strive for, closely followed by **Early help and prevention** and **family support and safeguarding**. Also making the top five of people's priorities were **Parks**, with 29%, closely followed by **Maintaining Independence** under Adults Social care with 27% of respondents opting for this.

11.4 At the end of the 'most important' spectrum was **Sports development** with just 5% of respondents considering it a priority. This resonated with findings for the question of least important with **Sports development** marginally topping the 'less important' list with 36% of respondents opting for this service, this was closely followed by **Promoting healthy lifestyles** with 34% of respondents choosing this.

11.5 Full details of the process and the findings are attached at Appendix 3.

11.6 A further formal consultation will be started after this meeting, and feedback received will be analysed and provided to Overview and Scrutiny Committee in January.

11.7 Statutory consultation with businesses will also take place in January and any feedback will be incorporated before final decisions are taken in February.

11.8 Additionally, the Council's budget proposals will be subject to a rigorous scrutiny review process which will be undertaken by the Overview and Scrutiny Panels and Committee during December/January on a priority themed basis. The Overview and Scrutiny Committee will then meet in January 2017 to finalise its recommendations on the budget package to be reported to the Cabinet in February.

12 Fees and Charges

12.1 Each year the Council reviews the level of its fees and charges through consideration of a report by the Cabinet and its Regulatory Committee where it is a requirement that they are considered and approved outside of the Executive.

12.2 Separate reports will be considered in February 2017 by the Cabinet and in January 2017 by the Regulatory Committee which will bring together those areas where fees and charges apply; the assumption is the MTFS is that an increase of 1.5% will be made as a minimum. Where there is a service proposal to raise them at a rate other than a simple inflationary increase this will be highlighted for specific approval, including where this has already been included as a saving proposal.

13 Review of assumptions and risks 2017/18-2021/22

13.1 The Council's Section 151 Officer has a statutory responsibility to assess the robustness of the Council's budget – and to ensure that the Council has sufficient contingency/reserves to provide against known risks in respect of both expenditure and income. This formal assessment will be made as part of the final report on the Council's budget in February 2017.

13.2 The main uncertainties and risks identified to date which will impact on the Council's budget are:-

- Funding assumptions are subject to the local government settlement (early Dec), and therefore there may be changes.
- Move to Council Tax and Business Rates as the main funding driver exposes the Council to risks such as collection rates, adverse changes in the size of the taxbase and negative cashflows.
- The Council's Transformational Programmes do not deliver the required savings, do not deliver savings quickly enough, or are counteracted by demographic trends particularly in critical areas such as Children's and Adults Social Care and Temporary Accommodation.
- Increases in national minimum wage (NMW) and London living allowance (LLA) which will particularly affect care providers and Direct Payment rates and may drive up prices.
- Any deterioration in the forecast 2016/17 position, including the risk that the measures put in place to reduce spending (such as the current voluntary severance exercise) do not deliver.
- Changes in Non Service Resources budgets over the next few months – for example the amounts provided for levies are currently based on estimates.
- General population increases are expected over the next 5 years and any associated growth in demand - other than specifically allowed for – may lead to financial pressure.
- The need to balance revenue and capital priorities to ensure the most appropriate use of available resources.

13.3 Other risks which we are aware of that may impact on the Council's budgets:-

- National economic uncertainty, including economic stability, inflationary pressures, etc including any factors relating to Brexit.
- Housing Benefit admin fee may end during the period of the MTFS.
- The impact of changes in legislation – for example the Homelessness Reduction Bill. Further information about the potential impact is likely to be available in January.
- The impact of inflation pressures above current assumptions (eg energy costs which are currently estimated at around 13% increase for 2017/18,

and potential business rates increases on Council properties following the 2017 revaluation).

- Ability to work collaboratively with a number of partner organisations – for example on shared services.
- Impact of NHS Sustainable Transformation Plans (STPs) may result in a transfer of costs.
- Possible increase in Coroner's budget if plans to move to a national pay evaluation linked to the Judiciary go ahead. Additional pressure may arise from the provision of support to further Syrian refugees.
- Ability to implement savings. All savings have been risk assessed for ease of delivery and a summary risk assessment is as follows:-

Table 19: Summary risk assessment

Risk rating	2017-18 £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	2021-22 £000's	Total £000's
Green	6,711	1,431	150	-	20	**8,312**
Amber	3,198	4,913	3,794	1,500	-	**13,405**
Red	250	1,672	-	-	-	**1,922**
Total	**10,159**	**8,016**	**3,944**	**1,500**	**20**	**23,639**

13.4 Each of these and any further emerging issues will be considered and assessed over the next two months and reflected in the final version of the MTFS in February 2017 where appropriate.

14 The Council's Capital Strategy and Capital Programme 2017/18-2021/22

14.1 The Council is one year (2016/17) into a ten year council wide Capital Strategy, introduced to the Cabinet in December 2015 and approved in June 2016. This strategy has been developed to ensure that the Council takes a longer-term view of the assets required to deliver its Corporate Plan priorities and support its Medium Term Financial Strategy (MTFS).

14.2 The Council's Capital Strategy is ambitious for regeneration and growth that will deliver a range of improved outcomes for its residents. Also, it aims to secure stability for financial planning purposes as Government support reduces and the Council becomes more reliant on locally determined sources of funding such as Council Tax and Business Rates.

14.3 The MTFS capital programme funding assumes a mix of capital receipts, grant funding and prudential borrowing. Borrowing has an on-going impact on the Council's revenue budget and must be affordable. Such borrowing is closely controlled by legislation defined under the Prudential Code for Capital Expenditure and monitored through Treasury Management reporting. To the extent that capital receipts and grant do not meet the cost of the capital programme, there are two main options for borrowing:

- Temporary borrowing, pending the realisation of future capital receipts, providing that there is certainty over the amount and timing of the receipt;
- Prudential borrowing on an on-going basis to finance that capital expenditure that cannot be met from capital receipts.

14.4 In the context of the MTFS this means that the cost of any additional borrowing is an additional pressure which must, therefore, be matched by additional savings to deliver a balanced budget.

14.5 At Appendix 4, is the Council's 10-year General Fund capital programme as approved by Cabinet in June 2016 with a value of £520.7m and including the roll forward request from 2015/16 of £14.0m giving an approved total of £534.7m.

14.6 The table below reflects the revised delivery assumptions of the capital over the Council's 5-year MTFS period and net borrowing requirement. This includes assumptions around delivery bias within the original programme timing and approved in-year budget changes.

Table 20 – Capital Proposals and principal Funding Sources

Capital Programme, 5 year MTFS overview	17/18 £,000	18/19 £,000	19/20 £,000	20/21 £,000	21/22 £,000	Total £,000
Re-profiled Expenditure	78,122	64,981	67,732	46,338	43,754	300,927
Funding						
Grants & Contributions	39,489	27,168	31,839	28,939	34,911	162,347
Capital Receipts GF	12,610	800	3,663	3,663	3,663	24,398
Use of Reserves	1,409	1,272	1,129	978	-	4,788
New Borrowing Requirement	24,614	35,740	31,101	12,758	5,180	109,394
Cost of Borrowing						
Interest on new borrowing	*(1,190)*	*(1,769)*	*(2,488)*	*(2,980)*	*(3,191)*	*(11,618)*
MRP on new borrowing	*(1,550)*	*(2,319)*	*(3,433)*	*(4,355)*	*(4,635)*	*(16,292)*
Cost of New borrowing	*(2,740)*	*(4,087)*	*(5,921)*	*(7,335)*	*(7,826)*	*(27,910)*

14.7 The main capital financing elements of the £300.9m 5-year programme are Grants at £102.2m (34%), Developer contributions at £60.1m (20%) Capital Receipts £24.4m (8%) and PFI reserve £4.8m (2%) the balance of £109.4m (36%) would need to be borrowed.

14.8 For any borrowing undertaken the Council is required to set aside sufficient revenue resources to fund a Minimum Revenue Provision (MRP) and interest on the cost of servicing any debt in order to comply with the Prudential Code. However, the Code only provides a framework for determining the prudent amount required for the MRP and the Section 151 Officer has discretion to consider the adequacy of the provision.

MTFS Affordability and Governance

14.9 The Section 151 Officer is currently reviewing the Council's MRP provision including that required to fund the additional borrowing requirements as highlighted in the table above.

14.10 Members consider annually, as part of the Treasury Management Strategy, a number of prudential indicators which are largely concerned with ensuring the affordability of capital expenditure decisions. This strategy also includes the Council's MRP policy statement.

14.11 Any proposed revisions to the current policy statement arising from the Section 151 Officer's review will be presented to the Council's appropriate Committees for agreement prior to submission to Full Council for approval.

Other considerations

14.12 As with any longer term strategy, there is a need to undertake regular reviews of detailed action plans to take account of changing circumstances.

14.13 There is likely to be a need to revise the capital programme, subject to appropriate approvals, to take account of changes to existing schemes or to fund new schemes and in particular to take advantage of additional external funding or capital receipts.

14.14 The Council's regeneration projects are likely to have further impacts on the Council's capital programme, particularly the Haringey Development Vehicle (HDV) and High Road West projects which are still subject to final selection of the successful bidder.

14.15 The current capital programme contains provision for funding certain elements of the proposed schemes but these may need to be revised as the regeneration projections progress.

15 HRA Capital Programme 2017/18-2021/22

15.1 The proposed HRA capital programme is being developed, taking into account both the resources available and the new Affordable Homes standard. It will be submitted to Cabinet in February 2017 as part of the finalisation of the Council rent review.

16 Housing Rent increases

16.1 The Council is required to comply with section 23 of the Welfare Reform and Work Act 2016 by reducing tenants' rents (excluding service charges) by 1% every year for four years starting from 1 April 2016.

16.2 Although the Act does not say how the reduction should be implemented, (it could be by a 1% reduction from the beginning of a year or a larger reduction later in the year), the Council has applied the 1% rent reduction from the beginning of the year. The first rent reduction started with effect from 4 April 2016. At the same time, the Council took advantage of the government's one-year exception for tenants living in sheltered / supported housing and increased the rent for these tenants by 0.9% (CPI rate at September 2015 of 0.1% plus 1%).

General needs and sheltered / supported housing

16.3 This is the second financial year that rents in general needs properties are to be reduced by 1% but the first rent reduction for tenants living in sheltered/supported housing. Under the original rent restructuring regime, these rents would have increased by 2% (CPI at September 2016 of 1% plus 1%) from next April.

16.4 Provisional rents for general needs and sheltered/supported housing for 2017/18 have been calculated so that the rent paid by existing tenants is reduced by 1% from the 2016/17 levels. On this basis, the current average weekly rent will reduce by £1.04 from £104.80 to £103.76. The potential rental income budget for 2017/18 will reduce by £1.012m against the budget for 2016/17. Table 21 below sets out the average weekly dwelling rents for 2017/18 by property size.

Table 21 - Proposed rents for general needs and sheltered / supported housing

Number of Bedrooms	Number of Properties	Current average weekly rent 2016/17	Proposed average weekly rent 2017/18	Proposed average rent decrease
Bedsit	137	£84.91	£84.07	-£0.85
1	5,468	£90.00	£89.10	-£0.90
2	5,240	£104.90	£103.86	-£1.05
3	3,782	£120.19	£118.98	-£1.20
4	586	£136.54	£135.17	-£1.37
5	102	£157.96	£156.38	-£1.58
6	13	£166.18	£164.52	-£1.66
7	2	£157.59	£156.01	-£1.57
8	1	£178.40	£176.62	-£1.78
All dwellings	**15,331**	**£104.80**	**£103.76**	**-£1.04**

16.5 The current policy of increasing rents to the 2015/16 formula rent (adjusted for 1% reduction each year thereafter) on new secure tenancies will continue.

Licences and non secure tenancies

16.6 Rents for licences and non secure tenancies are not affected by the government's social rent reduction policy, so the Council has flexibility to keep these rents at their current levels based either on the hostel rate or Local Housing Allowance (LHA). However, there are current government plans to limit housing benefit to the Local Housing Allowance (LHA) rate, to be applied from 1 April 2018, for new or re-let tenancies signed from 1 April 2016 onwards (and from 1 April 2017 onwards for tenants in supported accommodation).

16.7 The government has not said if some properties would be exempted from the reduction in housing benefit entitlement. If hostel accommodation is not exempted, the cap would affect the affordability of HRA hostel rents as most are currently let higher than the LHA rate. There may need to be a change of hostel rents from April 2018.

16.8 There is also 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 when the blocks are demolished. Cabinet approval was given to use these properties as temporary accommodation for people whom the Council has a duty to provide, when they are homeless.

16.9 Such properties are occupied under licence and excluded from becoming secure tenancies under the Housing Act 1985 Schedule 1 (4). Cabinet approval was given to charge the Local Housing Allowance (LHA) rate on these properties.

16.10 The proposed 2017/18 budget does not currently include any incremental income from the higher rent levels charged on these properties; work is underway to quantify this.

New build

16.11 On 12 July 2016, the Cabinet approved the rent levels for new council homes built under the Council's New Build Programme. Rents in new build homes should continue to be set in accordance with the affordable rents guidance set out in the draft Housing Strategy. Phase 1 of the new build programme is expected to deliver 18 new homes in 2016/17 which will be let at affordable rents on completion. The proposed budget includes £236K for these additional units, however, should the delivery programme alter in any way this may affect the income achievable.

Rent consultation

16.12 Under the previous rent restructuring regime, Homes for Haringey (HfH) consulted tenants informally on behalf of the Council from late December to mid-January. In the past, HfH sent letters to the various Residents Associations asking for their views on proposed rent increases. The rent consultation was also published on the HfH website inviting comments from tenants. Responses to the consultation are usually reported to the Cabinet before a decision is made at the Cabinet meeting in February.

16.13 The informal rent consultation was not undertaken last year due to the imminent legislation to bring in the 1% social rent reduction at the time. Similarly, no separate consultation is planned for this year as the requirements of the Welfare Reform and Work Act mean that the Council is not able to apply an increase.

16.14 The Council must give tenants statutory notice in writing at least four weeks before new rent charges apply from the first Monday in April 2017.

17 Service charges

17.1 In addition to rents, tenants pay service charges for services they receive which are not covered by their rent. Service charges must be set at a level that recovers the cost of the service, and no more than this. The Council's policy has been to set charges at the start of each financial year to match budgeted expenditure. Therefore, the weekly amount is fixed and a flat rate is charged.

17.2 Charges are calculated by dividing the budgeted cost of providing the service to tenants by the number of tenants receiving the service. The amount tenants pay increases where the cost of providing the service is anticipated to increase. Equally, charges are reduced when the cost of providing the service reduces or where there has been an over-recovery in the previous year.

17.3 Tenants pay for the services listed below:

- Concierge
- Grounds maintenance
- Caretaking
- Street sweeping (Waste collection)
- Light and power (Communal lighting)
- Heating (including Gas or Oil/Electricity)
- Integrated reception service (Digital TV)
- Estates road maintenance
- Bin and chute cleaning

17.4 Table 22 below sets out the proposed changes in tenants' service charges for 2017/18.

Table 22 - Proposed tenants' service charges for 2017/18

Tenants' service charge	Current Weekly Charge 2016/17	Proposed Weekly Charge 2017/18	Increase/ (decrease) £	Projected Annual Income £k
Concierge	£15.66	£15.43	-£0.23	£1,554
Grounds maintenance	£3.16	£2.77	-£0.39	£1,306
Caretaking	£4.29	£4.02	-£0.27	£1,544
Street sweeping (Waste collection)	£3.56	£3.62	£0.06	£1,553
Light and power (Communal lighting)	£2.19	£2.62	£0.43	£1,203
Gas (Elderly Person)	£10.64	£11.16	£0.52	£217
Gas (Not Elderly Person)	£10.17	£10.67	£0.50	£60
GLC Heating	£11.66	£12.23	£0.57	£38
District Heating 6	£10.93	£11.47	£0.54	£0.6
Oil/Electricity (Elderly Person)	£8.33	£8.74	£0.41	£18
Integrated reception service (Digital TV)	£0.77	£0.77	£0.00	£349.9

Tenants' service charge	Current Weekly Charge 2016/17	Proposed Weekly Charge 2017/18	Increase/ (decrease) £	Projected Annual Income £k
Estates road maintenance	£0.50	£0.57	£0.07	£266
Bin and chute cleaning	£0.16	£0.16	£0.00	£72.7
Proposed tenants' service charge income				**£8,186.1**
Projected annual income is based on the number of tenants receiving the service for 52 weeks with an allowance of 1% service charges loss due to empty properties.				

Water rates

17.5 Tenants also pay weekly water rates with their rent if the water supply to their home is unmetered. The amount is set by Thames Water Utilities Ltd on the basis of the rateable value of each property.

17.6 The weekly water rates to be paid by each tenant in 2017/18 will be provided by Thames Water in March 2017. Tenants will be notified accordingly.

18 HRA Revenue Budget and MTFS 2017/18-2021/22

3.1 The draft HRA budget for 2017/18 taking into account all of the above changes to rents and service charges is set out at Appendix 5.

3.2 A number of the figures are estimates at this time and final figures will be presented to Cabinet in February 2017, as part of the rent setting process, together with a HRA 5-year Medium Term Financial Strategy and a 30-year business plan.

3.3 The HRA surplus has increased by £5.7m from the revised 2016/17 budget surplus of £13.9m to £19.6m. This increase is mainly to reflect reduced financing charges on HRA debt and the removal of the £2.2m new build budget. However, it is envisaged that a revenue budget will need to be established for HRA supply initiatives and this is currently is being worked on and will be incorporated in the final proposed budget setting for 2017/18.

19 Dedicated Schools Budget (DSB).

19.1 The financial position for the Dedicated Schools Budget is dependent on the schools finance settlement for 2017/18, which is due in December 2016. The key points that are to be considered by Schools Forum at its next meetings include:

- Scope for the DSB to continue to provide funding for Council services;
- Scope for the DSB to absorb some of the impact of the loss of the Education Services Grant;

- Improved funding for early years providers, but less scope for the Council to retain funding for early years central services and childcare subsidy;
- The extension of the early years education offer to 30 hours for children of working parents from September 2017;
- Reducing and containing expenditure in the High Needs Block.

19.2 Schools Funding for 2017/18 (Dedicated Schools Budget)

19.2.1 The Dedicated Schools Budget is substantially funded from the ring-fenced Dedicated Schools Grant and two other funding streams (Pupil Premium and Post 16 Grant) which are, in effect, passported to schools. Spending must be consistent with the requirements of the prevailing Schools and Early Years Funding Regulations and there are requirements about whether Schools Forum has a decision-making or a consultative role in determining budget levels for each year.

19.2.2 The financial position reported to Schools Forum in October 2016 set out the prevailing financial position. There are budget pressures within the High Needs Block and this will reduce available DSG reserves to £2.350m by the end of 2016/17 financial year.

Table 23. Budget Monitoring Position for the Dedicated Schools Budget as at August 2016.

Block	Net Budget	Projected Spend	Variance
	£m	**£m**	**£m**
Schools	141.30	141.31	0.01
Early Years	15.46	15.47	0.01
High Needs	32.63	33.51	0.88
Total DSG	189.39	190.29	0.90

Table 24 Impact of forecast position in 2016/17 on DSG reserves

	1st April 2016	Movement from Table 1a	31st March 2017
DSG Reserves	3.25	-0.90	2.35

19.2.3 At the same meeting, the forecast position for 2017/18 was set out. While it included a virtually balanced budget, such a scenario would require considerable adaptation to new funding arrangements for many services, settings and schools. The forecast budget is based on announcements made by the Department for Education and the latest estimates of pupil numbers likely to be in the calculations.

Table 25: Dedicated School Budget Projections 2017-18.

Block	Forecast Budget	Projected Spend	Variation

	£m	£m	£m
Schools	196.48	196.48	0.00
Early Years	18.43	18.43	0.00
High Needs	35.34	35.36	0.02
DSG	250.25	250.27	0.02

Table 26 Impact of forecast position in 2017/18 on DSG reserves

	1st April 2016	Movement from Table 2a	31st March 2017
DSG Reserves	2.35	-0.02	2.33

19.2.4 The final figures for Schools Block and news about the schools settlement more generally are expected some time in December 2016. High Needs Block funding may be known early in 2017 and the Early Years block funding in 2017/18 financial year is based partly on the January 2017 pupil census and partly on the January 2018 pupil census.

19.2.5 The key issues that Schools Forum will have considered on 1st December 2016 and at their next meeting on 12th January 2017 are set out below.

19.3 Schools Block

- There are specific budgets in the Schools Block which Schools Forum must formally approve, including central support £1m, £0.8m for social care placements, £0.3m for Early Help, £1.1m for Schools and Learning services (Admissions, School Improvement, Governors Support and Music).. If these are not approved in whole or in part, this will either result in service reductions or budget problems in the General Fund.
- Schools Forum has previously agreed that funding for services such as Trade Union Facilities Time and support for under-performing ethnic minority groups be deducted from maintained schools budgets to allow these services to continue. A renewed mandate to de-delegate funding for these services will be sought from Schools Forum again.
- The Education Services Grant is ceasing. This particularly impacts on the General Fund and the precise details are awaited in the schools finance settlement in December. Nonetheless, that element of the ESG that is available for providing statutory and regulatory services with respect to education in an authority, regardless of whether the Authority maintains any schools is due to transfer to the Dedicated Schools Grant (£0.550m). Schools Forum will be asked to confirm that the services currently supported by that money may continue. Subject to the regulations, Schools Forum may also be asked to fund some or all of the current ESG funded services for in-year school redundancy costs, Education Welfare Service and Early Years Quality Assurance.
- The plans to introduce a National Funding Formula have been deferred until April 2018.
- Schools are likely to experience the impact of recent and emerging cost pressures arising from, among other things: National Insurance contracted out rebate, increases in superannuation contributions, the Apprenticeship Levy etc.

19.4 Early Years Block

- There are significant changes in the Early Years Block with the introduction of a higher degree of prescription in how the funding may be used.
- Haringey will see an increase in funding for 2017/18 which, allied with an enforced reduction in the amount of centrally retained expenditure, will translate into more funding for early years providers.
- The DSG Early Years Block will fund the extension of free entitlement to early years education from 15 hours per week to 30 hours per week for the children of working parents from September 2017.
- The constraint on central expenditure will require a reprioritisation of budgets for central services and childcare subsidy. In 2016/17, there is £1.9m for central early years activities. This will reduce to £1.0m in 2017/18 and £0.8m in 2018/19.

19.5 High Needs Block

- The principal issue with the High Needs Block is that the current budget is overcommitted and will need to be regularised if DSG reserves are not to be fully depleted.
- The High Needs Working Group have been considering what measures can be put in place to contain and reduce expenditure and a practical plan will be required before the start of April 2017.

19.6 Further information on the details of the strategic financial position for the Dedicated Schools Budget can be found in the papers to the Schools Forum, which are publicly available.

20 Statutory Officers comments

20.1 Chief Finance Officer Comments

20.1.1 As the MTFS report is primarily financial in its nature, comments of the Chief Financial Officer are essentially contained throughout the report.

20.1.2 The robustness of the Council's 2017/18 budget and its Medium Term Financial Strategy 2017/18-2021/22 is a critical role for the Council's Section 151 Officer. Ensuring that the budget proposals are realistic will be achieved in a number of ways including consideration of the budget setting process itself, the quality and extent of both statutory and non statutory consultation, the assessment and management of risks, feedback and challenge via scrutiny processes, and the coherence of the working papers supporting budget proposals.

20.1.3 The basis for the £20m indicative budget gap for 2017/18-2018/19 is set out clearly in this report and flows largely from central government funding reductions, and from expenditure pressures due to local demographic and demand increases which have been set out in some detail above. We have also refreshed all financial assumptions to ensure a base for the development of this MTFS, including close scrutiny of the current year position and the ongoing impact of savings agreed in the last MTFS.

20.1.4 Whilst the size of the budget shortfall for 2017/18 is, of necessity, an estimate, it is clear that it is a robust assessment of the extent of the challenge facing the Council. It is appropriate, in the view of the S151 officer, to tackle the estimated shortfall over the first two years of the MTFS period rather than over a single year given that:

- There is often a significant lead-in time for delivering and embedding service improvements and we need to be confident that assumed savings can be delivered both individually and in terms of capacity within the organisation.

- Members need to be given real choices and options about where to make service changes and the appropriate use of reserves allows this to take place over a realistic timeframe.

- The Council needs to have clarity over the medium term on it funding levels, and there are currently a number of uncertainties - including the end of the agreed four year settlement, the impact of business rates changes, etc. It makes sense to wait for a clearer picture to emerge in terms of resources before agreeing additional cuts now.

20.1.5 Specific consideration has been given to the appropriateness of using reserves strategically to assist in achieving the plans set out in the MTFS report. As reserves can only be used once they are an appropriate response to a need to smooth the £20m over two years in order to bring expenditure more in line with estimated resources.

20.1.6 Further work will be undertaken between now and the final budget report to review savings proposals, update on the latest funding position and any other known changes.

20.2 Assistant Director of Corporate Governance Comments

20.2.1 The revised Medium Term Financial Strategy (MTFS) is closely linked to the budget process and may be viewed as a related function. In addition it is consistent with proper arrangements for the management of the Council's financial affairs and its obligation under section 151 of the Local Government Act 1972.

20.2.2 The Council is a best value authority and under section 3 of the Local Government Act 1999 has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The revision of MTFS which incorporates the initial proposals for savings and investment is one of the ways in which the Council can achieve best value.

20.2.3 There are statutory requirements as to the keeping of a Housing Revenue Account (HRA). Under section 76 of the Local Government and Housing Act 1989 the Council is under a duty to budget to prevent a debit balance on the HRA. In January and February in the preceding year, prior to the relevant financial year the Council must formulate proposals relating to income from rent and charges, expenditure and any other matters connected HRA properties. Within one month of formulating these proposals revising them, the council must prepare a statement setting out those proposals ; the estimates made and the basis of which those proposals formulated or revised; and such other particulars as the Secretary of State may direct.

20.2.4 Under S24 of the Housing Act 1985 the Council has power to make such reasonable charges as it may determine for the tenancy or occupation of its council houses, and is required from time to time, to review rents and make such changes as circumstances may require. However this discretion as to rents and charges made is subject to restrictions arising from the provisions of the Welfare Reform and Work Act 2016 which mandates that rents payable by tenants reduces by 1% each year between 2016 and 2019.

20.2.5 Changes to rent and other charges are not matters of housing management which the council is required to undertake statutory consultation with their tenants pursuant to Section 105 of the Housing Act 1985 and Sections 137and 143A of the Housing Act 1996. However section 16, of the report indicates that the Council will consult with tenants before seeking to change rent and other service charges. The Council is required, to give tenants notification of variation of rent and other charges to tenants of at least four weeks, or one rental period of the tenancy, whichever is the longer variation.

20.2.6 Changes to rent and other charges are not matters of housing management which the Council is required to undertake statutory consultation with their tenants under section 105 of the Housing Act 1985 and Sections 137and 143A of the Housing Act 1996. However section 16, of the report indicates that the Council will consult with tenants before seeking to change rent and other service charges. The Council is required, to give tenants notification of variation of rent and other charges, of at least four weeks, or one rental period of the tenancy, whichever is the longer.

20.2.7 When considering the MTFS, and any savings and investment proposals , the Council must have due regard to the public sector equality duty (PSED) contained within section 149 of the Equality Act 2010 which requires the Council to have due regard in its decision-making processes to the need to: eliminate discrimination, harassment, victimisation or other prohibited conduct, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don’t. The protected characteristics include age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

20.2.8 A proportionate equality analysis is required to inform the consideration these proposals to meet the requirements of the public sector equality duty. The Council will need to finalise its equality analysis and out how equality impacts are addressed in relation to savings proposals.

20.2.9 Where savings proposals involve service changes which impact on individuals, consultation there is a need to consult with representatives of council tax payer, business rates payers, persons likely to use services and persons appearing to have an interest in any area within which the Council carries out functions. Consultation will likely be required at the time of preparing the 2017-2018 budget.

20.2.10 Any consultation carried out under the Council’s best value duty and public sector equality duty will need to comply with the following requirements:

(1) it should be at a time when proposals are still at a formative

stage;
(2) the Council must give sufficient reasons for any proposal to permit intelligent consideration and response;
(3) adequate time must be given for consideration and response; and
(4) the product of consultation must be conscientiously taken into account.

20.3 Equalities Comments

Haringey context:

20.3.1 We are proud of our diversity and of the potential this offers:

- Around 260,000 people live in Haringey (an increase of 3,300 since the 2011 Census). By 2021, it is projected that the population will rise by a further 30,000.
- Over 100 languages are spoken.
- The population is the fifth most ethnically diverse in the country; over 60% of residents are non-White British. English is an additional language for over half our children and young people.
- Haringey is a “young” borough. Children and young people aged 0 to 19 comprise about a quarter of the population.

20.3.2 Haringey has many of the ingredients that make London one of the world’s great cities. There are great transport links and a rich heritage including the iconic Alexandra Palace, Tottenham Hotspur Premier League football club, Bruce Castle Museum and the restaurants and shops in Green Lanes, Muswell Hill, Crouch End and Wood Green.

20.3.3 It is a welcoming place where there is a tradition of people settling here, finding a base to live, work, bring up families, thrive and achieve. Haringey has yet more potential but in order to realise this, we must address a number of key challenges.

20.3.4 Achieving better outcomes and ensuring we have the capacity to deliver against a background of high levels of deprivation is a continuing challenge. Haringey is the fourth most deprived area in London, mostly related to low incomes, poor housing conditions and high crime. One in three children live in poverty and one in four live in a household where no adult works. Almost 3,000 households live in temporary accommodation.

20.3.5 There are wide differences in the levels of deprivation and health; the more deprived the area, the shorter the life expectancy, especially for men. While levels of teenage pregnancy are reducing, the numbers are still high. We also have high levels of childhood obesity, mental illness and sexually transmitted infections.

20.3.6 Addressing the significant social, economic and health issues are made more difficult by the significant financial challenges the council and the public sector faces.

Our Equalities Duties:

20.3.7 The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation
- Advancing equality of opportunity
- Fostering good relations
- In addition the Council complies with the Marriage (same sex couples) Act 2013.

20.3.8 The Act covers nine protected characteristics which are:

- age
- disability
- gender and gender reassignment
- pregnancy and maternity status
- marriage and civil partnership
- ethnicity
- religion or belief
- sexual orientation

20.3.9 The Public Sector Equality Duty came into force on 5 April 2011. The broad purpose of the equality duty is to integrate consideration of equality and good relations into the day-to-day business of public authorities - in shaping policy, in delivering services and in relation to their own employees, and for these issues to be kept under review If we do not consider how a function can affect different groups in different ways, it is unlikely to have the intended effect. This can contribute to greater inequality and poor outcomes.

20.3.10 Every person can identify with a combination of these characteristics; we all have an age, a disability status, a gender, our own beliefs and a sexual orientation. It is not the purpose of equalities monitoring to put people in boxes but to ensure that all groups of people have their needs met.

20.3.11 Haringey Council believes the Equality Impact Assessment process, which is no longer a statutory requirement, is an important way of informing our decision making process.

Haringey's Priorities:

20.3.12 The Corporate Plan 2015-18, sets out how we plan to support Haringey's residents to build a stronger future through 5 priorities:

- Outstanding for all: Enable every child and young person to have the best start in life, with high quality education;
- Empower all adults to live healthy, long and fulfilling lives;
- A clean and safe borough where people are proud to live, with stronger partnerships and communities;
- Drive growth and employment from which everyone can benefit;
- Create homes and communities where people chose to live and are able to thrive.

20.3.13 These are underpinned by 6 cross-cutting principles:

- Prevention and early intervention – preventing poor outcomes for children, young people and adults and intervening early when help and support is needed;

- Tackling inequality – tackling the barriers facing the most disadvantaged and enabling them to reach their potential;
- Working together with communities – building resilient communities where people are able to help themselves and support each other;
- Value for money – achieving the best outcome from the investment made;
- Customer focus – placing our customers needs at the centre of what we do;
- Working in partnership – delivering with and through others.

20.3.14 The Medium Term Financial Strategy (MTFS) and these further savings proposals are aligned with the 5 corporate plan priorities. All priorities have delivery plans including a clear vision, objectives and performance indicators that are publicly available so our progress against those targets is transparent.

20.3.15 In the context of delivering millions of pounds of savings, it is inevitable that Haringey Council will need to make changes to the way it delivers its services. For example, if we do not change the way we provide adults social care packages, the costs in that area will increase by over one third. The council works continuously with partners to ensure there is transformation of services and better outcomes for residents, rather than just managing decline. However, these budget reductions may also have adverse impacts on service users.

20.3.16 At this stage, the assessments of what impact there may be is, at best, a high level view of potential issues and are not a detailed quantitative analysis. This is a live process and full impact assessments will be completed and consulted on as we move towards implementing changes to policies, strategies and service delivery.

20.3.17 We have a legal responsibility to ensure that our impact assessments, where needed are an integral part of the formulation of a proposal policy and not justification for its adoption. If a risk of adverse impact is identified, consideration will be given to measures that would mitigate that impact before fixing on a particular solution.

Next steps:

20.3.18 Tackling inequality is a priority for the council and this is reflected in the objectives and performance targets we have set out in the corporate plan 2015-18.

20.3.19 The proposals in this report are currently at a high level and will be developed further as new operating models, service changes and policy changes are progressed and implemented. Equalities impact assessments will be developed as part of this process.

20.3.20 Any comments received will be taken into consideration and a further update will be brought to Cabinet in February 2017.

21 Use of Appendices

Appendix 1 – Proposed summary revenue Medium Term Financial Strategy (MTFS) 2017/18-2021/22
Appendix 2 – Proposed revenue savings proposals – summary
Annex 1 – Priority 1
Annex 2 – Priority 2
Annex 3 – Priority 3
Annex 4 – Priority 4
Annex 5 – Priority X
Appendix 3 – Budget engagement findings
Appendix 4 - General Fund Capital Programme 2017/18-2025/26
Appendix 5 –Proposed HRA budget 2017/18

22. Local Government (Access to Information) Act 1985

Period 1-6 budget monitoring reports 2016/17