Report for: Cabinet Meeting 12th December 2017

Title: 2018/19 Budget/Medium Term Financial Strategy (MTFS) 2018/19-2022/23

Report authorised by: Clive Heaphy, Chief Finance Officer and s151 Officer

Lead Officer: Oladapo Shonola, Lead Officer – Budget & MTFS Programmes

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 strategy that set out our ambitions for the borough and our citizens. They are:

- **Priority 1** – Enable every child and young person to have the best start in live, with high quality education
- **Priority 2** – Enable all adults to live healthy, long and fulfilling lives
- **Priority 3** – Create a clean and safe borough where people are proud to live, with stronger communities and partnerships
- **Priority 4** – Drive growth and employment from which everyone can benefit
- **Priority 5** – Create homes and communities where people choose to live and are able to thrive

1.2 Spending priorities for the current year were set, and have been monitored against these priorities within an environment where local government and the wider public sector have been faced with continual funding reductions since 2010 along with a real terms reduction in Revenue Support Grant funding of 63%. When combined with significant economic and legislative uncertainty and changes to the way in which councils are funded, it is clear that we are operating in an increasingly uncertain and changing environment.

1.3 The Medium Term Financial Strategy (MTFS) for 2018/19-2022/23 now seeks to reflect and refine these priorities for the challenges that the Council and its residents and businesses face, based on further reductions in resources over the next 5 years.

1.4 Along with all other London Boroughs, Haringey has confirmed its intention to participate in the London Business Rates Pooling Pilot and retain 100% of business rates in return for the cessation of Revenue Support Grant. Analysis indicates that a move to this system will provide Haringey with a small net financial benefit each year.

1.5 Broad details of how the move to 100% business rates retention will work has been agreed. However, given that any initial agreement to form and participate in a business rates pool is subject to further ratification by each authority in the pool, it is possible that the final funding position may differ from the numbers contained in this report.

1.6 Aside from national funding issues, there are also local issues which the Council is addressing. The anticipated establishment of the Haringey Development Vehicle (HDV) is a significant step in driving growth and to creating homes, communities and employment opportunities.

1.7 Whilst there are uncertainties on some issues, others, such as the proposed changes to the National Funding Formula (NFF) for schools which will come into effect in 2018/19, are clearer. Current modelling shows that Haringey will benefit from a marginal (0.5%) uplift in Dedicated Schools Grant (DSG) funding, although how this flows down to individual schools is a matter for further discussion with the Schools Forum.

1.8 The lack of significant real growth in funding for schools is likely to impact on the extent to which schools agree to fund/de-delegate budgets for certain education services that are currently provided centrally by the Council. However, the creation of the Schools Central Services (SCS) block within DSG and subsequent cap on reduction at 2.5% means that any loss of funding for central services is restricted to the level of the cap.

1.9 Although, the Council has delivered some very significant levels of savings over the past years to mitigate government funding reductions, the level achieved to date has not kept up with the pace of cuts in central government funding. This has, over time, created an underlying gap between what we spend and our total annual recurring revenue. The options for delivering savings will always need to be balanced against the Council's strategic priorities and the need to continue to provide quality services to our residents. But additional efficiencies savings is required over the MTFS period in order to get to a balanced budget position. This report set out the strategy for this.

1.10 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.

1.11 Given the pace and extent of change to local authority funding, it is important that the MTFS is refreshed annually in order to ensure that the longer term financial impact of decisions including decisions on level of savings and growth can be regularly assessed and where necessary adjusted to reflect new realities that were not apparent when such decisions/policies were initially adopted.

1.12 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 2018/19 to 2022/23, and, in addition, the process for setting the Council's 2018/19 Budget.

1.13 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 for the savings proposals aligned to the Council's priorities.

1.14 This report considers all relevant components of the Council's revenue budget including the Housing Revenue Account (HRA) which is 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 services.

1.15 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.

1.16 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. Haringey, along with 97% of local authorities, agreed in 2015 to a multi-year settlement up to 2019/20 in 2015, giving us a good indication of what level of government funding support we will receive for 2018/19. However, any funding assumption is still subject to confirmation of final government settlement for 2018/19 which will not be announced until mid-January 2018.

1.17 Future reports to Cabinet and Council will take account of the impact of the funding changes outlined above as far as is possible. However, the Council's current medium-term working assumptions is that these changes will have a neutral impact on revenue support grant (RSG) or that any reduction in RSG will be matched by an upside in business rates revenue. At this moment in time, we do not have enough information to make any other assumption.

2 Cabinet Member Introduction

2.1 The proposals set out in this report are to deliver a five-year Medium Term Financial Strategy for 2018 – 2023 that will give financial certainty over an unprecedented period of uncertainty for Local Authority budgeting. However, even at this stage of the process and despite our best endeavours, there remain uncertainties partly due to legislative changes that the government are yet to implement in the future, and partly due to the significant demand for some Council services.

2.2 The Government has already implemented a number of legislative changes that have had a major impact on the finances of our Council. Right-to-Buy legislation means that we continue to reduce our stock of homes but do not receive sufficient money back to replace these units of accommodation. Recent announcements that the government is committed to lifting the borrowing cap on the HRA to allow the Council to raise necessary financing to build more social housing, are welcome.

2.3 But we also know that more of our residents are living longer and often have more complex needs, so the Council plays a role in funding those in real needs of our Adult Social Care Service. The rise in the number of people who are in need of these services has gone up considerably and although the government has provided some additional one off funding, it is not at the level required to deal with the problem and this additional funding is scaled down over the years and ends altogether in 2019/20.

2.4 We have experienced a significant increase in numbers of people presenting themselves to the Council as homeless, which is now more of a reflection of the housing crisis in London where rents in the private sector have increased beyond people's ability to pay for them. On top of all of these issues, reductions to the welfare benefit system means that more of our residents have even less money with which to pay for the basics including rent.

2.5 These major uncertainties make providing the range and quality of services needed to meet local demands, challenging. However, this administration is determined to do everything within our power to set a realistic and robust budget for 2018/19 and over the following four years. We know that this is an essential component to managing the risks facing the Council in light of continued funding reductions and I believe that the position set out in this report represents appropriate proposals for consideration at Full Council later on this month.

2.6 The budget monitoring report I have presented to Cabinet over this last year will show the significant pressures we face to provide adult social care in Haringey. As a result, I am proposing to use the mechanisms given to us by the Government to raise a separate precept for Adult Social Care which will be 3% on the Council Tax Bill in 2017/18. This will raise an additional £3.1m in 2018/19 and add around £37 annually to a Band D council tax bill in 2018/19.

2.7 I am however also proposing that this budget will see the eighth consecutive freeze of the Council Tax rate in order to protect families individuals and families facing the cost of living crises. There will be significant investment in Adult Social Care and continued support for regeneration schemes that bring in significant external investment and much needed new homes and jobs to Haringey.

2.8 It is clear that the Council and our Borough will continue to face challenging times. However, despite the failure of the Government to recognise the important role local authorities play in building strong communities, in Haringey we will continue to use the resources at our disposal to support economic growth and tackle inequality.

3 Recommendations

3.1 It is recommended that Cabinet:

3.1.1 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;

3.1.2 Consider and note the draft 5 year MTFS 2018/19 to 2022/23 to be reviewed at Cabinet in February 2018, to be recommended for approval at Full Council's meeting in February 2018 to set the budget for 2018/19;

3.1.3 Consider and note new savings proposals summarised in section 9 and Appendix 2;

3.1.4 Consider and note the draft capital budget for as set out in Appendix 3;

3.1.5 Agree to commence consultation with residents, businesses, partners, staff and other groups as necessary on the draft revenue proposals for 2018/19-2022/23;

3.1.6 Note that the results of the consultation on the draft revenue proposals will be considered by Cabinet in February 2018 and recommendations made to Full Council at its meeting in February 2018 for the Council's formal budget setting for 2018/19;

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

3.1.8 Note proposed changes to fees and charges in respect of executive functions will be considered by Cabinet in February 2018 and those requiring approval by the Regulatory Committee to be considered at its meeting in January 2018;

3.1.9 Note that the Housing Revenue Account (HRA) budget will be considered by Cabinet in February for approval – this will include:

- Council housing rent charges for 2018/19;
- Proposed weekly tenants service charges 2018/19;
- HRA hostels rent charges for 2018/19.

3.1.10 Note the proposed changes to the draft Dedicated Schools Budget (DSB) set out in section 18 and that the final agreed budget will be presented to Cabinet in February.

4 Reasons for decision

4.1 The Council has a statutory requirement to set a balanced budget for 2018/19 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 2018/19 to 2022/23, to be reviewed further at Cabinet in February, and ultimately adopted at the final budget meeting of Full Council in February 2018, which is a statutory requirement in terms of agreeing the Council's 2018/19 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.

5.3 These proposals are subject to consultation both externally and through the Overview & Scrutiny process and the outcomes of these will inform the final budget proposals.

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] (CSP) 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 Table 1 below.

Table 1 – Core Spending Power (National Figures)

Table 1: Core Spending Power totals for England

England					
	2015-16	2016-17	2017-18	2018-19	2019-20
		£ millions	£ millions	£ millions	£ 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 government assumptions for Haringey are shown at table 2. It shows that government projects that core spending power for Haringey will increase by 1.6% 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 figures assume increases to the taxbase and council tax increases at the 1.99% (the Council has frozen council tax since 2010/11) referendum limit plus a 2% increase per annum for the Social Care Precept for the three years ending March 2019.

iii. The New Homes Bonus Funding is subject to building new homes and therefore more residents to provide services to.

[1] Core Spending Power describes the expected available revenue to fund expenditure. From 2016/17 onwards Core Spending Power is defined as the sum of the Settlement Funding Assessment (comprising NNDR Baseline Funding Level and Revenue Support Grant), estimated Council Tax income, additional Council Tax income from the Adult Social Care flexibility, Better Care Fund, and the New Homes Bonus.

iv. 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 on business rates).

Table 2: Core Spending Power totals for Haringey

Haringey				
DCLG - Core Spending Power Figures	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Business Rates - CSP	75.0	76.6	79.0	81.8
Revenue Support Grant	51.0	38.6	30.2	21.6
Council Tax - CSP	87.2	94.6	102.7	111.4
Improved Better Care Fund	-	0.4	3.8	6.7
New Homes Bonus - CSP	6.9	5.7	4.2	4.1
Rural Services Delivery Grant	-	-	-	-
Transition Grant	-	-		
2017-18 ASC Support Grant		1.2		
Budget 2017 - Adult Social Care Funding		5.0	3.3	1.6
Core Spending Power	**220.1**	**222.1**	**223.2**	**227.3**
In year change in funding %		0.89%	0.52%	1.84%
Cumulative Change in funding %		0.89%	1.42%	3.25%

6.3 Settlement Funding Assessment (SFA) allocations for 2018/19 to 2019/20 are fixed for Haringey as part of the multi-year settlement arrangement agreed to between local authorities and the government, but final approval is subject to the normal statutory consultation processes and to parliamentary approval.

6.4 A summary of the main changes to local government financing is provided below.

Business Rates

6.5 A number of changes were introduced to business rates in April 2017. The potential effects of these changes are set out below, but the full impact will not be known until the end of the current financial year.

6.6 The business rates base was revalued in April 2017 and although, the revaluation was revenue neutral nationally, some businesses in Haringey were set to experience an increase in business rates charges.

6.7 The impact of the changes on the Council is difficult to estimate due to the number of unknowns, especially in relation to the extent to which local appeals are above or below estimated national average. Also, given Haringey's status as a top up authority for business rates, it has been assumed the Council will not be worse off and that revaluation will be revenue neutral for Haringey under the new system. Officers will continue to monitor developments around the updated rateable values and the DCLG's approach to appeals with a view to adjusting the medium term resources projection, where needed.

6.8 As part of the autumn budget announcement, the uprating of business rates was switched from RPI to CPI. Although, the switch is expected to result in less business rates being collected than originally assumed in the 2015 spending review, but the government has assured local authorities that it will not affect current funding level commitment and that any shortfall arising from the switch to CPI will be covered off by central government.

6.9 The government is also committed to introducing 100% business rates retention by 2020 which will end the revenue support grant system and mean that the vast majority of external funding sources for the council will be raised from local sources. In the autumn budget, the Chancellor confirmed that there will be a London pilot of 100% business rates retention starting from April 2018 before 100% business rates retention is implemented nationally by 2020.

6.10 The London pilot scheme that has been agreed by all participants (32 London boroughs, Corporation of City of London and the GLA) is based on the principle that no authority will be worse off than they are under the current 50% retention model and that any net gain in the region as a whole will be distributed in such a way that all partners receive some share of the benefits directly by allocating some of the additional benefits on a per capita basis.

6.11 The 2018/19 budget/MTFS assumes that the London 100% business rates pooling scheme will result in additional revenue income of £3m to Haringey starting from October 2019. This is based on modelling work undertaken by London Councils.

Fair Funding Review

6.12 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 for implementing 100% business rates retention nationally by 2020.

6.13 It is possible that authorities could gain or lose from this re-assessment of need. In particular, for high population growth areas, such as Haringey and the majority of authorities in London. How population figures are determined and updated will be crucial in determining future funding allocations. The MTFS currently assumes that the review will be revenue neutral, as the work is at a very early stage. It is also likely that even where changes do occur, there will be transitional arrangements that will delay / dampen impact and any such impact may be mitigated by the introduction of 100% business rates retention. Officers will monitor developments of this review and update forecasts accordingly.

New Homes Bonus

6.14 It has been confirmed that the New Homes Bonus (NHB) scheme will now continue indefinitely. However, the government changed the process for awarding NHB from 2017/18 onwards. Also, in 2017/18, the government top sliced NHB to provide one off funding for Adult Social Care (ASC) grant further reducing NHB funding to local authorities.

6.15 The government has confirmed the following on the NHB Scheme:

- Funding for 2018/19 and 2019/20 remain at pre-announced levels subject to any reduction in national NHB total funding;
- Funding will be reduced from 5 years' worth of growth in 2017/18 to 4 years' worth of growth from 2018/19 onwards – this and overall reduction at national level means that NHB funding has reduced to £2.7m (2018/19) from £5.7m (2017/18);
- A national baseline of growth was adopted below which no payment is made for the year in which growth was below the baseline. This was set at 0.4% for 2017/18; and the government retains the option to adjust this baseline for 2018/19 and beyond, but there are currently no plans to do so.

Summary

6.16 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 and engaging with other stakeholders where appropriate, to try and influence the changes made in a positive way for the borough.

7 Funding assumptions for Haringey

7.1 There are 5 main sources of funding for the Council:

- Council Tax
- Business Rates (Retention/Top up) and Revenue Support Grant
- Core Grants
- Fees and Charges
- One of Use of Reserves

7.2 At the time of writing the Council is waiting for the local government settlement announcement which will provisionally set out the financial support that the Council will receive from government. Taking into account the uncertainties outlined above, the assumptions currently built into the proposed 5 year MTFS set out in this report are set out below.

Council Tax

7.3 The latest position on council tax income for 2017/18 is that taxbase increases during the year will result in an additional £1.3m of income.

Table 3 – Improved Council Tax position for 2017/18

	2017/18 Original £000	2017/18 Forecast £000
Taxbase for year	77,605	79,984
Collection Rate	95.50%	95.5%
Taxbase after collection rate	**75,365**	**76,384**
Council Tax increase	0%	0%
Social Care precept	3%	3%
Band D rate	1,244.25	1,244.25
Council Tax Yield	**93,773**	**95,041**
Change		**1,268**

7.4 There is also an expectation that less claims will be made under the council tax reduction scheme resulting in collection fund surplus in the region of £2.5m for use in 2018/19. Council tax collection fund surpluses over the past two years have been above £6m. Therefore, this forecast has been included as the base position for the MTFS.

7.5 Key assumptions in the MTFS on council tax are that:

- Members will continue the policy of freezing council tax up until 2018/19, in line with this administration's manifesto commitment and then 2% increase is assumed from 2019/20 (for modelling purposes only);
- The 3% adult social care precept will be applied in 2018/19 and nil ASC precept in 2019/20;
- The taxbase is assumed to grow in line with GLA housing projections;
- The collection rate will be 96.25%.

7.6 The resulting projections for council tax income are set out below. These figures are subject to confirmation of the council tax base which is due to be finalised in January 2018. The Chancellor also announced that local authorities would be able to raise empty homes premium from current level of 50% to 100% - this will also some impact on the final taxbase and revenue to be raised from council tax.

Table 4 – Council Tax assumptions 2018/19-2022/23

COUNCIL TAX ASSUMPTIONS						
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Taxbase	77,605	78,916	80,596	83,092	83,952	85,633
Taxbase change	1.69%	2.13%	3.10%	1.04%	2.00%	2.00%
Taxbase for year	78,916	80,596	83,092	83,952	85,633	87,346
Collection Rate	95.50%	96.25%	96.25%	96.25%	96.25%	96.25%
Taxbase after collection rate	**75,365**	**77,574**	**79,976**	**80,804**	**82,422**	**84,070**
Council Tax increase	0%	0%	2%	2%	2%	2%
Social Care precept	3%	3%	0%	0%	0%	0%
Band D rate	£1,244.25	£1,281.57	£1,307.20	£1,333.35	£1,360.01	£1,387.21
Council Tax Before Surplus (£000)	**£93,773**	**£99,417**	**£104,545**	**£107,740**	**£112,094**	**£116,623**
Previous Year Surplus	£0	£2,500	£2,000	£1,500	£1,500	£1,500
Council Tax Yield (£000)	**£93,773**	**£101,917**	**£106,545**	**£109,240**	**£113,594**	**£118,123**

Revenue Support Grant (RSG)

7.7 The Spending Review (December 2015) forecast funding pegged the level of residual RSG for Haringey at £21.6m for 2019/20 (£30.2m in 2018/19). The latest MTFS assumes that RSG will cease from 2018/19 as part of the pooling scheme for London authorities after the introduction of 100% business rates retention.

7.8 The London pilot of the 100% business rates retention scheme maintains the principle that no authority will be worse off, so resource equalisation would be achieved through the continuation of the top-up and tariff system within the business rates retention scheme. Our assumption therefore is that the increase in retained business rates will offset the loss of RSG.

7.9 RSG has therefore been forecast in line with the Spending Review 2015 information and is assumed to end in 2017/18, but after that will be matched by an equivalent increase in business rates.

Business rates

7.10 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).

7.11 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 we have been below our baseline over the period 2013/14 to 2016/17 and therefore, all things being equal, the Council could expect to have its baseline reduced as part of this reset. This should provide Haringey 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 relative to needs than the current target allocation.

7.12 The assumption in the MTFS is that business rates collection will be in line with government targets, but adjusted for expected additional income from London business rates pooling.

7.13 Realisation of business rates income is dependent on collection performance, prevailing economic conditions and decisions on appeal by the Valuation Agency Office, although some risk has already been built into the target. Business rates income is expected to grow by £2.5m in 2018/19.

Core Grants

7.14 The Council will also receive a number of specific or special grants in addition to its main funding allocation. The Council is mostly allowed to use these grants to fund any council services but some are ring-fenced, which means they can only be spent on specific services.

7.15 The level of core grants for 2018/19 announced as part of the 2016 multi-year settlement are provisional until confirmed in January 2018. The MTFS assumptions for these grants are as follows:

- Improved Better Care Fund increases by £3.44m to £3.83m;
- New Homes Bonus reduces by £3m to £2.7m;
- Adult Social Care Grant reduces by £1.2m to nil;
- Public Health Grant to reduce by £0.54m to £20.2m;
- Housing Benefit & Council Tax Administration to reduce by £0.5m to £1.5m; and
- Section 31 Grant (Business Rates) – small increase of £20k to £0.98m.

Fees and Charges

7.16 The Council's policy in relation to varying external income rates requires service managers to review the level of fees and charges annually as part of budget setting and that charges should generally increase by the rate of inflation to maximise allowable income.

7.17 The setting of fees and charges, along with raising essential financial resources, can contribute to meeting the Council's objectives. Through the pricing mechanism and wider market forces, outcomes can be achieved and services can be promoted through variable charging policies and proactive use of fees to promote or dissuade certain behaviours.

7.18 In the main, fees and charges are set at a level where the full cost of provision is recovered through the price structure. However, in many circumstances those charges are reduced through subsidy to meet broader Council priorities.

7.19 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.

7.20 Separate reports will be considered in February 2018 by the Cabinet and in January 2018 by the Regulatory Committee which will bring together those areas where fees and charges apply; the assumption in the MTFS is that an increase of 2.4% (based on CPI inflation) 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.

7.21 The process of reviewing all fees and charges commenced in July and the level of additional income to be realised and included within the 2018/19 budget is being discussed with service managers. Current estimate is that an additional income of £0.5m can be raised from increasing fees and charges in 2018/19.

Use of Reserves

7.22 The Council's (Non-Earmarked) General Fund Reserve is held to cover the net impact of risks and opportunities and other unforeseen emergencies. This funds held in the General Fund Reserve can only be used once and therefore non-recurring sources of income that can mitigate the underlying budget gap.

7.23 The Council agreed in February 2017 to set non-earmarked General Fund reserve at £15m. This is the level that was deemed appropriate given the Council's overall budget. Full Council also agreed draw contributions of £8.8m from reserves in 2017/18. The draft budget for 2018/19 assumes that £7.5m of one-off contribution would be required from reserves in order to set a balanced budget.

7.24 This strategy is in line with the principle of using one-off use of reserves to smooth the impact of savings subject to the level of General Fund reserves not falling below the 2017/18 approved minimum amount of £15m. This position will be reviewed in future to ensure that the recommended level of reserves is still appropriate and commensurate with overall level of risk associated with the Council's budget.

Summary

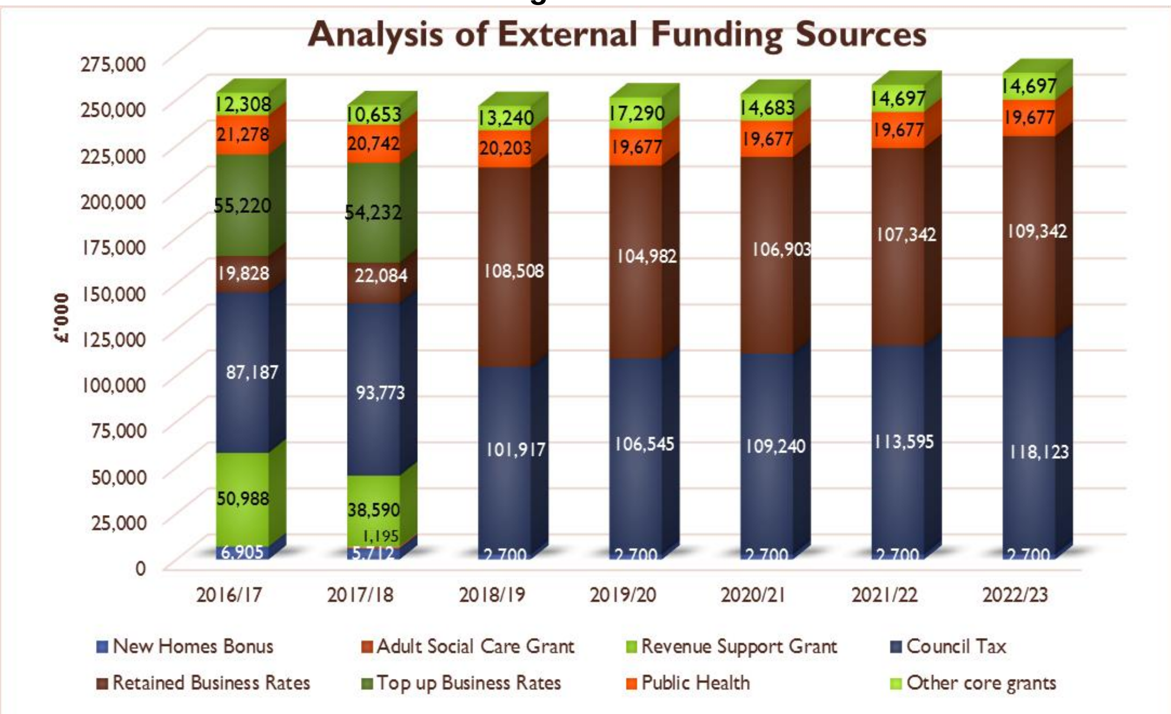
7.25 A summary of the funding assumptions and breakdown of funding sources is set out in the table and chart below.

Table 5: Summary of funding assumptions 2018/19 -2022/23

FUNDING ASSUMPTIONS							
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
			£'000	**£'000**	**£'000**	**£'000**	**£'000**
New Homes Bonus	6,905	5,712	2,700	2,700	2,700	2,700	2,700
Adult Social Care Grant	0	1,195	0	0	0	0	0
Revenue Support Grant	50,988	38,590	0	0	0	0	0
Council Tax	87,187	93,773	101,917	106,545	109,240	113,595	118,123
Retained Business Rates	19,828	22,084	108,508	104,982	106,903	107,342	109,342
Top up Business Rates	55,220	54,232	0	0	0	0	0
Settlement Funding Assessment + NHB	**220,128**	**215,585**	**213,125**	**214,226**	**218,842**	**223,636**	**230,164**
Public Health	21,278	20,742	20,203	19,677	19,677	19,677	19,677
Other core grants	12,308	10,653	13,240	17,290	14,683	14,697	14,697
TOTAL (External) Funding	**253,714**	**246,980**	**246,568**	**251,193**	**253,202**	**258,011**	**264,539**
Change Year on Year (£)		-6,734	-412	4,625	2,009	4,808	6,529
Change Year on Year (%)		-2.7%	-0.2%	1.9%	0.8%	1.9%	2.5%

7.26 Direct contribution to local government financing has reduced significantly as a proportion of overall budget funding. For example, RSG funding alone has dropped by 63% since 2010. Consequently, a larger proportion of funding for the services provided by the Council are raised locally. When the 100% business rate retention pilot starts in 2018, it is estimated that approximately 86% of funding will be from local sources. Chart below illustrates how Haringey's funding sources is set to change in the future.

Chart 1 – Breakdown of Funding Sources



7.27 The latest funding announcement is expected in December and an update will be provided further on in the process.

New responsibilities – Homelessness Reduction Act

7.28 The Homelessness Reduction Act places new statutory responsibilities on local authorities to prevent homelessness including a requirement to make short-term accommodation provision available for those not currently in priority need. Some funding has been provided to mitigate the cost of carrying out the requirements of the Act, but it falls significantly short of what has been estimated to be the required funding.

7.29 Haringey has been awarded provisional allocation of £1.3m which is the tenth largest allocation in the country. The funding will be released over 3 years with the first payment of £0.44m in 2017/18 and then £0.41m and £0.38m in 2018/19 and 2019/20 respectively.

8 Expenditure assumptions and budget gap

2017/18 Financial Performance – Operating

8.1 At Quarter 2 (September 2017) the Council is projecting a full-year deficit of £6.4m. We are actively planning and managing for a reduced bottom-line impact at year-end. Aside from the projected overspend, the budget that was approved by Council in February already assumed that £8.8m will be drawn down from reserves. Although the Council is able to call on its reserves in the short term, it has to address the underlying recurrent gap between annual budgeted income and expenditure which is estimated to be in the range of £15m.

8.2 Of the overspend, a significant proportion resides in the areas which continue to face increasing demand pressures: Adults (£3.5m), Children's (£2.2m) and Temporary Accommodation (£0.8m), mitigated by some reductions elsewhere in the corporate revenue budgets.

2017/18 Financial Performance – Capital

8.3 The approved capital budget is £210m. A challenge exercise was undertaken for 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 2017).

8.4 This challenge has facilitated the identification of an overall positive variance to budget of £108m comprising of £89m General Fund and £19m HRA project slippage.

8.5 The major variances reside in the following Priorities:

i. **Priority 4 [Employment and Growth],** (£54.8m underspend against a £73.8m budget):

- Slippage at Wards Corner where the Compulsory Purchase Order is now expected to be executed next year (£17.9m);
- Bruce Grove station forecourt (£0.45m) and the White Hart Lane improvements (£1.8m), amended to align with TfL activity;
- Delay at the Council's Marsh Lane Depot development (£14.3m) which will have a knock on effect to the demolition and relocation at the Ashley Road site and CCTV upgrades;
- High Road West business acquisitions this year include Jones Baker and the British Queens site (£5.2m slippage);
- Strategic Acquisitions
- The Opportunity Investment Fund will not be fully utilised this year (roll forward £1.1m);

ii. **Priority 5 [Housing] –** (£12.8m under spend against a £16.4m budget)

- The underspend in this area relates to strategic acquisition of assets for temporary accommodation. However, a number of the schemes are awaiting approval by the Secretary of State as they relate to CPO of empty homes.

iii. **Housing Revenue Account (HRA)** – (£19.5m under spend against a £68.9m budget)
- Significant re-profiling of the leaseholder buy-backs (£8.5m) due to the phased nature of leaseholder acquisitions taking into account the support that needs to be given for relocation;
- The HRA stock acquisition has been placed on hold and budget earmarked for post Grenfell works along with budget for Home Loss Disturbance payment is estimated at £17.1m.

Demand pressures

8.6 As outlined above the cost of providing support to our vulnerable residents continues to grow. 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. The Council provided significant funding growth to these areas as part of the 2017/18 budget as follow:

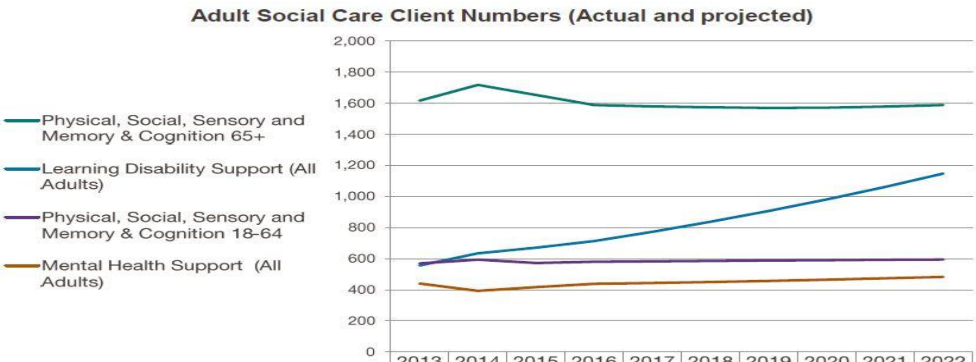
- Temporary Accommodation: £7.13m
- Adults Social Care: £11.9m
- Children's Social Care: £2.6m

Adult Social Care

8.7 In addition to the significant investment in these services last financial year, it is expected that more investment will go into adult social care. In line with government legislation, the Council intends to passport an estimated £3.1m from the ASC precept to mitigate rising demand and cost pressures in this area.

8.8 The key cost drivers in adult social care are the number of clients and the 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 6: 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

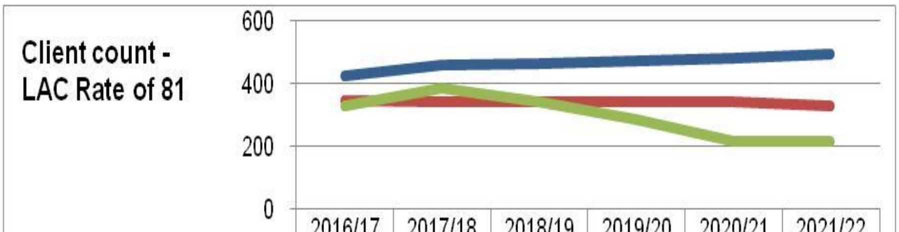
Children's Social Care

8.9 The key cost drivers in children's social care are the costs of provision for Looked After Children (LAC), 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.

8.10 The current 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 LAC, 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 people by 2012/22). This would be the level if there were no savings initiatives being pursued.

8.11 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. Below table reflects the profile of cases for each of these client groups.

Table 7: 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

Budget Strategy

9.1 The Council has a well-established approach to strategy and resource planning based around the 5 key priorities agreed as part of the Corporate Plan 2015.

9.2 Haringey along with other local authorities have to manage within a tight funding envelope due to significant reduced government funding support. Nevertheless, the Council focussed on delivering its key priorities despite financial challenges. Currently, the Council has an underlying budget deficit of approximately £15m. Therefore, further cost reduction/resource prioritisation will need to be considered by the Council as part of future refresh of the MTFS in order to close the current budget gap. However, this will need to be done in a way that gives due regard to the needs of residents and service users.

9.3 The Council, as part of the process by which it sets its budget, seeks the views and opinions of residents and service user which is used to inform the final decision of the Council when setting the budget.

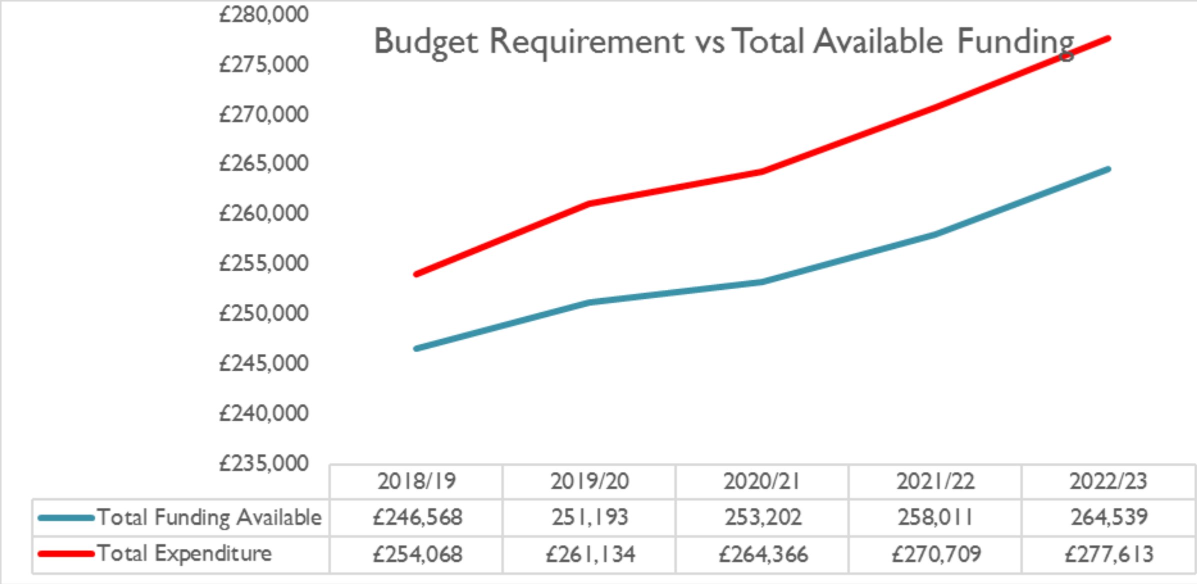
9.4 After taking into account the funding and expenditure assumptions outlined above, there is still an underlying budget gap. The Chief Finance Officer is working with colleagues to develop options that will allow the Council to balance the budget by 2020/21. The below table details the current projected gap in each year of the MTFS period.

Table 8: Summary (Draft) Budget 2017/18-2022/23

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Main Funding							
New Homes Bonus	5,712	2,700	2,700	2,700	2,700	2,700	13,499
Adult Social Care Grant	1,195	0	0	0	0	0	0
Revenue Support Grant	38,590	0	0	0	0	0	0
Council Tax	93,773	101,917	106,545	109,240	113,595	118,123	549,419
Retained Business Rates	22,084	108,508	104,982	106,903	107,342	109,342	537,075
Top up Business Rates	54,232	0	0	0	0	0	0
Total Main Funding	**215,585**	**213,125**	**214,226**	**218,842**	**223,636**	**230,164**	**1,099,993**
Core Grants							
Public Health	20,742	20,203	19,677	19,677	19,677	19,677	98,912
Other core grants	10,653	13,240	17,290	14,683	14,697	14,697	74,607
TOTAL (External) Funding	**246,980**	**246,568**	**251,193**	**253,202**	**258,011**	**264,539**	**1,273,513**
Contribution from/(to) Reserves	-8,782						0
TOTAL FUNDING	**238,197**	**246,568**	**251,193**	**253,202**	**258,011**	**264,539**	**1,273,513**
Total Expenditure	**255,762**	**254,068**	**261,134**	**264,366**	**270,709**	**277,613**	**1,327,890**
Budget Deficit	**0**	**7,501**	**9,941**	**11,163**	**12,699**	**13,073**	**54,377**

9.5 The MTFS assumes that savings of £16.8m will be delivered in 2018/19. Despite this level of planned savings next financial year, a further £7.5m contribution from reserves will be required. Therefore, projected budget gaps stated above are predicated on the full delivery of 2018/19 savings. Any shortfall will increase the current deficit projection.

Table 9: Projected gap between funding and expenditure projections



9.6 The scale of the recurring budget gap in 2018/19 before one-off mitigations is approximately £15m, as such, it is not possible to make sufficient savings to bridge the gap in one year. Therefore, the strategy has been to smooth the savings over the MTFS period through the use of reserves in the earlier years of the MTFS period. The challenge is to achieve this through:

- A review of workforce efficiency/structure including management layer and spans of control;
- 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; and
- Providing an element of cushioning for non-essential but important services.

9.7 The process to refine the variables set out in this report will continue until the final budget report in February 2018.

10 Savings proposals 2018/19-2022/23

10.1 In addition to previously agreed savings from earlier MTFS process, the Council approved total new savings of £22.7m in February of 2017 for the MTFS to 2021/22. Of these savings, £10.2m are planned savings set to be delivered in 2017/18 and the remainder over the next four financial years to 2021/22. These savings are set out in the below table.

Table 10: MTFS 2017/18 Approved Savings

	2017/18	2018/19	2019/20	2020/21	2021/22	Total

	£'000	£'000	£'000	£'000	£'000	£'000
Priority 1	2,762	1,748	310	0		4,820
Priority 2	2,411	3,137	84			5,632
Priority 3	1,685	1,660	150			3,495
Priority 4	503					503
Priority 5						0
Priority X	2,798	551	3,400	1,500	20	8,269
Total	**10,159**	**7,096**	**3,944**	**1,500**	**20**	**22,719**

10.2 In addition to the above pre-agreed savings, new savings have been developed by services which Cabinet is asked to consider as part of ongoing measures to address the underlying budget gap. Each new savings proposal 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.

10.3 Table below is a summary of the new proposed savings totalling £14m over the MTFS period. The individual proposals are attached at Appendix 2.

Table 11: Summary of savings proposals (2018/19 – 2022/23)

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Priority 1						0
Priority 2	2,390	2,390	2,990	2,990	2,990	13,750
Priority 3						0
Priority 4	50					50
Priority 5	50	170				220
Priority X						0
Total	**2,490**	**2,560**	**2,990**	**2,990**	**2,990**	**14,020**

10.4 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 £15m of savings net of new growth requirement over the next two years.

Savings Shortfall

10.5 The agreed 2017/18 budget required that services deliver a total of £20.6m of savings made up of £10.2m MTFS 2017; and £10.4m MTFS 2015). Current projection indicates that only £10.2m of these savings will be delivered as planned in 2017/18. Therefore, a total of £10.4m will be carried forward into 2018/19 as set out in table below.

Table 12: Projected 2017/18 Savings Shortfall by Priority

	2017/18 Savings	Savings Achieved 2017/8	Shortfall carried forward to 2018/19
	£'000	£'000	£'000
Priority 1	**4,131**	**1,288**	**2,843**
Priority 2	**7,810**	**4,264**	**3,546**
Priority 3	**2,615**	**2,540**	**75**
Priority 4	**828**	**578**	**250**
Priority 5	**765**	**765**	**-**
Priority X	**728**	**569**	**159**
Council-Wide Savings	**3,686**	**167**	**3,519**
Total	**20,563**	**10,171**	**10,392**

10.6 The below table sets out the savings to be delivered by priority for 2018/19. This includes savings that were not delivered in 2017/18 and carried forward for delivery next financial year.

10.7 As part of the 2018/19 budget setting, services were allowed to review and confirm that 2018/19 savings that were approved in February 2017 and therefore included in the MTFS are still achievable. As a result of this exercise, Adults Social Care services within Priority 2 have re-profiled their savings over the MTFS period. The below table sets out savings expectation by priority area in 2018/19.

Table 13: 2018/19 Savings Target by Priority

	2017/18 Savings	Savings Achieved 2017/8	Shortfall carried forward to 2018/19	2018/19 Savings (Identified in 2017/18 MTFS)	(New) 2018/19 MTFS Savings	Total Savings to be achieved in 2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Priority 1	4,131	1,288	2,843	1,748	-	4,591
Priority 2	7,810	4,264	3,546	-	2,390	5,936
Priority 3	2,615	2,540	75	1,660	-	1,735
Priority 4	828	578	250	-	50	300
Priority 5	765	765	-	-	50	50
Priority X	728	569	159	301	-	460
Council-Wide Savings	3,686	167	3,519	250	-	3,769
Total	20,563	10,171	10,392	3,959	2,490	16,841

11 Budget (Growth) Pressures

11.1 The MTFS also allows for some unavoidable budget growth. These relate to non-controllable costs such as pay/non-pay inflation costs, pensions costs relating to retired/deferred members of the pension fund and payments due to levying bodies. Growth proposals for 2018/19 that currently add up to £9.5m are as follows:

- **Pensions Costs - £1.2m**

- **Pay Inflation - £3.75m**
- **Non Pay Related Inflation - £3.7m**
- **Local Elections (One Off) - £0.35m**
- **Levies - £0.5m**

11.2 The pensions cost pressure is estimated at £2.8m (£1.2m each in 2018/19 and £1.6m in 2019/20) over the next two years and it relates to additional employer's contribution to the pension fund requirement arising from the triennial revaluation of the Fund undertaken in March 2017. The working assumption is that a further £1.5m will be required following the next revaluation in 2020/21.

11.3 An allowance of £3.75m has been made to meet the cost of pay inflation and London Living Wage rise demands. Although, the Council is expecting to offset this cost by implementing measures that will hold the pay budget at 2017/18 level through workforce review with a view to reducing staff headcount and realignment of management layers and spans of control across the Council.

12 Summary Revenue Budget Position 2018/19-2022/23

12.1 The summary revenue budget position over the five-year period is shown in the table below. This position is subject to approval of proposed savings or the addition/deletion of submitted or previously approved proposals.

Table 14: Summary of proposed budgets

	2018/19	2019/20	2020/21	2021/22	2022/23
Priority 1	£55,165	£55,855	£56,855	£57,855	£58,855
Priority 2 (Adult Social Care)	£77,941	£77,951	£78,016	£78,205	£78,524
Priority 2 (Others)	£13,913	£13,913	£13,913	£13,913	£13,913
Priority 3	£28,557	£28,407	£28,407	£28,407	£28,407
Priority 4	4,180	4,180	4,180	4,180	4,180
Priority 5	19,909	19,789	19,789	19,789	19,789
Priority X	£38,534	£34,809	£33,309	£33,289	£33,289
Non Service Revenue	£15,871	23,231	21,898	27,073	32,657
	£254,069	**£258,134**	**£256,366**	**£262,710**	**£269,614**

13 Consultation and Scrutiny

13.1 A formal consultation is being planned alongside this process the result of which is expected in January and will be shared with Cabinet and feedback provided to all relevant committees of the Council.

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

13.3 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.

13.4 The government is effectively setting rent charges in 2018/19 by instructing local authorities to reduce rent on HRA owned properties by 1%. Therefore, there is no need to consult on rent charges this year.

14 Review of assumptions and risks 2018/19-2022/23

14.1 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 2018.

14.2 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, appeals 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 even further than planned.
- Any deterioration in the forecast 2017/18 position, including the risk that the measures put in place to reduce spending do not deliver as expected.
- 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 that 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.

14.3 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 Act and whether the funding provided to undertake the new responsibilities under the Act will be sufficient.

- The impact of inflation pressures above current assumptions (e.g. energy costs which are currently estimated at well above the rate of inflation for 2018/19.
- Ability to work collaboratively with a number of partner organisations – for example on shared services and for such collaborations to deliver much needed efficiency gains.
- Impact of NHS Sustainable Transformation Plans (STPs) may result in a transfer of costs.
- Ability to implement savings.

14.4 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.

15 Council's Capital Strategy and Capital Programme 2018/19-2022/23

15.1 The Council's ten-year council wide Capital Strategy was approved by Cabinet 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 MTFS.

15.2 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 funding support reduces and the Council becomes more reliant on locally determined sources of funding such as Council Tax and Business Rates.

15.3 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.

15.4 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.

15.5 There has so far been no new request for capital schemes, however, the ten-year programme has been refreshed as part of setting the 2018/19 budget. This ensures that the capital programme reflects latest delivery expectation for current approved schemes. Also, any changes in funding including prudential borrowing needs have been updated to ensure revenue implications of the capital programme is fully reflected in the MTFS.

15.6 The proposed capital programme is set out at appendix 3 of this report.

MTFS Affordability and Governance

15.7 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.

15.8 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 scrutiny/agreement prior to submission to Full Council for approval.

Other considerations

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

15.10 As stated above, 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.

15.11 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.

15.12 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.

16 HRA Capital Programme

16.1 The HRA capital programme along with the rest of the Council's capital programme is still being finalised. It will take into account both the resources available and the new Affordable Homes standard. The report will be submitted to Cabinet in February 2018 with the Council rent review.

17 Housing Rent Increases

17.1 The Welfare Reform and Work Act 2016 requires the Council to reduce social housing rents (excluding service charges) by 1% every year for four years starting from 1 April 2016. This is the third financial year that the Council must reduce rents by 1%. There are no other options for the Council to consider when setting the rents for 2018/19.

17.2 Provisional rents for general needs and sheltered / supported housing for 2018/19 has been calculated so that the weekly rent paid by existing tenants is reduced by 1%. On this basis, the current average weekly rent for these properties will reduce by £1.04 from £103.89 to £102.85.

17.3 Under the previous rent restructuring policy, the rents for these properties would have increased by 4% (Consumer Price Index (CPI) at September 2017 of 3% plus 1%). Shared ownership rents will increase by 4% (CPI plus 1%) as the 2016 Act and Regulations exempt them from the 1% rent reduction.

17.4 Government announced in October 2017 that annual increases in social housing rents will return to CPI plus 1% for the next five years after the social housing rent reduction ends in March 2020. This offer is a welcomed certainty for housing income growth in the short term.

Table 15 – Proposed rents for general needs and sheltered / supported housing

Number of Bedrooms	Number of Properties	Current average weekly rent 2017/18	Proposed average weekly rent 2018/19	Proposed average rent decrease
Bedsit	137	£84.07	£83.23	-£0.84
1	5,468	£89.10	£88.21	-£0.89
2	5,240	£103.86	£102.82	-£1.04
3	3,782	£118.98	£117.79	-£1.19
4	586	£135.17	£133.82	-£1.35
5	102	£156.38	£154.82	-£1.56
6	13	£164.52	£162.87	-£1.65
7	2	£156.01	£154.45	-£1.56
8	1	£176.62	£174.85	-£1.77
All dwellings	**15,331**	**£103.76**	**£102.72**	**-£1.04**

17.5 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

17.6 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).

17.7 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.

17.8 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.

New build

17.9 On 12 July 2016, the Cabinet approved the rent levels for new homes built under the Council's New Build Infill Programme. Phase 1 of the programme has delivered fifteen new homes which are let at affordable rents. A further four shared ownership homes have also been delivered.

Rent Consultation

17.10 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.

17.11 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.

17.12 The Council must give tenants statutory notice in writing at least four weeks before new rent charges apply from the first Monday in April 2018.

Service charges

17.13 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.

17.14 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.

17.15 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

17.16 These applicable charges for 2018/19 are still being calculated.

Water rates

17.17 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.

17.18 The weekly water rates to be paid by each tenant in 2018/19 will be provided by Thames Water in March 2018. Tenants will be notified accordingly.

18.1 The draft HRA budget for 2018/19 is still be developed and will be presented to Cabinet in February 2018 as part of the rent setting process, together with a HRA 5-year Medium Term Financial Strategy and a 30-year business plan.

19 Dedicated Schools Budget (DSB)

19.1 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 The financial position reported to Schools Forum in October 2017 set out the prevailing financial position. There are budget pressures within both the Early Years Block and High Needs Block and this will reduce available DSG reserves to a deficit of £0.945m by the end of 2017-18 financial year.

19.3 Table below sets out Haringey's Dedicated Schools Grant allocations for 2017-18, the minimum rebased DSG baseline allocation for 2018-19, the provisional National Funding Formula DSG allocations for 2018-19 and the illustrative National Funding Formula for 2019-20.

Table 16: Haringey's Dedicated Schools Grant Allocation

Dedicated Schools Grant	2017-18 DSG allocations as at 10 Oct 2017	2018-19 Provisional NFF funding	2019-20 Illustrative NFF
	£M	**£M**	**£M**
Schools Block	195.29	193.38	194.24
Central School Services Block	0.00	3.07	2.99
Early Years Block	18.67	18.67	18.67
High Needs Block	35.85	35.82	35.93
Total DSG	**249.81**	**250.94**	**251.82**

19.4 The 2017-18 Schools Block allocation was rebased into Schools Block and Central School Services Block in 2018-19 and 2019-20. The items that were previously top sliced as Centrally Retained elements in Schools Block have been rebased into Central School Services Block in 2018-19 and 2019-20 under the National Funding Formula.

19.5 Overall, Haringey received a provisional increase of 0.45% in its DSG allocation which is equivalent to £1.12M in its Dedicated Schools Budget. This is based on October 2016 census pupil numbers of 33,450.

19.6 The Schools Block received an uplift of 0.44% which is equivalent to £850k.

19.7 The Central School Services Block has lost £80k from 2017-18 Centrally Retained elements that was rebased into 2018-19 which is the maximum possible loss capped at 2.5% from 2017-18.

19.8 The High Needs Block received an increase of 1% of its funding from 2017-18 which equates to £350k.

19.9 The financial position for the Dedicated Schools Grant is dependent on the final school's finance settlement for 2018-19, which is due in December 2017.

DSG Reserves

19.10 DSG Reserves is expected to close with a deficit of £0.945 at the end of 2017-18 and the need to reduce and contain expenditure in both the Early Years Block and the High Needs Block as both blocks had agreed spending plans and trajectories in place which going forward have insufficient funding. This will need to be addressed by the Schools Forum at its meeting in December 2017. The below table sets out the projected closing position for the DSG

19.11 The final figures for Schools Block and news about the school's settlement more generally are expected in December 2017. High Needs Block funding may be known early in 2018 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.

19.12 The Schools Forum will consider key issues at their December 2017 and January 2018 meetings.

20 Statutory Officers' comments

Chief Finance Officer Comments

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

20.2 Ensuring the robustness of the Council's 2018/19 budget and its MTFS 2018/19 – 2022/23 key functions for the role for the Council's Section 151 Officer. This includes ensuring that the budget proposals are realistic and deliverable and that they 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.

20.3 The basis for the £23m underlying recurrent budget deficit 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.

20.4 Whilst the size of the budget shortfall for 2018/19 is at this stage, 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 next three 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.

- Services are already planning to deliver £10m savings in 2018/19. This is in addition to the previous year's total savings target of £21m.

20.5 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 £23m over three years in order to bring expenditure more in line with estimated resources.

20.6 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.

Assistant Director of Corporate Governance Comments

20.7 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.

20.8 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.

20.9 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.

20.10 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.

20.11 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.

20.12 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.

20.13 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.

20.14 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 2018-2019 budget.

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

i. it should be at a time when proposals are still at a formative stage;
ii. the Council must give sufficient reasons for any proposal to permit intelligent consideration and response;

iii. adequate time must be given for consideration and response; and
iv. the product of consultation must be conscientiously taken into account.

Equalities Comments

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

- Around 270,000 people live in Haringey (an increase of 13,300 since the 2011 Census). By 2021, it is projected that the population will rise by a further 13,000.
- Over 100 languages are spoken.
- Haringey is the eighth most ethnically diverse in the country; over two thirds 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.

20.17 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.

20.18 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 sixth most deprived borough in London, mostly related to low incomes, poor housing conditions and high crime. Nearly one third of working-age residents in Haringey earns below the London Living Wage. One in three children live in poverty and one in six live in a household where no adult works. Over 3,000 households live in temporary accommodation.

20.19 There are wide differences in the levels of deprivation and health; the more deprived the area, the shorter the life expectancy, especially for men, and the shorter the healthy life expectancy. 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.

20.20 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:

20.21 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.

20.22 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

20.23 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.

20.24 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.

20.25 Haringey Council believes the Equality Impact Assessment process is an important way of informing our decision making process.

20.26 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.

Haringey's Priorities:

20.27 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.

20.28 The Council's 2018/19 budget and its Medium Term Financial Strategy (MTFS) 2018/19 – 2022/23 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.

20.29 The council has ambitious plans for the borough and it is committed to achieving the best outcomes for residents, rather than just managing decline. In the context of delivering millions of pounds of savings, the council will need to make changes to the way it delivers its services. Where budget reductions have adverse impacts on service users, detailed analysis will be conducted to identify and mitigate impact.

20.30 At this stage, the assessment of the potential impact of decisions is high level and has not been subjected to a detailed quantitative and qualitative analysis. This is a live process and, as proposals are developed, full impact assessments will be completed and consulted on and work to mitigate the impact on protected groups.

20.31 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:

20.32 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, as well as the ambition for the Council's Borough Plan, which will set the vision for Haringey from 2018 to 2022.

20.33 The new savings 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. Where there are existing proposals on which decisions have been taken, existing equalities impact assessments will be signposted.

20.34 Any comments received will be taken into consideration and a further update will be brought to Cabinet in February 2018.

21 Use of Appendices

Appendix 1 – Proposed summary revenue Medium Term Financial Strategy (MTFS) 2018/19-2022/23 – to follow

Appendix 2 – Proposed revenue savings proposals – summary – to follow

Annex 1 – Priority 1

Annex 2 – Priority 2

Annex 3 – Priority 3

Annex 4 – Priority 4

Annex 5 – Priority 5

Annex 6 – Priority X

Appendix 3 - General Fund Capital Programme

22 Local Government (Access to Information) Act 1985
Period 1-6 budget monitoring reports 2017/18.

HARINGEY COUNCIL MEDIUM TERM FINANCIAL PLAN - APRIL 2018 - MARCH 2023 **Appendix 1**

	2017/18	Movement	2018/19	Movement	2019/20	Movement	2020/21	Movement	2021/22	Movement	2022/23
Services	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Priority 1	55,913.43	(1,748)	54,165.18	(310)	53,855.18	0.00	53,855.18	0.00	53,855.18	0.00	53,855.18
Priority 2	91,173.29	679.82	91,853.11	10.29	91,863.41	65.05	91,928.46	188.71	92,117.17	319.10	92,436.28
Priority 3	29,073.90	(1,660)	27,413.90	(150)	27,263.90	0.00	27,263.90	0.00	27,263.90	0.00	27,263.90
Priority 4	5,372.53	(50)	5,322.53	0.00	5,322.53	0.00	5,322.53	0.00	5,322.53	0.00	5,322.53
Priority 5	19,959.01	(50)	19,909.01	(120)	19,789.01	0.19	19,789.20	(0)	19,788.96	0.00	19,788.96
Priority X	38,759.28	(226)	38,533.78	(3,725)	34,808.78	(1,500)	33,308.78	(20)	33,288.78	0.00	33,288.78
Non Service Revenue	15,510.83	1,360.14	16,870.97	11,360.25	28,231.22	4,666.28	32,897.50	6,175.24	39,072.74	6,584.18	45,656.92
Total Budget Requirement	**255,762.27**	**(1,694)**	**254,068.48**	**7,065.54**	**261,134.03**	**3,231.52**	**264,365.55**	**6,343.72**	**270,709.26**	**6,903.28**	**277,612.54**
Unidentified Savings	0.00		0.00		9,941.05		11,163.08		12,698.74		13,073.41
Balanced Budget Position	**255,762.27**		**254,068.48**		**251,192.98**		**253,202.46**		**258,010.52**		**264,539.14**
Funding											
New Homes Bonus	5,711.50	(3,012)	2,699.78	0.00	2,699.78	0.00	2,699.78	0.00	2,699.78	0.00	2,699.78
Adult Social Care Grant	1,195.00	(1,195)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue Support Grant	38,590.00	(38,590)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Council Tax	93,773.00	8,143.77	101,916.77	4,627.88	106,544.65	2,695.04	109,239.69	4,354.84	113,594.53	4,528.61	118,123.14
Retained Business Rates	22,084.00	86,423.98	108,507.98	(3,526)	104,981.51	1,921.29	106,902.79	438.77	107,341.56	2,000.00	109,341.56
Top up Business Rates	54,232.00	(54,232)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Main Funding	**215,585.50**	**(2,461)**	**213,124.54**	**1,101.40**	**214,225.94**	**4,616.32**	**218,842.26**	**4,793.61**	**223,635.87**	**6,528.61**	**230,164.49**
Public Health	20,742.00	(539)	20,202.71	(525)	19,677.44	0.00	19,677.44	0.00	19,677.44	0.00	19,677.44
Other core grants	10,652.76	2,587.66	13,240.43	4,049.17	17,289.60	(2,607)	14,682.76	14.45	14,697.21	0.00	14,697.21
Contribution from /to Reserves	8,782.00	(1,282)	7,500.00	(7,500)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FUNDING	**255,762.26**	**(1,695)**	**254,067.67**	**(2,875)**	**251,192.98**	**2,009.49**	**253,202.46**	**4,808.06**	**258,010.52**	**6,528.61**	**264,539.14**