

Report for: Cabinet 10 December 2019

Title: 2020-21 Budget and 2020-2025 Medium Term Financial Strategy

Report

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Ward(s) affected: All

Report for Key/ Key
Non Key Decision:

1. Describe the issue under consideration

- 1.1 This report sets out details of the draft Budget for 2020/21 and MTFS to 2024/25, including budget reductions, growth and capital proposals. This includes details of provisional funding for 2020/21 and, where available, the remainder of the planning period and highlights areas of risk. The report recommends that budget proposals are released for public consultation and Scrutiny consideration.
- 1.2 The report has been prepared after taking into consideration the estimated revenue funding from all available sources together with estimated expenditure requirements. It seeks to address pressures and opportunities identified as part of the in year budget monitoring process. The proposed budget plans are aligned to the agreed Borough Plan 2019-2023 in order that the available resources are directed at supporting delivery of the agreed priorities. The budgetary impact of other significant Council strategies have also been taken into account.
- 1.3 The Borough plan priorities are:
 - **Housing** - a safe, stable and affordable home for everyone, whatever their circumstances
 - **People** - our vision is a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential
 - **Place** - a place with strong, resilient and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green

- **Economy** - a growing economy which provides opportunities for all our residents and supports our businesses to thrive
 - **Your Council** - the way the council works
- 1.4 The 2020/21 Budget and MTFS 2020-25 will continue to be refined between now and mid-February when the final plans will be presented to Cabinet for consideration before presenting to Full Council on 24 February 2020 for ratification. This will include the implications of the final local government funding figures and the Cabinet's response to consultation.
 - 1.5 The draft General Fund Budget 2020/21 presently has a budget gap of £0.6m (this compares to the £7.5m & £6.5m gaps at this same point when preparing the budgets for 2018/19 & 2019/20 respectively); this gap will be addressed in the February Report. An important part of the authority's improved financial position has been the positive impact of last year's budget strategy, when significant additional investment was made into Adults and Children's services (around £7m each). It should be noted that the draft 2020/21 budget strategy does not depend on contributions from reserves in order to balance.
 - 1.6 With regard to Government Grant funding, the Haringey 2020/21 increase in Settlement Funding Assessment (SFA, namely Revenue Support Grant, Retained and Top up Business Rates) mirrors the national position of 1.7%, which the Government states is in line with CPI inflation. However, this of course comes after nine years of reductions in grant funding and is against the background of rising demand for services, particularly Adults, Children's and Housing Services. To an extent Government has recognised the pressures on Social Care by announcing an additional £1bn nationally, which is expected to increase the amount of Social Care Grant receivable to £7m for next year. It is not as yet known whether this will be continued at this level for the years beyond 2020/21. Given the consequences to local authorities, however it has been assumed to continue in our MTFS forecast for year 2 and onwards. Clearly, should this not be so, it would have major ramifications to our future financial and service planning.
 - 1.7 The Spending Round 2019 announcement in September confirmed that local authorities could increase their Council Tax up to 1.99% without referendum and also allowed for an additional 2% ASC precept to be raised. This draft budget proposes that both of these increases be adopted by Haringey.
 - 1.8 The total proposed new General Fund budget reductions for 2020/21 are £6.8m, considerably lower than the £13.2m that were forecast to be necessary last February. Because of the Council's approach to live budgeting, the decisions it made in July and its active use of Invest to Save, the further proposals necessary at this stage come to £5.5m. When added to the reductions already agreed for 2020/21 (£7.4m), the total reductions to be delivered are £14.3m.

- 1.9 Despite the financial pressure on the Council, it continues to look to respond where it can to the most pressing demands upon it. This year's budget includes additional funding for the extension of the London Living Wage and increase in its capacity to make full use of the apprenticeship opportunities. It also proposes to continue to fund the budget priorities identified in last year's budget.
- 1.10 The report also sets out substantial proposed additions to the current General Fund Capital Programme, which include: schools conditions work; Adults supported living and nursing home schemes; modernised street lighting; civic buildings; street and greenspace improvements; property acquisitions to expand existing businesses or attract new businesses; an ambitious development to deliver a community focussed housing and mixed-use scheme, and improving access to our libraries.
- 1.11 The indicative Dedicated Schools Budget (DSB) funding, which is ring fenced for the delivery of education services, is also outlined. This includes the implications of the on-going budget pressure on the High Needs Block (HNB) from legislative changes to service provision responsibilities introduced in the 2014 Children and Families Act. The report recognises that this is, to an extent, addressed by the increase in High Needs DSG grant announced for 2020/21 and onwards, but the council still has a difficult legacy position to be addressed in the form of an overdrawn DSG reserve.
- 1.12 The report includes the draft Housing Revenue Account (HRA) revenue budget and HRA Capital programme, incorporating the work to date on updating the HRA Business Plan. This is a complex plan and Members should be aware that further changes are anticipated before the final budget package is presented in February, though this will not affect the rent proposals for 2020/21 included here.
- 1.13 The developments most likely to impact on the 2020/21 Budget plans presented in this report before February are:
- funding changes in the final Local Government Finance settlement
 - the outcome of public consultation, equalities impact assessments and any recommendations from Overview and Scrutiny committee
 - further refinement of the HRA business plan and consequent changes to the capital programme

2. Cabinet Member Introduction

- 2.1 The proposals set out in this report contain our initial five-year Medium-Term Financial Strategy (MTFS) for 2020-2025 that will provide a financial plan, best as we can, during this unprecedented period of uncertainty for Local Authority budgeting. This report still has a budget gap of £0.6m for 2020/21 and work will continue over the next two months to identify solutions to bridge this and in order for a legal, balanced budget to be presented to Cabinet in February 2020.

- 2.2 The budget monitoring reports I have presented this year highlight the progress that has been made on stabilising budgets and confirms that the action we took in setting the 2019/20 Budget was appropriate. Whilst we are still forecasting an in year overspend at Quarter Two, the future impact of the main underlying pressures have been addressed as part of the 2020/21 Budget now proposed. We have also taken advantage of making Live budgeting decisions in year such as the approval of a suite of invest to save proposals in Children's services which are now well underway and will contribute to better outcomes for our young people and their families.
- 2.3 Last year's budget put in place additional funding for a number of priorities. the Council Tax Reduction Scheme (CTRS) was extended to a maximum of 100% for our least well-off families with children. This came into effect on 1st April 2019 and is proposed here to be continued for 2020/21.
- 2.4 The 2019/20 Budget also provided ongoing investment into a school meal pilot and a youth services programme, a large portion of which has been used to fund the Summer Holiday Programme which offered more than 150 activities with 19,602 young people taking part.
- 2.5 While resources continue to be limited, this Draft Budget proposes the introduction from April 2020 of London Living Wage (LLW) rates for Council contracted Homecare staff and also those working in Extra Care Sheltered Housing; additionally, an uplift has been applied to Social Care Direct Payments to individuals in line with LLW rates.
- 2.6 An additional sum has also been built in to provide ongoing extra capacity to increase apprenticeship numbers within the Council and across other organisations within the Borough.
- 2.7 The £0.6m gap currently forecast for 2020/21 is a much-improved position to that presented a year ago when we still had £6.5m gap to resolve (£7.5m in 17/18). I believe that we are in a stronger position as a result of the significant work put into the last budget process to write off unachievable savings targets, improved savings delivery and aligning our resources more effectively to reflect the real pressures and growth felt in our two People services. We must also recognise the impact that the additional funding included in the Spending Round 2019 announcement has had, particularly on next year's Budget.
- 2.8 It becomes ever harder to find solutions to balance our budget while seeking to manage the impact on those with the greatest need of our support. This is why you will see that the new budget reductions proposed in this report focus as much as possible on delivering efficiencies and service re-design or increasing income instead of service cuts.
- 2.9 The capital strategy recognises the role that local investment has in changing our locality and the lives of our residents. The new proposals included within this report provide a wealth of examples including:

Two decentralised energy networks are proposed which look to provide sustainable energy, contribute to the Carbon reduction targets and tackle fuel poverty;

An enhanced borough wide strategic acquisition budget will enable us to proactively acquire sites which can influence and support delivery particularly of housing and regeneration priorities;

Investment in our Community First programme which, along with our partners including the NHS, will help provide a true early intervention and prevention service and reduce the risk of debt and housing issues escalating and improve wellbeing outcomes for those most at risk.

- 2.10 In Summary, I believe that the draft Budget proposed here for the General Fund and HRA has been built on solid ground and directs our resources to make the greatest difference to our residents, businesses and other organisations operating in and with Haringey and move us closer to delivering the Borough Plan outcomes. I am confident that between now and February, we will bridge the remaining General Fund gap.

3. Recommendations

3.1 It is recommended that Cabinet:

- a) Note the initial General Fund revenue and capital budget proposals and financial planning assumptions set out in this report and note that they will be refined and updated after the final Local Government Finance Settlement is received in January 2020 and also to incorporate further budget changes as required;
- b) Note the Draft General Fund 2020/21 Budget and MTFS (2020/21 to 2024/25) detailed in this report and Appendix 1;
- c) Note the Draft budget reduction proposals summarised in Section 8 and Appendix 2;
- d) Note the Draft General Fund Capital Programme for 2020/21 to 2024/25 as set out in Appendix 4;
- e) Note the Draft Housing Revenue Account (HRA) revenue and Capital Programme proposals and HRA business plan as set out in section 9;
- f) Note the 2020/21 Draft Dedicated Schools Budget (DSB) and update on the DSG reserve position set out in section 10;
- g) Note that the detailed proposals will be submitted to Overview and Scrutiny Committee / Panels in December 2019 and January 2020 for scrutiny and comments;
- h) Agree to commence consultation with residents, businesses, partners, staff and other groups on the 2020/21 Budget and MTFS.
- i) Note that an updated budget 2020/21 Budget and MTFS (2020/21 – 2024/25) will be put to Cabinet on 11th February 2020 to be recommended for approval to the Full Council meeting taking place on 24th February 2020.

4. Reasons for decision

- 4.1 The Council has a statutory requirement to set a balanced budget for 2020/21 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for that year. Additionally, in order to ensure the Council's finances for the medium term are maintained 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 The Cabinet must consider how to deliver a balanced 2020/21 Budget and sustainable MTFS over the five-year period 2020/25, to be reviewed and ultimately adopted at the meeting of Full Council on 24th February 2020.
- 5.2 Clearly there are options available to achieve a balanced budget and the Council has developed the proposals contained in this report for determining levels of both income and service provision in this report. These take 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. General Fund Revenue Funding Assumptions

- 6.1 The Council has access to five main sources of funding:
- Business Rates
 - Grants
 - Council Tax
 - Fees & Charges
 - Use of Reserves

The first two are largely driven by the outcome of Spending Rounds and the Local Government Finance settlement.

The following paragraphs provide an update on the Spending Round 2019 (SR19), the Local Government Finance Settlement and then sets out the assumptions made in this draft 2020/21 Budget & MTFS 2020-2025 about each of the five funding streams.

SR19 and Local Government Finance Settlement 2020/21

- 6.2 A one-year Spending Round for 2020/21 was announced in September 2019. This replaced the expected 3 year Spending Round and allied Fair Funding Review & Review of the Local Business Rates Retention scheme. These are

all now expected to take place next year and lead to a multi-year Spending Round covering the period 2021-2024.

- 6.3 The announcement provided details regarding Revenue Support Grant (RSG) and other grant funding allocations covering the next financial year. Nationally, the amounts will increase by the September 2019 CPI Figure (1.7%). Although not shown in the table below, it should also be noted that national funding figures have reduced every year since 2010, this being the first increase since then.

Table 6.1 – National Grant Figures – England (inc. assumed Business Rates)

England Totals				
	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Total SFA	16,632	15,574	14,560	14,822
Percentage Change	(10.6%)	(6.4%)	(6.5%)	1.7%
Plus Additional Funding				
S31 Grant (2% cap in NDR)	175	275	400	408
New Homes Bonus (RSG)	1252	948	918	900
Transition Grant	150	-	-	-
Improved Better Care Fund	1115	1499	1837	2077
Rural Services Delivery Grant	65	81	81	81
Levy Account Refund	-	180	0	0
Winter pressures Grant	-	240	240	0
Social Care Support Grant	-	-	410	1410
Adult Social Care Support Grant	241	150	-	-
Total Funding	19,630	18,946	18,445	19,698
Percentage Change	(4.2%)	(3.5%)	(2.6%)	6.8%

- 6.4 Settlement Funding Assessment (SFA) comprises the council's Revenue Support Grant for the year, its retained business rates and top up business rates uprated year on year in line with inflation.
- 6.5 With regard to Government Grant funding, the Haringey 2020/21 increase in Settlement Funding Assessment (SFA – Revenue Support Grant, Retained and Top up Business Rates) mirrors the national position of 1.7%, which the Government states is in line with CPI inflation. However, this of course comes after nine years of reductions in grant funding and is against the background of rising demand for services, particularly Adults, Children's and Housing Services. To an extent Government has recognised the pressures on Social Care by announcing an additional £1bn nationally, which is expected to increase the amount of Social Care Grant receivable to £7m for next year. It is not as yet known whether this will be continued at this level for the years beyond 2020/21 but given the ramifications to local authorities if this was not to be so, it has been assumed to do so in our MTFS forecast for year 2 and onwards. Clearly, should this not be so, it would have major ramifications to our future financial and service planning.

- 6.6 The equivalent funding assumptions for Haringey are shown at table 6.2. Based on these draft figures Government funding support to Haringey via SFA will increase by 5.7% in 2020/21.

Table 6.2 – Haringey Grant Forecast (inc. Business Rates)

Haringey Forecast	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Settlement Funding Assessment	115.2	109.1	102.3	104.0
Percentage Change	-	(5.3%)	(6.2%)	1.7%
Plus Additional Funding				
S31 Grant (2% cap in NDR)	1.2	1.8	2.6	2.7
Improved Better Care Fund	5.4	7.1	8.4	9.5
New Homes Bonus - Local Forecast	5.7	2.7	2.5	2.5
2017-18 ASC Support Grant	1.2	0.7	-	-
Winter Pressure Grant	-	1.1	1.1	-
Social Care Grant	-	-	2.0	7.0
Haringey Corporate Grants	128.7	122.5	118.9	125.7
Percentage Change	(4.0%)	(4.7%)	(3.0%)	5.7%

- 6.7 The difference between the National 6.8% increase and the 5.7% increase forecast for Haringey is caused by the distribution methodology used to allocate the total funding figures between authorities.

- 6.8 The following were also announced:

- The Fair Funding Review, reform of Business Rates system and full Business Rates reset will be deferred to 2021/22.
- Only the 100% Business Rates Pilot areas will continue in 2020-21; all other pilots will cease.
- Nationally, Core Spending Power is forecast to rise from £46.2 billion to £49.1 billion in 2020-21 (the majority of this increase is from an increase to Council Tax revenue through tax rate and tax base increases);
- An additional £700m for High Needs funding for schools and colleges;
- A real-terms increase in the Public Health Grant (CPI plus 1%); and
- The NHS contribution to the Better Care Fund will increase in line with the planned additional investment in the NHS (3.4%).

Core Spending Power (CSP)

- 6.9 Core Spending Power describes the expected available revenue to fund expenditure. From 2016/17 onwards CSP 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.

- 6.10 The overall headline referred to in the Spending Round document and by the Chancellor is that “additional resources available to local government” will increase by more than £3.5 billion. This includes an increase in existing funding streams and some new funding announcements. Elements of the CSP will increase with inflation (Settlement Funding Assessment) with others maintained at 2019-20 levels (New Homes Bonus, Winter Pressures Grant).
- 6.11 It is also important to note that RSG payments will be reinstated from 2020/21 as a consequence of the London Business Rates Pool pilot ending at the end of 2019/20. In 2020/21, Haringey are due to receive £22m in RSG funding based on government figures. The Council received £51m of RSG in 2016/17, therefore RSG funding to the Council would have fallen by 59% (£29m) between 2016/17 and 2020/21.
- 6.12 Historic and draft 2020/21 CSP figures for Haringey are set out in table 6.3 below.

Table 6.3 – Local Forecast of CSP

Local Forecast	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Settlement Funding Assessment	115.2	109.1	102.3	104.0
Plus Additional Funding				
Council Tax Requirement	93.8	101.9	102.0	107.1
S31 Grant (2% cap in NDR)	1.2	1.8	2.6	2.7
Improved Better Care Fund	5.4	7.1	8.4	9.5
New Homes Bonus - Local Forecast	5.5	2.7	2.5	2.5
2017-18 ASC Support Grant	1.2	0.7	-	-
Winter Pressure Grant	-	1.1	1.1	-
Social Care Grant	-	-	2.0	7.0
Core Spending Power	222.3	224.4	220.9	232.8
Percentage Change	-	0.9%	(1.6%)	5.4%

Business Rates

- 6.13 A number of changes were introduced to business rates in April 2017 including a revaluation of the business rates base. Although, the revaluation was revenue neutral nationally, some businesses in Haringey would have seen increases in their business rates charges. For small businesses in this position, relief was provided in the form of a three-year transitional grant that

is administered and distributed to affected businesses in each year during the transition period.

- 6.14 The intention was for Business Rates Baselines to be reset from April 2020, however the Government has announced, as part of SR19 that this will be delayed until April 2021. As to whether this is advantageous or not will be determined by the level of the baseline funding that government sets in relation to what we are actually able to collect.
- 6.15 The Council has been part of the London Pool Pilot since 2018/19. In that year, London retained 100% of business rates locally, generating a significant additional benefit to the Council (£6.4m). The estimated financial benefit to Haringey in 2019/20 is £2.7m - £3m. The reduced figure is due to a lower percentage (75%) being retained in London.
- 6.16 The SR19 announced that the Pilot in London would cease from 2020/21 however it is expected that the London Pool will continue. The ramifications of this are that the percentage retained in London will drop again, to an estimated 67%. This means that the financial benefit from retained growth will be much lower, with the current estimate for Haringey approximately £0.4m. Because of the uncertainty beyond 2020/21, no share of pool growth has been assumed in future years.
- 6.17 Realisation of business rates income is dependent on collection performance, prevailing economic conditions and decisions on appeal by the Valuation Agency Office and some risk has already been built into the forecast income for future years in recognition of this. Business rates income is expected to decrease by £1.6m in 2020/21, mainly due to any growth in business rates income being offset by the discontinuation of the Pool Pilot as discussed above.
- 6.18 The current planning assumption across the MTFS period is that there will be no net growth in the business rates taxbase / hereditaments.
- 6.19 Revenue Support Grant of approximately £22m will be paid in 2020/21 as a consequence of the retention rate reverting to 67%. This grant was reduced to nil in 2018/19 due to Haringey's participation in the London Business Rates Pool Pilot, as the grant was included as part of the payments received from the Pool and MHCLG. As the Pilot is not expected to continue in future years, this grant will be received again by Haringey. It is assumed that this grant will increase in line with CPI across the MTFS period.
- 6.20 The estimated mandatory reliefs applied to Haringey businesses will be £6m in 2020/21. These reliefs cover, among others, discounts for small businesses and will be fully reimbursed via Section 31 Grants by Central Government. From 2021/22, we expect the Section 31 Grants to be rolled into the SFA.

6.21 The forecast income across the MTFS period from business rates related income, including revenue support grant is shown in table 6.4 below.

Table 6.4 – Business Rates Related Income Forecast

Business Rates Related income Forecast	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Revenue Support Grant	-	22,030	22,471	22,920	23,378	23,846
Retained Business Rates	33,484	21,820	23,159	23,577	23,993	24,473
Top up Business Rates	65,196	57,671	62,760	63,892	65,018	66,319
NNDR Levy Surplus 2019/20	1,238	-	-	-	-	-
S31 Grants	6,623	6,018	-	-	-	-
Share of Pool Growth	3,000	400	-	-	-	-
Total	109,541	107,938	108,390	110,390	112,390	114,638

6.22 There are considerable planned and potential changes to the business rates regime beyond 2020/21. These are set out below:

- Business rate baselines are expected to be reset in 2021/22.
- The Government have been consulting on a simplification of the Business Rates Retention scheme including how growth can be incentivised and how it can be measured. No decisions have been made yet either about a new scheme or timing of any implementation.
- The outcome of the Fair Funding Review is still awaited. This will impact on business rates as it derives each authorities baseline funding against which growth is measured.
- The Government has committed to introducing more frequent business rates revaluations and have consulted on bringing forward the date of the next revaluation from 2022 to 2021. Thereafter the Government plan to move to 3 yearly revaluations ensuring rating assessments are more up to date.

6.23 Because of the uncertainty beyond 2020/21, the assumptions in Table 6.4 and their impact on the MTFS will need to be reviewed and, where necessary, updated.

Grants

6.24 The Council will receive a number of 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.

Social Care Grants

- 6.25 As part of SR19 it was announced that an additional £1.5bn of funding for adult and children's social care would be available for Local Authorities to access next year (i.e. £1bn of additional funding and up to £0.5bn from the additional 2% Social Care Precept). It also announced the following in relation to social care related funding:
- Additional Improved Better Care Fund – Expected to remain at 2019/20 levels of £1.6m for Haringey.
 - The Improved Better Care Fund and Winter Pressures Grants are expected to continue at 2019/20 levels, however these will be rolled into a single grant.
 - Social Care Support Grant is expected to increase from £2m in 2019/20 to £7m in 2020/21 for Haringey, which will incorporate Haringey's share of the new £1bn additional funding.
- 6.26 The assumptions around social care funding across the MTFS period are set out in the table below. Whilst we only have announcements for 2020/21, the current planning assumptions are that funding of a similar level will be made available across the planning period. This will need to be kept under review and the MTFS updated when further details emerge. Should this not be realised it will have a significant impact on the current forecast gap across those years. This has been highlighted as one of the biggest risks to the current MTFS, explored in more detail in Section 7.13.
- 6.27 It should also be noted that all of these grants have been netted against the service budget expenditure heads rather than being shown separately (given the changing nature of these grants, it may be that the accounting treatment may need to be revisited in the final February report).

Table 6.5 – Social Care Grants

Original Grant Name	Revised Grant Name (LG Settlement Consultation)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		£'000	£'000	£'000	£'000	£'000	£'000
Better Care Fund (BCF) - (CCG Contribution)		5,819	6,017	6,017	6,017	6,017	6,017
Improved Better Care Fund (iBCF)	Improved Better Care Fund (iBCF)	6,749	6,749	6,749	6,749	6,749	6,749
Additional Improved Better Care Fund (iBCF)		1,621	1,621	1,621	1,621	1,621	1,621
Winter pressure Funding		1,148	1,148	1,148	1,148	1,148	1,148
Social Care Support Grant (ASC/CSC)	Social Care Support Grant	1,962	1,962	1,962	1,962	1,962	1,962
New Funding for Adult & Children's Social Care (SR19)		0	4,998	4,998	4,998	4,998	4,998
	TOTAL	17,299	22,495	22,495	22,495	22,495	22,495

Core Grants

6.28 Based on the SR19, the MTFS assumptions for the Core Grants received by Haringey are as follows:

- Public Health Grant will increase by 1% above inflation to £20.2m in 2020/21. Inflationary increases are expected to be applied to the grant across the MTFS period.
- New Homes Bonus – there are indicative signs that this scheme will be stopped or replaced from 2021/22 however it is assumed that funding at a similar level will continue in some form or other.
- The Council Tax Support and Housing Benefit Admin Grants are expected to continue at 2019/20 levels in 2020/21 (£2m). From 2021/22, the MTFS assumes a drop of £0.5m on the assumption that the Universal Credit programme proceeds with more cases returned to Government.
- Section 31 (S31) grants in relation to mandatory business rate reliefs are expected to continue for 2020/21 but beyond that it is expected that these will be rolled in to the baseline figures and come through as part of the SFA.

6.29 The table below shows assumptions about these grants over the 5-year MTFS period.

Table 6.6 – Core Grants

Grant Name	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Council Tax Support Grant	457	457	408	408	408	408
Housing Benefit Admin Grant	1,491	1,491	1,043	1,043	1,043	1,043
Public Health Grant	19,677	20,228	20,632	21,045	21,466	21,466
New Homes Bonus	2,541	2,199	2,199	2,199	2,199	2,199
Additional Improved Better Care Fund *	1,621	-	-	-	-	-
S31 - Business Rates Multiplier Cap	1,134	1,134	-	-	-	-
S31 - Cost of doubling SBRR & threshold changes for 2019-20	3,285	2,666	-	-	-	-
S31 - Retail Discount Relief & Other Grants	2,205	2,219	-	-	-	-
NNDR Levy Surplus 2019/20	1,238	-	-	-	-	-
Local Flood Grant	22	-	-	-	-	-
Total	33,671	30,394	24,282	24,694	25,115	25,115

* this funding continue to be received but will be allocated directly to the service budget from 2020/21

Council Tax

6.30 The key assumptions in the MTFS on Council Tax are:

- A 1.99% increase in Council Tax in 2020/21 and for each subsequent year (subject to the referendum limits set by Government)
- Additionally, an Adult Social Care (ASC) precept of 2% is proposed in 2020/21 (as per SR19), but no subsequent increases are assumed in the years post 2020/21.
- The tax base is forecast to grow by 1% per annum throughout the MTFS planning period
- The collection rate will be at least 96.50% throughout the planning period.
- The Council Tax Collection Fund account has had surpluses of up to £6m over the past few years, largely due to an overestimation of the impact of the Council Tax Reduction Scheme (CTRS) on income levels. The forecasting has been refined and is reflected in a reduced forecast surplus across the MTFS period (£2.15m).

6.31 The resulting projections for Council Tax income and Band D Rates are set out below. These figures are subject to confirmation of the council tax base,

which is due to be finalised in January 2020 and formal Council ratification of Council Tax Rates in February 2020.

Table 6.7 - COUNCIL TAX ASSUMPTIONS						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Taxbase before collection rate	80,096	80,067	80,868	81,677	82,493	83,318
Taxbase change	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Taxbase for year	80,067	80,868	81,677	82,493	83,318	84,152
Collection Rate	96.50%	96.50%	96.50%	96.50%	96.50%	96.50%
Taxbase after collection rate	77,265	78,038	78,818	79,606	80,402	81,206
Council Tax increase	2.99%	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care precept	0%	2.00%	0%	0%	0%	0%
Band D rate	£1,319.89	£1,372.55	£1,399.87	£1,427.72	£1,456.14	£1,485.11
Council Tax Before Surplus (£000)	£101,981	£107,111	£110,335	£113,656	£117,077	£120,600
Previous Year (Estimated) Surplus	£3,850	£2,150	£2,150	£2,150	£2,150	£2,150
Council Tax Yield (£000)	£105,831	£109,261	£112,485	£115,806	£119,227	£122,750

Fees and Charges

- 6.32 The Council's policy in relation to varying external income 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.
- 6.33 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.
- 6.34 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.
- 6.35 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.
- 6.36 The impact of fees and charges increases have been included in the revenue income projections in the MTFS.

Use of Reserves

- 6.37 The Council's (Non-Earmarked) General Fund Balance is held to cover the net impact of risks and opportunities and other unforeseen emergencies. The funds held in the General Fund Reserve can only be used once and therefore are not a recurring source of income that can meet permanent budget gaps.
- 6.38 The February 2020 Cabinet and Full Council reports will provide a more comprehensive review of the overall sufficiency of Council reserves as part of the S151 statement.

Summary of Corporate General Fund Assumptions

- 6.39 A summary of the of the funding assumptions and breakdown of funding sources is set out in the table.

Table 6.8 – Funding Assumptions

	Source of Funding	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		£'000	£'000	£'000	£'000	£'000	£'000
Table 6.4	Revenue Support Grant	-	22,030	22,471	22,920	23,378	23,846
	Retained Business Rates	33,484	21,820	23,158	23,576	23,992	24,472
	Top up Business Rates	65,196	57,671	62,760	63,892	65,018	66,319
	NNDR Growth	3,000	400	-	-	-	-
Table 6.7	Council Tax	101,981	107,111	110,335	113,656	117,077	120,600
	Council Tax Surplus	3,850	2,150	2,150	2,150	2,150	2,150
Table 6.6	New Homes Bonus	2,541	2,199	2,199	2,199	2,199	2,199
	Public Health	19,677	20,228	20,632	21,045	21,466	21,466
	Other Core Grants	11,453	7,967	1,450	1,450	1,450	1,450
	Total (External) Funding	241,182	241,575	245,155	250,889	256,731	262,502

- 6.40 As mentioned above, the social care Grants previously held as Other Core Grants will be allocated to the service budgets from 2021.

7. General Fund Revenue Expenditure Assumptions

7.1 2019/20 Financial Performance – General Fund Revenue

- 7.1.1 The 2019/20 Budget Update report, also part of this Cabinet agenda, provides an update on the Quarter 2 budget position. The General Fund (GF) revenue forecast of £5.2m overspend reported has remained stable at the level reported in Qtr1 and is significantly below the £15.9m reported in the same period in 2018/19 (which was before the application of budget contingencies of £6.6m in that year). This evidences that last year's approach to financial planning and setting the budget was sound and is having the intended consequence.

- 7.1.2 This year's monitoring and financial planning processes have sought to embed the Live Budgeting approach outlined in the February 2019 Budget/MTFS report. There was one write-off of an unachievable saving relating to the Front Office/Back Office (FOBO) programme and approval of a series of Children's services Invest to Save proposals at the July Cabinet. That July Cabinet was also presented with in year budget forecasts which enabled emerging budget pressures to be considered as part of the financial planning process for 2020-2025 at an early stage.
- 7.1.3 The Qtr1 report provided more detail and further clarity and the draft 2020/21 budget proposed in this report has addressed the two most significant budget pressures driving the forecast overspend. The first is demand growth in Adults, where the additional budget built into 2019/20 base budgets for this service area were not able to fully address the underlying need; the second is a recognition that a pre-agreed savings which planned to achieve income contributions from letting out office space in Council buildings is no longer achievable as intended and the draft 2020/21 Budget includes the proposal that this is written out from April 2020.
- 7.1.4 Regular review of the progress in delivering the agreed savings proposals is undertaken and focusses on both in year and future years. This enables early interventions to be taken and has proved successful this year in significantly reducing the level of non-delivery seen in previous years. The Qtr2 report recognises that some savings, over and above the one outlined above, will not deliver in year as planned, but this is a profiling issue, rather non-delivery; the budgetary impact is largely being mitigated in year and the savings will deliver early 2020/21.
- 7.1.5 The Dedicated Schools Grant (DSG) year-end forecast has worsened markedly since Qtr1 and now stands at £5.1m (£1.8m Qtr1). This is due to the on-going pressures in the High Needs Block (HNB) which Members will be aware is a national issue facing the entire local government sector mainly as a consequence of the expansion of age ranges for EHCP eligibility. In the context of the increased demand the service is reviewing its savings plan to see how costs can be reduced
- 7.1.6 The SR19 announcement of one-off additional funding (c. £4.4m) for the 2020/21 HNB was welcome but does not cover the full estimated future years overspend and doesn't provide the permanent resolution that we require. It also doesn't clear the estimated £7.3m DSG deficit balance at the end of this year. Correspondence with the DfE has continued over the past months in an attempt to get confirmation on when a sustainable funding stream will be announced and until this happens where the existing funding risk sits and how it will be accounted for. Until this is clarified, it remains one of the biggest financial risks to the authority. The Council will need to review how it carries that risk on it's balance sheet at the end of 2019/20, in light of the accounting guidance at that time.

- 7.1.7 In summary, the major underlying pressures are proposed to be resolved as part of the 2020/21 budget and officers will continue to work on reducing and mitigating the in-year GF forecast overspend to bring it to a balanced position by March 2020.

7.2 Budget Growth / Pressures

- 7.2.1 The financial planning process has sought to identify, and where possible address, budget pressures and necessary growth in order that the 2020/21 Budget in particular, but also the MTFS 2020-2025 are set are realistically as possible – matching forecast expenditure against forecast income and deliverability of newly proposed savings.
- 7.2.2 Some growth for the period to 2024 was already built into last year's MTFS and the financial planning work undertaken since May has reviewed the assumptions driving those figures, updated them where appropriate and has also assessed new pressures or identified growth.
- 7.2.3 The main corporate assumptions across the 2020-2025 period are outlined below followed by a paragraph which focusses on the policy priorities and service specific items.

7.3 Pay Inflation (+£2.5m pa)

- 7.3.1 The current pay deal ends at 31/03/2020 and negotiations are still underway over the next agreement. Firmer information might be available for the February report but our current planning assumptions are a similar (2%) increase for the next pay round. This has been extended across the period of the MTFS.

7.4 Non-Pay Inflation (+£1m pa)

- 7.4.1 The assumption continues that the services will broadly have to manage within existing budgets, thus absorbing any inflationary pressures. However, in recognition that (a) some contracts include inflation-linked increases (b) utility costs continue to be volatile and difficult to predict and (c) legislative changes can impact on cost of services, additional budget has been built in across the period.

7.5 Employer Pension Contributions (-£0.5m pa)

- 7.5.1 The outcome of the most recent triennial valuation, which covers the period 2020/21 – 2022/23, confirms that the Pension Fund has performed well allowing for a decrease to the Council's contribution rate of 0.5% each year for three years.

7.6 Treasury & Capital Financing

- 7.6.1 The MTFS has been updated to reflect the impact of both the recent 1% increase in the PWLB rates on the existing capital programme as well as the newly proposed investment. The impact of this is estimated at £1m in total over the period of the MTFS.
- 7.6.2 It also builds in the overall step up in forecast borrowing costs associated with the new capital proposals.
- 7.6.3 These figures may require revision depending on the outcome of consultation and scrutiny of the capital investment proposals between now and the final Cabinet report in February 2020 & the final Treasury Management Strategy Statement presented to Full Council later that month.

7.7 Levies

- 7.7.1 The current assumption is that all Levy costs except the North London Waste Authority (NLWA) levy will remain broadly in line with the 2019/20 figures across the period.
- 7.7.2 The NLWA's North London Heat and Power Project will replace the existing Energy from Waste plant at the Edmonton EcoPark with an Energy Recovery Facility and includes a new Resource Recovery Facility. This major project will have financial implications for each of the 7 London boroughs involved, representing 2 million people. The existing MTFS had assumed a £0.5m p.a. levy increase to commence from 2020/21, due the impact of increased borrowing costs which must be met by the levy. The latest NLWA planning, however, is that this will commence later. This has allowed a one-off amendment to the previous MTFS assumptions for 2020/21. This assumption will be revisited before February, when the NLWA will have announced their intended levy levels for 2020/21.

7.8 Policy Priorities

- 7.8.1 Last year the Council agreed that the following policy priorities receive additional funding through the 2019/20 budget and it is proposed that this is continued to be funded in each year of the new draft MTFS:

- Youth Services programme - £0.25m
- School meals pilot - £0.05m
- Council Tax Reduction Scheme - £1.6m

- 7.8.2 The table below shows the policy growth now proposed and built into the draft MTFS.

Table 7.1 Policy Growth Proposals

POLICY GROWTH PROPOSALS	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Adult Social Care - London Living Wage for Homecare & Direct Payments (above previous corp funding)	3,507	(1,733)	(1,363)	(411)	-
Adult Social Care - London Living Wage for Extra Care Sheltered Housing	800	-	-	-	-
HR - Apprenticeship Support	134	-	-	-	-
TOTAL	4,441	(1,733)	(1,363)	(411)	0

7.8.3 This draft Budget proposes the introduction from April 2020 of London Living Wage (LLW) rates for Council contracted Homecare staff and also those working in Extra Care Sheltered Housing; additionally, an uplift has been applied to Social Care Direct Payments to individuals in line with LLW rates.

7.8.4 This addresses a key policy position of the council and also addresses the fact that, when compared to our neighbours, Haringey is paying relatively low rates for Home Care and Direct Payments. The enhanced rates would be implemented in conjunction with the introduction of alternative delivery models including electronic call monitoring, assistive technology, reablement and the associated changes to care plans. These changes are planned to make this programme cost neutral except for the enhancement of Extra Care rates, where the cost cannot be mitigated down.

7.8.5 The additional investment in apprenticeships will create social and economic benefits for residents as well as providing opportunities for current and future Council staff. The investment will enable the creation of a team to form and manage an enhanced approach to apprentice recruitment, support and development, providing training opportunities across the council. Creation of new apprenticeship opportunities will enable the Council to utilise the Apprenticeship Levy to a far greater degree than has been possible at current resourcing levels. The levy can be used to support training for current staff taking up apprenticeships as well as new recruits to the workforce. The availability of an increased number of apprenticeship opportunities will also make the council an attractive employer and help to target groups that are often disadvantaged in the recruitment marketplace, such as young people and people returning to work after a break.

7.9 Service Growth Needs

7.9.1 The table below shows the service specific growth proposals / unachievable savings write-off now proposed and built into the draft MTFS.

Table 7.2 – Service Growth Needs / Write-Off Unachievable Savings

SERVICE GROWTH NEEDS / WRITE OFF UNACHIEVABLE SAVINGS	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Net Demographic / inflation growth Adults Social Care (above current MTFS assumption)	2,124	(697)	(813)	2,788	3,102
Inflation growth Children's Social Care	0	500	500	500	500
Rectify HR -Shortfall in schools income	270	-	-	-	-
HR - base budget insufficiency. Long Term resolution via proposed restructure	546	(546)	-	-	-
Rectify historical structural deficit - Electoral Services	120	-	-	-	-
Highways Street Tree Maintenance	95	6	6	6	6
Local Plan Review	50	0	-	-	-
Write-off Alexandra House decant pre-agreed saving	800	-	-	-	-
TOTAL	4,005	(737)	(307)	3,294	3,608

7.9.2 The biggest single growth items relate to Adults and Children's services in recognition of the forecast pressures across the MTFS period over and above the sums already built into the existing plans.

7.9.3 It is forecast that the Adults service will need to address both demographic and inflationary pressures. The figures have been generated by detailed modelling and trend analysis moderated down by the impact of early interventions, reablement and the use of technology, which is hoped will provide an environment of greater resilience amongst the cohort of potentially vulnerable clients. Consequently this should allow clients to remain independent for longer before the need to enter the care system. This additional funding also addresses the £2.7m pressure highlighted in Adults in 2019/20.

7.9.4 Children's services are not expecting demographic growth however, it is prudent to recognise the impact of inflationary growth in the market and therefore some additional funding for this has been assumed from 2021/22.

7.9.5 The remaining growth proposals look to address historic or forecast base budget pressures. All build in additional budget on an on-going basis with the exception of the £0.546m for HR which the service are looking to resolve as part of a forthcoming restructure of that service and therefore the funding is only provided for 2020/21.

7.9.6 The proposed write off of the existing saving associated with realising income from decanting Alexander House to enable rental accounts for the final £0.8m growth.

7.10 Budget Reduction Proposals

7.10.1 The 2019 Budget and MTFS 2019-2024 agreed a total of £29.9m budget reductions to be delivered across that period. Whilst the Council was able to set a balanced budget for 2019/20, the MTFS acknowledged that a forecast of £20.5m additional savings would be required over the years from 2020/21 to match the assumed funding and expenditure plans at that point.

7.10.2 The table below summarises the position included in the February 2019 Budget/MTFS report.

Table 7.3 – Agreed Savings and Forecast Unidentified Savings at February 2019

	2019/20 Pre- Agreed Savings £'000	2019/20 (New) MTFS Savings £'000	2019/20 Total Savings £'000	2020-21 Total Savings £'000	2021-22 Total Savings £'000	2022-23 Total Savings £'000	2023/24 Total Savings £'000	Total Savings (All Years) £'000
Priority 1 - Children Services	0	1,602	1,602	401	90	0	0	2,093
Priority 2 - Adults Services	2,390	2,000	4,390	4,039	3,185	3,270	100	14,984
Priority 3 - Environment & Neighbourhood Services	150	1,665	1,815	1,565	600	70	70	4,120
Priority 4 - Regeneration & Growth	0	910	910	15	0	0	0	925
Priority 5 - Housing Services	120	1,070	1,190	708	573	0	0	2,471
Priority X - Corporate Services	2,650	419	3,069	1,505	25	6	6	4,611
Council Wide	750	0	750	0	0	0	0	750
Total Agreed Savings	6,060	7,666	13,726	8,233	4,473	3,346	176	29,954
Unidentified Savings	0	0	0	13,171	811	4,112	2,375	20,469
Total Savings Requirement	6,060	7,666	13,726	21,404	5,284	7,458	2,551	50,423

7.10.3 The July 2019 report agreed a couple of changes to this position. It approved the write-off of an unachievable saving and agreed to a set of Invest to Save proposals put forward by the Children's service (£2.5m over the five-year MTFS period).

7.10.4 The net impact of these decisions on the draft 2020-2025 MTFS were built into the financial planning process underway since May this year.

7.11 2020-2025 Approach to Budget Reduction Proposals / Savings

7.11.1 The financial planning process looked to build on the progress made last year where the budgets agreed were more realistic and understood and owned by the wider organisation. As last year, the Council started its budget

process at a very early stage in order to identify and propose the options contained in this report.

7.11.2 The key themes underpinning this planning strategy were:

- Move towards long term sustainable position
- Earlier officer/Member discussion about priority issues, opportunities and risks
- Change orientated
- Better integration of capital and revenue decision making
- More comprehensive resource planning
- Embed the principle of Live budgeting decisions
- Continued integration of in year monitoring with financial planning

7.11.3 The new budget reduction proposals arising from this process are set out in Table 7.4 below, allocated by priority.

Table 7.4 – New Budget Reduction Proposals by Priority

Priority	2020/21	2021/22	2022/23	2023/24	2024/25	Total Savings
	£000	£000	£000	£000	£000	£000
Housing	108	136	136	136	136	652
People - Adults	1,034	60	0	(476)	0	618
People - Children	225	150	175	100	200	850
Place	2,002	1,467	989	0	0	4,458
Economy	775	120	130	120	0	1,145
Your Council	1,370	517	784	0	0	2,671
Total - New Proposals	5,514	2,450	2,214	(120)	336	10,394
Total - Invest to Save	1,335	879	334	-	-	2,548
Total Savings Proposals	6,849	3,329	2,548	(120)	336	12,942

7.11.4 The new proposals have been analysed by delivery type;-

Table 7.5 – Budget Reduction Proposals by Delivery Type

Budget Reduction Proposal by Type	2020-21	2021-22	2022-23	2023-24	2024-25	Total	Percentage
	£000	£000	£000	£000	£000	£000	%
Efficiency savings	1,367	399	575	-	-	2,341	18%
Increase in income	2,383	1,248	653	-	-	4,284	33%
New Delivery Model	1,310	1,016	678	220	200	3,424	26%
Service redesign	680	666	567	136	136	2,185	17%
Stopping / reducing service	1,109	-	75	(476)	-	708	5%
Total	6,849	3,329	2,548	(120)	336	12,942	100%

7.11.5 The total proposed new budget reductions for 2020/21 of £6.8m are considerably lower than the £13.2m that have been forecast to be necessary last February. Because of the Council's approach to live budgeting, the decisions it made in July and its active use of Invest to Save, the new proposals necessary at this stage come to £5.5m. When added to the reductions already agreed for 2020/21 (£7.4m), the total to be delivered is £14.3m. A summary of the future years total savings position including those agreed in previous budget rounds is provided in Appendix 3.

7.11.6 To help de-risk the budget in future years, officers have assessed delivery confidence. Whilst these proposals have yet to be agreed, as they are subject to scrutiny and consultation, work will continue by officers to look to identifying means of amending the status of risk and a final update will be provided in the February report. All proposals have been reviewed by the Policy and Equalities team and have been subject to initial equalities screening. Where these have indicated that full EqIA's will or might be required, work is progressing on completing these.

7.11.7 The monitoring of savings delivery in 2019/20 has provided a growing assurance that services have a greater understanding of and capacity to deliver budget reduction proposals. This, when coupled with the indicative delivery confidence provided for the new proposals, supports a one-off reduction in the budgeted resilience contingency for 2020/21 only (£2m).

7.12 Summary Revenue Budget Position 2020/21 – 2024/25

The summary revenue budget position, including current projected gaps is identified below.

Table 7.6 – Summary Revenue Budget Position

	2019/20 Budget	2020/21 (Draft) Budget	2021/22 Projected	2022/23 Projected	2023/24 Projected	2024/25 Projected
Priority Area	£'000	£'000	£'000	£'000	£'000	£'000
Housing	18,888	18,251	17,542	17,406	17,270	17,134
People - Children	58,310	56,351	55,732	55,723	56,123	56,423
People - Adults	82,312	76,145	74,054	72,329	75,503	78,605
Place	26,652	24,449	22,388	21,335	21,271	21,277
Economy	1,173	1,089	969	839	719	719
Your Council	35,805	36,302	35,214	34,424	34,418	34,418
Non-Service Revenue	23,528	29,600	39,744	50,529	60,069	66,335
Council Cash Limit	246,668	242,187	245,643	252,586	265,373	274,911
Planned Contributions from Reserves	(5,487)	-	-	-	-	-
Further Savings to be Identified	-	(612)	(487)	(1,696)	(8,642)	(12,409)
Total General Fund Budget	241,182	241,575	245,156	250,889	256,731	262,503
Council Tax	101,981	107,111	110,335	113,656	117,077	120,600
Council Tax Surplus	3,850	2,150	2,150	2,150	2,150	2,150
RSG	0	22,030	22,471	22,920	23,378	23,846
Retained Business Rates	33,484	21,820	23,158	23,576	23,992	24,472
Top up Business Rates	65,196	57,671	62,760	63,892	65,018	66,319
NNDR Growth	3,000	400	0	0	0	0
Total (Main Funding)	207,511	211,181	220,873	226,194	231,615	237,387
Core/Other External Grants						
New Homes Bonus	2,541	2,199	2,199	2,199	2,199	2,199
Public Health	19,677	20,228	20,632	21,045	21,466	21,466
Other core grants	11,453	7,967	1,450	1,450	1,450	1,450
TOTAL (Core/Other External Grants)	33,671	30,394	24,282	24,694	25,115	25,115

7.12.1 The draft General Fund Budget 2020/21 presently has a budget gap of £0.6m. This compares to the £7.5m & £6.5m gaps at this point in preparing the budgets for 18/19 & 19/20. The £0.6m gap for next year will be addressed in the February report. A significant change to previous financial planning assumptions beyond 2020/21 is that the Council will continue to receive a similar level of grant funding as was announced in the Spending Round 2019 (SR19), which included a significant step up in the level of social care grants receivable in 2020/21. Should this not be realised it will have a significant impact on the current forecast gap across those years.

7.12.2 In undertaking this multi-year financial planning, the levels of uncertainty and risk increase substantially beyond the immediate budget for next year. Reference has been made above to the scale of the assumption made in regard to future years grants. This report elsewhere highlights the many other risks that may impact and increase the size of the gaps forecasted above for years 2 and beyond. This authority, like all other social care councils, must be

particularly concerned about the risks regarding its care services finances. While the year-on-year cash limit profiles for our care services detailed above have been prepared with reference to best intelligence on future years grants, demographics, savings and other pressures, these need to be kept under closest review.

7.13 Review of assumptions and risks 2020/21 – 2024/25

7.13.1 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 2020 and will draw on independent assessments of the Council's financial resilience (CIPFA & London Councils) however, it is critical that this report outlines the assumptions and approach to risk taken when arriving at the budget proposals included in the draft Budget & MTFS.

7.13.2 Given the increased financial pressure that is falling upon this council's budget and the uncertain national political picture, this statutory role is acquiring more and more significance. The number and breadth of potential risks and level of uncertainty, particularly around future funding, underlines the need to maintain both a budgeted resilience contingency and keep general and earmarked reserves at current levels.

7.13.3 The main uncertainties and risks identified to date which may impact on the Council's budget over the period of the MTFS are:

- Funding assumptions for 2020/21 are subject to the final local government settlement expected in January 2020 and therefore there may be changes
- There have been no announcements about funding beyond 2020/21 so professional judgement has had to be used in forecasting funding for the later years of the MTFS. These assume that Government funding of a similar level to that announced in SR19 will continue across the whole period. Should this not be realised it will have a significant impact on the current forecast gap across those years. This will be kept under close review.
- The implications arising from the next Spending Round and the period that will be covered are not known
- The cessation of the London business rates pool pilot and the proposed continuation of the London business rates pool at reduced retained rate of 67% (19/20 75%) with less financial benefit
- The continued pressure on High Needs Block Dedicated Schools Block (DSG) resources, lack of a clear strategy for resolution from the DfE and ongoing uncertainty about where the accounting risk for this overspend sits
- The on-going uncertainty over Brexit and what impact this might have – particularly on staffing in critical social care & health services, on local tax

income levels and potentially numbers presenting as No Recourse To Public Funds (NRPF)

- The expected Fair Funding Review and redesign of the Business Rates Retention scheme did not complete during 2019/20 as expected and are now planned for 2020/21. The impact on funding for the Council on the eventual outcomes of both are not known at this time
- Increases in London Living Wage in future years.
- The impact of pay and general inflation pressures above current assumptions
- 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.
- Planned actions to increase Council managed temporary accommodation options do not progress at the pace expected
- 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.
- Any further deterioration in the forecast 2019/20 position including non-delivery of in year savings
- The need to balance revenue and capital priorities to ensure the most appropriate use of available resources and the risk that the required skilled workforce to deliver at pace is not available
- Business rates base negatively impacted by any economic slowdown and continuing trend to on-line services

8. Council's Capital Strategy and Capital Programme 2020/21 – 2024/25

8.1 Introduction

- 8.1.1 This is the second capital strategy report that has been prepared since it became a mandatory requirement of local authorities to produce one. It gives a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of public services. It also provides an overview of how the risks of the capital programme are managed and the implications for future financial sustainability.

8.2 Background

- 8.2.1 Capital expenditure in local government is defined in statute and accounting practices/codes and as such must be complied with. Within these rules, capital budgets and capital expenditure decisions offer the opportunity for the Council to profoundly affect the lives of its residents, businesses, and visitors in both the immediate and the longer term.
- 8.2.2 Capital programmes can shape the local environment (e.g. through the provision of new housing, traffic schemes or regeneration schemes); positively impact people's lives (e.g. through creating appropriate housing for

adults with learning difficulties or investment in parks and open spaces); transform the way the Council interacts with local residents (e.g. through the libraries investment programme or proposals for a new customer service centre); and deliver fit for purpose schools. The key objectives for the Council's capital programme are to deliver the borough plan and assist the Council in meeting the financial challenges that it continues to face.

8.3 Capital expenditure and financing

8.3.1 Capital expenditure is where the Council spends money on a project, with the view to derive economic benefit from the outcome of the expenditure, for a period longer than twelve months. This also includes spending on assets owned by other bodies, loans and grants to other bodies enabling them to buy assets.

8.3.2 The table below shows a high-level summary of the Council's outline capital spending in the medium term; i.e. for the financial years 2020-25 which shows the continued and growing capital investment that is being undertaken to support the achievement of the borough plan objectives.

Table 8.1: Capital expenditure plans overview 2020/21-2024/25

	2019/20 Budget (£'000)	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	Total (£'000)
Previously Agreed							
General Fund Account (GF)	152,637	163,895	158,622	90,577	107,481		673,212
Housing Revenue Account (HRA)	148,145	106,470	365,215	236,314	190,840		1,046,984
Total	300,782	270,365	523,837	326,891	298,321		1,720,196
Proposed							
General Fund Account (GF)		247,904	236,006	189,961	180,045	44,834	898,750
Housing Revenue Account (HRA)		253,641	226,238	218,835	164,431	215,300	1,078,445
Total		501,545	462,244	408,796	344,476	260,134	1,977,195

8.3.3 The capital programme is composed of individual priority programmes. Within these priority totals there are schemes and within most schemes there are individual projects. For instance, Scheme 302, Borough Roads, will contain individual projects on individual roads.

8.3.4 The inclusion of a scheme within the capital programme is not necessarily permission to spend. Most schemes will be subject to the completion of an

approved business case that validates the high-level cost and time estimates contained within the programme. An integral part of the business case will be an assessment of the risks that a project faces and once a project is agreed, the review of the risk register is a standing item on the agenda for the project's governance arrangements.

- 8.3.5 There are a range of schemes within the General Fund capital programme that will only proceed, if they are estimated to result in a net reduction in expenditure. That reduction will include the cost of financing the capital expenditure. These schemes are known as self-financing schemes.
- 8.3.6 Service managers bid annually as part of the Council's budget setting process. The bids are assessed against their "fit" in relation to the Borough Plan, the asset management plan and meeting the objectives of the medium-term financial strategy (MTFS).
- 8.3.7 The Housing Revenue Account (HRA) is a ring-fenced account, which ensures that the Council's housing activities are not subsidised by the Council's non-housing activities. It also ensures that the Council's non-housing activities are not subsidised by its HRA. HRA capital expenditure is recorded separately.

The table below details the proposed capital expenditure plans by priority.

Table 8.2: Capital expenditure plans by priority

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	Total (£'000)
People - Children's	31,313	28,286	19,166	23,611	10,600	112,976
People - Adults	15,120	24,970	25,720	12,400	2,100	80,310
Place	29,230	27,604	17,964	13,244	284	88,326
Economy	153,230	140,806	115,661	119,990	31,000	560,687
Housing (GF)	9,000	9,000	9,000	9,000	0	36,000
Your Council	10,010	5,340	2,450	1,800	850	20,450
Total General Fund (GF)	247,904	236,006	189,961	180,045	44,834	898,750
Housing (HRA)	253,641	226,238	218,835	164,431	215,300	1,078,445
Overall Total	501,545	462,244	408,796	344,476	260,134	1,977,195

- 8.3.8 Appendix 4, includes the previously agreed schemes plus any changes since the last budget (up to and including the November 2019 Cabinet), plus details of the new schemes proposed. Additionally, Appendix 5 provides details of the new schemes. The following paragraphs provide a high-level description of each of the proposed new schemes.

8.3.9 Children's Services

Extensive work has been undertaken during 2019/20 to understand the extent of the investment required in the Children's Services estate. This work has provided comprehensive information on the condition of the estate and provides the foundation of the forthcoming Children's Services asset management plan. The asset management plan will provide a framework for the decisions on where and when the investment in the estate best serves the needs of our young people so that they are educated in facilities that are fit for today and the future. The significant new investment of £50m will be targeted to achieve that maximum effect. This new investment relates to the existing stock rather than any expansion requirements.

School Streets Initiative 2020/21-2024/25 (scheme 119)

The proposal is for streets outside schools that will have a range of physical treatments to change travel patterns and behaviours, to encourage more sustainable modes of travel to school, to improve the air quality and to provide a safer environment for children.

School Condition Works 2020/21-2024/25 (scheme 120)

During 2018/9-2019/20 extensive surveys have been undertaken of the school's estate. This has identified a range of work that needed to be done immediately as they related to H&S issues. These works have been completed and the focus is now on further works to the school estate to ensure that the buildings are fit for purpose.

8.3.10 Adult Services

The continued focus of the Adults Services capital programme is to enhance the lives of disabled and older adults. The new proposals for capital expenditure are based on providing assets and services that enable people to lead fulfilling lives, where possible independently within their own homes.

Burgoyne Road 2020/21-2024/5 (scheme 217)

This proposal is for the conversion of Burgoyne Road (once acquired from the NHS) into a refuge for survivors of domestic abuse.

Social, Emotional & Mental Health provision 2020/21-2024/25 (scheme 218)

This capital proposal is to develop the social, emotional and mental health provision within the borough.

Additional Supported Living scheme 2020/21-2024/25 (scheme 219)

This proposal is to add to the current budget in the light of the successful Linden House project and will provide funding for further supported living schemes.

Osborne Grove Nursing Home 2020/21-2024/25 (scheme 220)

Cabinet considered the outcome of the detailed feasibility study into the expansion of the facility and agreed to proceed to create a new 70 bed unit. This proposal is for the additional funding to meet that decision and to allow for the emerging housing development on the site.

8.3.11 Place

The proposed increase in the Place priority capital programme are designed to make the borough a cleaner and safer place where residents can lead active and healthy lives. The proposed investment in the school streets initiative, the street and green space greening programme, the conversion of the street-lights to efficient LED's, when combined with the existing investment programmes will make a significant improvement in the environment.

Additional Asset Management of Council buildings 2020/21-2024/25 (scheme 316)

The need for works to River Park House has been identified to address a range of issues in the building. This proposal is to deal with the highest priority items. An additional allowance has been provided to fund any essential works following a series of proposed condition surveys.

Road Maintenance 2020/21-2024/25 (scheme 326)

This proposal is to enhance the existing budget for road maintenance to undertake essential works to the highway.

Principal Road Maintenance 2020/21 (scheme 327)

This proposal is for additional resources to cover a projected one-year shortfall in funding from TfL.

Street and green space greening programme 2020/21-2024/25 (scheme 328)

This programme seeks to increase the number of trees planted on Haringey's streets which will have several benefits to resident. The early phases of the scheme will concentrate on the east of the borough, where tree canopy cover is less than 20%.

Park Building Improvements & Carbon Reduction 2020/21-2024/25 (scheme 329)

The parks service is responsible for a portfolio of 58 buildings the majority of which are leased to stakeholders within parks. Fourteen of these buildings are used operationally by the parks service either as depots, sports pavilions or plant nursery. All these buildings need improvement to meet current legislative standards, council accommodation standards and energy efficiency.

Civic Centre Refurbishment 2020/21-2024/25 (scheme 330)

Surveys undertaken have identified substantial works being required at the Civic Centre. At this stage the budgetary provision is based on very high-level costings pending further investigations.

Borough Streetlight Conversion to LED's 2020/21-2024/25 (scheme 331)

This proposal is a self-financing one to replace the Council's current stock of inefficient streetlights with state-of-the-art LED bulbs.

8.3.12 Economy

The capital programme proposals for the Economy priority directly support wealth creation and regeneration aspirations in the borough. The considerable investment in the Council's own commercial property, along with the potential acquisition of other properties, will allow for the expansion of industrial, commercial and office space. Once invested in or acquired, these can be used to expand existing businesses or to attract new businesses.

Capital Maintenance of Tottenham Green Workshop 2020/21-2024/25 (scheme 4001)

This proposal is to enhance the existing budget for the Tottenham Green Workshop so that economies in upgrading the building are achieved.

Northumberland Park Estate improvements 2020/21-2024/25 (scheme 4002)

This proposal is to provide improvements to the area around Northumberland Park Estate that are not covered by any works funded by the HRA.

Tottenham Hale DCF 2020/21-2024/25 (scheme 4003)

The strategies for the Tottenham Hale district centre framework (CF) were agreed some time ago and since then there has been considerable cost inflation. This proposal is to provide funding to complete the schemes as originally agreed.

Strategic Acquisitions Budget 2020/21-2024/25 (scheme 4004)

This proposal is to expand the coverage of the existing strategic acquisitions programme and to increase the budget. Any acquisitions will be subject to an approved business case.

Expanded or Intensify Employment Space 2020/21-2024/25 (scheme 4005)

This proposal is to expand and/or intensify existing Council workspaces.

Council Acquisition of Head Leases 2020/21-2024/25 (scheme 4006)

The Council's commercial property portfolio includes several industrial estates where there are head leases and freeholds held by third parties. This proposal is to acquire head leases with each acquisition being subject to an approved business case.

Tottenham Hale Decentralised Energy Network 2020/21-2024/25 (scheme 4007)

The proposal is for the construction of a decentralised energy network (DEN) in Tottenham Hale to provide the neighbourhood with affordable low carbon energy.

Wood Green DEN 2020/21-2024/25 (scheme 4008)

The proposal is for the construction of a decentralise energy network (DEN) in Wood Green to provide the neighbourhood with affordable low carbon energy.

Additional Carbon Reduction project 2020/21-2024/25 (scheme 4009)

This proposal is to provide additional funding to other schemes in the approved capital programme as they come forward to move the Council towards achieving its carbon reduction targets. Release of the funding will be subject to an approved business case.

Selby Urban Village project 2020/21-2024/15 (scheme 4010)

The Selby Urban Village project is an ambitious development arising from a shared aspiration between Haringey Council and the Selby Trust to deliver a community focused, mixed-use scheme on the Selby Centre and Bull Lane Playing Field sites and will support the Council's Priorities set out in the Borough Plan.

Further remediation of the commercial property portfolio 2020/21-2024/25 (scheme 4011)

This proposal is to deal with the backlog maintenance of the commercial portfolio to maintain and enhance its letting ability.

8.3.13 Your Council

The Communities First initiative will help transform the way in which the Council engages with its residents. The investment in the library stock sits beside the Communities First initiative and will improve the accessibility of libraries and the range of services that they offer.

Community First programme 2020/21-2024/25 (scheme 650)

This proposal is to support the creation of the infrastructure needed to deliver the community first programme.

Further remediation of library condition & accessibility issue 2020/21-2024/25 (scheme 651)

A number of libraries are affected by poor condition and accessibility issues that curtail operations at the various sites. This proposal seeks to remedy these matters.

Re-imagining our library offer 2020/21-2024/25 (scheme 652)

The proposed investment will enable the library service to generate additional income through increased space utilisation.

Capitalisation of infrastructure staff 2021/22-2024/25 (scheme 653)

This proposal will capitalise the cost of staff against ICT assets created so that the true cost of the asset is recognised.

Approved Capital Programme Contingency 2021/22-2024/25 (scheme 699)

It is prudent, given the scale of the proposed capital programme that a contingency is budgeted for.

8.3.14 Financing

All capital expenditure must be financed from either external source's (government grant and other contributions), the Council's own resources (revenue, reserves or capital receipts) of debt (borrowing, leasing, Private Finance Initiative). The Council's capital programme is moving to a financing strategy that seeks to ensure that investment via the capital programme is self-financing. The new schemes proposed to be added to the programme for 2020/21-2024/25 are analysed in the table below and show that the majority of schemes being proposed (75%) are self-financing:

Table 8.3: Financing Strategy

	Borrowing (£'000)	Other (£'000)	Self-Financing (£'000)	Total (£'000)
People - Children's	51,500	1,500	0	53,000
People - Adults	700	3,510	42,420	46,630
Place	24,293	373	10,500	35,165
Economy	1,250	6,000	224,100	231,350
Your Council	6,380	0	5,650	12,030
Total	84,123	11,383	282,670	378,175

8.3.15 The self-financing schemes will normally only proceed if they produce a reduction in expenditure that includes reductions enough to cover the cost of financing the investment. This is necessary to ensure that the investment contributes to meeting the financial challenges that the Council faces. It is noted however, that in some limited circumstances, that schemes may proceed even if they do not produce a reduction in expenditure enough to cover the cost of financing the investment.

8.3.16 As debt needs to be repaid the Council is required by statute to set aside from its revenue account an annual amount sufficient to repay borrowings. This is known as the minimum revenue provision (MRP). The MRP for the period is set out below:

Table 8.4: Estimated MRP

	2019/20 Forecas t (£'000)	2020/2 1 Budget (£'000)	2021/2 2 Budget (£'000)	2022/2 3 Budget (£'000)	2023/2 4 Budget (£'000)	2024/2 5 Budget (£'000)
MRP	3,529	5,718	10,333	16,071	21,731	25,237

8.3.16 The Council's cumulative outstanding amount of debt is measured by the capital financing requirement (CFR). This increases when new debt financed expenditure is incurred and reduces when MRP is made.

Table 8.5: Prudential Indicator: Estimates of Capital Financing Requirement

	2019/20 Forecas t (£'000)	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)
CFR	826,352	1,196,555	1,463,819	1,712,605	1,915,384	2,008,438

Asset Management

8.3.17 The Asset Management Plan will be considered in February.

Asset Disposals

8.3.18 When a capital asset is no longer needed, it may be sold and the proceeds (known as capital receipts) can be spent on new assets or can be used to repay debt. Repayments of grants, loans and non-treasury investments also generate capital receipts. The Council is currently permitted by legislation to spend capital receipts to deliver cost reductions and/or transformation until 2021/22. This is known as the flexible use of capital receipts and this flexibility is currently due to expire on the 31st March 2022.

8.3.19 As stated above, capital receipts can be used to fund capital expenditure or repay debt. The budget assumption is that capital receipts will not fund capital expenditure or debt repayment. It is anticipated that the capital receipts received in the MTFS period covered by the flexibility (up to 31st March 2022) will be used to deliver cost reductions and/or transformation. There is a separate policy statement and schedule of proposed initiatives to utilise capital receipts flexibly.

Treasury Management

8.3.20 The Council has a separate Treasury Management Strategy Statement (TMSS) that deals in detail with treasury management matters. The Capital Strategy document repeats some of the information contained within the

TMSS but places the information in the context of the capital programme and Borough Plan.

8.3.21 Treasury management is concerned with keeping enough but not excessive cash balances available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. This is to avoid excess credit balances or overdrafts at the bank. The Council is typically cash rich in the short term as cash revenue income is received before it is spent but cash poor in the long-term as capital expenditure is incurred before it is financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce borrowing.

Borrowing Strategy

8.3.22 The council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should its plans change in the future. These objectives are often in conflict as the Council seeks to strike a balance between cheap short-term loans and long-term fixed loans where the future cost is known, but higher.

8.3.23 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leasing) are shown below and compared to the capital financing requirement.

Table 8.6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/19 Actual (£'000)	31/3/20 Forecast (£'000)	31/3/21 Budget (£'000)	31/3/22 Budget (£'000)	31/3/23 Budget (£'000)	31/3/24 Budget (£'000)	31/3/25 Budget (£'000)
Debt (incl. PFI & leases)	420,562	613,235	983,438	1,250,703	1,499,488	1,702,267	1,794,821
Capital Financing Requirement	633,679	826,352	1,196,555	1,463,819	1,712,605	1,915,384	2,008,438

8.3.24 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the above, the Council expects to comply with this requirement.

Affordable Borrowing Limit

8.3.25 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower operational boundary is also set as a warning level should debt approach the limit.

Table 8.7: Prudential Indicator: Authorised limit and operational boundary for external debt

	2019/20 limit (£'000)	2020/21 limit (£'000)	2021/22 limit (£'000)	2022/23 limit (£'000)	2023/24 limit (£'000)	2024/25 limit (£'000)
Authorised limit – borrowing	752,382	1,103,159	1,374,658	1,627,853	1,835,226	1,930,216
Authorised limit – PFI & leases	39,935	30,882	25,293	19,472	13,408	10,852
Authorised limit – total external debt	792,317	1,134,041	1,399,951	1,647,325	1,848,634	1,941,068
Operational boundary – borrowing	702,382	1,053,159	1,324,658	1,577,853	1,785,226	1,880,216
Operational boundary – PFI & leases	36,305	28,075	22,993	17,702	12,189	9,866
Operational boundary – total external debt	738,687	1,081,234	1,347,651	1,595,555	1,797,415	1,890,082

8.3.26 Although capital expenditure is not charged directly to the revenue account, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs. This is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 8.8: Proportion of financing costs to net revenue stream

	2019/20 Forecast (£'000)	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)
Financing Costs General Fund	7,999	10,149	13,863	18,247	21,887	24,153
Proportion of net revenue stream (%)	3.20%	4.30%	5.80%	7.40%	8.70%	9.60%
Financing Costs HRA	13,034	16,240	22,069	26,976	31,236	35,259

Proportion of net revenue stream (%)	12.90%	15.30%	19.70%	22.60%	24.90%	26.70%
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8.3.27 It can be seen that over the MTFS period that the General Fund ratio increases. However, whilst costs of financing investment increases there will be offsetting revenue savings from those schemes which are self-financing, and these savings will be reflected in reduced service area budgets. It is also possible that once business cases are prepared that some of the schemes within the capital programme may well not proceed. The ratio also increases for the HRA. This level of ratio has been modelled into the current version of the evolving HRA business plan and capital programme and is affordable.

Governance

8.3.28 Decisions on treasury management investment and borrowing are made on a daily basis and are delegated to the Director of Finance. There is a further sub-delegation to members of the Director of Finance's staff to facilitate day-to-day operations. Whoever is making the decision(s) will need to act in line with the treasury management strategy as approved by full Council.

Flexible use of capital receipts

8.3.29 This strategy sets out the Council's approach to the flexibility afforded by the government's change to the rules surrounding the use of capital receipts. Capital receipts can only be used for specified purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which is made under Section 11 of the Local Government Act 2003. The main permitted use of capital receipts is to fund capital expenditure and the use of capital receipts to support revenue expenditure is not permitted by the regulations.

8.3.30 The Secretary of State is empowered to issue directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Were such a direction is made, the specified expenditure can be then be funded by utilising capital receipts.

8.3.31 The then Secretary of State for the Department for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms over how capital receipts can be used to finance expenditure. The direction allows for the following expenditure to be financed by utilising capital receipts:

"Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

- 8.3.32 In order to comply with this direction, the Council must consider the Statutory Guidance issued by the Secretary of State. The guidance requires authorities to prepare, publish and maintain a flexible use of capital receipts strategy with the initial strategy being effective from the 1st April 2016 with future strategies being included within future annual budget document.
- 8.3.33 The Statutory Guidance for the flexible use of capital receipts strategy states that the strategy should include a list of each project that is intended to be funded via this flexibility, together with the expected savings that the projects will realise. The strategy should also include the impact that the flexibility has on the affordability of borrowing by including updated prudential indicators.
- 8.3.34 The Secretary of State for Ministry of Housing, Communities and Local Government issued revised directions for the flexible use of capital receipts which extended the period of the flexibility to the financial year 2021/22.
- 8.3.35 The Council's strategy for the flexible use of capital receipts will be presented in the February 2020 Cabinet Report.

9. Housing Revenue Account (HRA)

- 9.1 The HRA is the Council's record of the income and revenue expenditure relating to council housing and related services. Under the Local Government and Housing Act 1989, the HRA is ring-fenced and cannot be subsidised by increases in council tax. Equally, any surplus in the HRA or balances held in reserves cannot be transferred to the General Fund. Since April 2012, the HRA has been self-financing. Under self-financing Councils retain all the money they receive from rent and use it to manage and maintain their homes.

HRA 10 Year Financial Plan Overview

- 9.2 The HRA is made up of the Revenue account (Income and Expenditure) and Capital account (Investments and Financing). In previous years the council's capital programme mainly consist of maintenance of existing stocks. The council's ambition to develop new build in the HRA has been hindered by the HRA borrowing cap. On 28th October 2018, following the abolition of HRA borrowing cap, the council embarked on expansion of the capital programme in the HRA.
- 9.3 This led to the development of a new 10 years HRA financial plan to assess the affordability of the existing stock maintenance, the new homes build and new homes acquisition programmes. Included in this is also the carbon reduction programmes for both existing stocks and new stocks. The delivery of all these is subject to affordability within the HRA.
- 9.4 The HRA financial plan allows the housing strategy to be updated and implements long term planning on resources and asset maintenance. The plan contains a long-term assessment of the need for investment in assets, such as Decent Homes and other cyclical maintenance requirements, as well

as forecasts on income streams such as rents, in line with rent standards, and future developments.

The main sources of income to the HRA: rents and service charges.

Housing rents

- 9.5 Rent limits are set by Government through the guidelines which set the formula for rents. These rents are called formula rent or social rent. Formula Rent is based on property value, number of bedrooms, average earnings in the area, location of the property. The current rent (2019/20) was set at 2018/19 rent minus 1.0%. This is due to the statutory four years social rent reduction imposed by Government from April 2016.
- 9.6 This statutory 1% social rent reduction ends on 31 March 2020. From 1 April 2020, the government will permit local authorities in England to increase social rents and affordable rents every year by no more than the Consumer Price Index (CPI) at September of the previous year plus 1% for at least five years.
- 9.7 Individual rents in Haringey are below the formula rent in many properties. This is because historically Haringey rents are lower than the formula rent. Government introduced rent restructuring to converge actual rents to the formula rent. This was abandoned in 2015/16. However, government allows local authorities to charge formula rents in such properties when they are re-let following a vacancy.
- 9.8 Haringey Council must set housing rents for 2020/21 using the formula set out in the government's policy on social housing rents. Given that the CPI at September 2019 is 1.7%, housing rents in Haringey will increase by no more than 2.7% (CPI plus 1%) from 6 April 2020 (the first Monday in April).
- 9.9 The 10years HRA financial plan includes annual rent increases of CPI plus 1% in 2020/21 and the next four years and reverts to annual increases of CPI only for the remaining five years of the HRA financial plan.

General needs and sheltered / supported housing

- 9.10 Provisional rents for general needs and sheltered / supported housing for 2020/21 have been calculated so that the weekly rents paid by tenants increase by no more than 2.7% from 6 April 2020. On this basis, the average weekly rent will increase by £2.75 from £101.82 to £104.57.
- 9.11 There is a range of rents across different sizes of properties. Table 1 sets out the provisional average weekly rents for 2020/21 and the proposed rent increase by property size.

Table 9.1

Proposed average general needs and sheltered / supported housing rents

Number of Bedrooms	Number of Properties	Current average weekly rent 2019/20	Provisional average weekly rent 2020/21	Proposed average rent increase	Percentage increase
Bedsit	135	£82.61	£84.84	£2.23	2.7%
1	5,383	£87.49	£89.85	£2.36	2.7%
2	5,146	£101.97	£104.72	£2.75	2.7%
3	3,717	£116.76	£119.91	£3.15	2.7%
4	601	£132.93	£136.52	£3.59	2.7%
5	104	£155.51	£159.71	£4.20	2.7%
6	15	£161.60	£165.96	£4.36	2.7%
7	2	£152.91	£157.04	£4.13	2.7%
8	1	£173.10	£177.77	£4.67	2.7%
All dwellings	15,104	£101.82	£104.57	£2.75	2.7%

9.12 As some properties have not reached the formula rent, the current policy of increasing rents to the formula rents on re-let to new secure tenants will continue.

Affordable rent housing

9.13 There are eighteen homes, built under the New Homes Infill Programme, let at affordable rents.

9.14 From 6 April 2020, affordable rents will increase by 2.7% from their current levels. The current average weekly affordable rent will increase by £6.66 from £246.65 to £253.31. There is a range of affordable rents across different sizes of properties. Table 2 sets out the provisional average weekly affordable rents for 2020/21 by property size.

Table 9.2

Proposed average affordable rents

Number of Bedrooms	Number of Properties	Current average weekly rent 2019/20	Provisional average weekly rent 2020/21	Proposed average rent increase	Percentage increase
1	1	£205.25	£210.79	£5.54	2.7%
2	5	£228.13	£234.29	£6.16	2.7%
3	7	£228.82	£235.00	£6.18	2.7%
4	3	£287.03	£294.78	£7.75	2.7%
5	2	£315.51	£324.03	£8.52	2.7%
All dwellings	18	£246.65	£253.31	£6.66	2.7%

Temporary accommodation

- 9.15 Following a recent legal advice that all council acquired properties for housing homeless households should be held in the HRA, the investment in these properties are captured in the HRA capital programme schemes. These properties will be leased to the Community benefit society (CBS) and rental income received from CBS into the HRA for the first seven years. The HRA financial plan includes these rental incomes from 2020/21 to 2026/27. From year eight, it recognises incomes from these properties at formula rent plus CPI as these properties will revert to the HRA

Rent consultation

- 9.16 The Council must give written notice to tenants at least four weeks before the new rents for 2020/21 start on 6 April 2020. This will follow the consideration by Cabinet in February 2020 and will include:
- Council housing rent charges for 2020/21
 - Proposed weekly tenants service charges for 2020/21
 - HRA hostel rent charges for 2020/21

Commercial Rents

- 9.17 Following the Cabinet decision in July 2017, most of the commercial portfolio within the HRA has been transferred to the General Fund. Therefore, most of

the income and expenditure relating to Commercial properties is now accounted for in the General Fund.

Tenants' service charges

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

9.20 Tenants currently pay for the following property-related services;

- Concierge
- Grounds maintenance
- Caretaking
- Street sweeping (Waste collection)
- Light and power (Communal lighting)
- Heating
- Integrated reception service (Digital TV)
- Estates road maintenance
- Door entry system maintenance
- Sheltered housing cleaning service
- Good neighbour cleaning service
- Converted properties cleaning
- Window cleaning service.
- TV aerial maintenance

Tenants living in sheltered and supported housing also pay the following additional support charges:

- Sheltered Housing Charge
- Good Neighbour Charge
- Additional Good Neighbour Charge

9.21 The applicable charges for 2020/21 will be calculated and presented to Cabinet and Full Council for approval in February 2020.

9.22 As no new charges are being introduced, there is no requirement for tenant consultation. However, a four weeks' written notice will be served on all tenants prior to April 6, 2020.

HRA Expenditure

- 9.23 The Council's Arms' Length Management Company (ALMO), Homes for Haringey (HfH) manages the dwellings stock and garages on behalf of the Council. The management fee the council pays for these services is budgeted at £43m for 2020/21. This includes £20m for repairs and about £2m for housing demand.
- 9.24 Other significant items of expenditure include the capital financing charge and depreciation. The capital financing charge is the interest on HRA loans and internal funding and is budgeted at a higher level than 2019/20 due to a recent increase in borrowing rates and increase in the level of capital works programme and New build programme.

Draft Update of HRA 10 Year Financial Plan – Capital Programmes

- 9.25 The HRA long term financial plan has been updated in order to determine how the council might best use the new HRA borrowing capability (still of course constrained by the prudential borrowing code) to both fulfil its responsibilities in respect of its existing stock and deliver the council's objectives for its provision of additional housing.
- 9.26 The HRA plan recognises certain risks. For example; the impact of government policy changes in respect of types of tenancy, rent levels, right to buy, and treatment of voids. The recent 1% increase in PWLB interest rate poses another risk to the HRA financial plan.
- 9.27 The plan, which is being updated, assumes a revenue contribution to capital outlay (RCCO) minimum of £10m. This means that the surplus after expenditure should not be below £10m. It also assumes a working balance of £14.2m.
- 9.28 The draft Housing Revenue Account (HRA) revenue budget and HRA Capital programme incorporates the work to date on updating the HRA Business Plan. This is a complex plan and Members should be aware that further changes are anticipated before the final budget package is presented in February, though this will not affect the rent proposals for 2020/21 included here.
- 9.29 A finalised version will be presented to Cabinet and Full Council for approval in February 2020. It should be noted that any changes in the final version will not affect the rent proposal contained in this draft report.

Draft HRA 5 Years MTFS (2020/21-2024/25)

- 9.30 The HRA budget for 2020/21 is a balanced budget maintaining a reasonable revenue contribution to capital of £10.0m. This report sets out the proposed HRA 5 years Budget/MTFS in the Table below. It accommodates the scale of development presently assumed within the business and financial planning in terms of its impact of the future years HRA revenue position.

Table 9.3 - Draft HRA 5-Year Revenue Budget (2020/21 – 2024/25)

Housing Revenue Account (HRA)						
Income & Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Dwellings Rent Income	(79,648)	(83,578)	(88,897)	(95,332)	(100,759)	(106,776)
Void Loss	557	585	622	667	705	747
Hostel Rent Income	(2,299)	(2,358)	(2,418)	(2,481)	(2,545)	(2,611)
Service Charge Income	(11,140)	(11,647)	(12,047)	(12,538)	(12,935)	(13,378)
Leaseholder Income	(6,842)	(7,064)	(7,284)	(7,505)	(7,733)	(7,966)
Other Income (Garages /Aerials/Interest)	(1,913)	(1,951)	(1,990)	(2,030)	(2,071)	(2,112)
Total Income	(101,285)	(106,013)	(112,014)	(119,219)	(125,338)	(132,096)
Expenditure						
Repairs	20,020	20,421	20,829	21,246	21,671	22,104
Housing Management	20,461	20,870	21,287	21,713	22,147	22,590
Housing Demand	1,879	1,917	1,955	1,994	2,034	2,075
Management Fee (HfH)*	42,361	43,208	44,071	44,953	45,852	46,769
Estates Costs (Managed)	8,834	9,829	9,822	10,018	10,218	10,422
Provision for Bad Debts (Tenants)	724	837	864	895	922	951
Provision for Bad Debts (Leaseholders)	18	18	19	20	20	21
Total Managed Expenditure	9,576	10,684	10,705	10,933	11,160	11,394
Other Costs (GF Services)	3,626	3,919	3,997	4,077	4,079	4,161
Other Costs (Property/Insurance)	1,983	2,023	2,063	2,104	2,146	2,189
Capital Financing Costs	11,872	16,240	22,069	26,976	31,236	35,259
Contribution to Major Repairs (Depreciat	15,506	19,894	21,500	23,143	24,326	26,366
Revenue Contributions to Capital	16,361	10,045	7,609	7,033	6,539	5,958
Total Expenditure	101,285	106,013	112,014	119,219	125,338	132,096

Draft HRA 5 Years Capital Programme (2020/21 – 2024/25)

- 9.31 This represents the capital implications of the new HRA financial plan (still subject to finalisation) where there is a strong emphasis on meeting the needs of the existing stock. It also focuses on the delivery of new homes and provision of temporary accommodation. The HRA MTFS is geared towards maximising the use of other available resources and use borrowing as last resort. The MTFS capital programme funding assumes a mix of grant funding, revenue contribution and prudential borrowing. The total capital investment in 2020/21 is £253.6m fully funded from revenue contribution, grants, RTB retained receipt, Major Repairs Reserve and borrowing.

Table 9.4 - Draft HRA 5 Year Capital Programme (2020/21 – 2024/25)

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Investment and Financing	2020-21	2021-22	2022-23	2023-24	2024-25	5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Investment						
Existing Stock Investment (Haringey Standard)	120,456	94,829	83,979	64,856	48,532	412,652
New Homes Build Programme	41,330	48,429	104,498	68,919	135,484	398,660
New Homes Acquisitions	59,628	63,368	10,354	10,252	10,472	154,074
TA Acquisitions	32,227	19,612	20,004	20,404	20,812	113,059
Total Capital Investment	253,641	226,238	218,835	164,431	215,300	1,078,445
Capital Investment Financing						
Grants (GLA Bid)	8,400	47,900	6,330	0	0	62,630
Grants (Additional Bid)	0	0	21,713	20,612	36,187	78,512
Major Repairs Reserves	19,894	21,500	23,143	24,326	26,366	115,229
Revenue Contributions	10,045	7,609	7,033	6,539	5,958	37,184
RTB Capital Receipts	9,668	5,884	6,001	6,121	6,244	33,918
Leaseholder Contributions to Major Works	6,190	7,142	7,857	7,437	7,122	35,748
Borrowing / (Debt Repayment)	199,444	136,203	146,758	99,396	133,423	715,224
Total Capital Financing	253,641	226,238	218,835	164,431	215,300	1,078,445

10 Dedicated Schools Budget (DSB)

10.1 The Dedicated Schools Budget (DSB) 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. There are requirements for Schools Forum to act as a decision-making and/or a consultative role in determining budget levels for each year.

10.2 The financial position reported to Schools Forum in October 2019 set out the forecast year end position. This highlighted the budget pressures in the High Needs Block which is estimated to add an additional £5.1m to the existing deficit of £2.228m.

10.3 Table 10.1 below sets out Haringey's Dedicated Schools Grant allocations for 2018-19, the minimum rebased DSG baseline allocation for 2019-20 and Provisional National Funding Formula (NFF) allocation for 2020-21.

Table 10.1 Haringey's Dedicated Schools Grant Allocation Dedicated Schools Grant

Dedicated Schools Grant	2018-19 DSG allocations	2019-20 NFF	2020-21 Provisional NFF
	£m	£m	£m
Schools Block	195.3	196.97	198.45
Central School Services Block	3.09	3.02	2.95
Early Years Block	20.18	20.09	20.09
High Needs Block	35.47	36.14	40.49
Total DSG	254.04	256.22	261.98

10.4 Overall, Haringey's provisional NFF allocation for 2020/21 is an increase of 2.25% equivalent to £5.76m. This is based on 2019 October census pupil numbers which still needs to be confirmed. The impact of this provisional funding by Block is:

- Schools Block - uplift of 0.75% equivalent to £1.48m.
- Central School Services Block - has lost 2% equivalent to £0.070m.
- High Needs Block – uplift of 11% equivalent to £4.35m.
- Early Years Block – to be confirmed

10.4 The actual financial position for the Dedicated Schools Grant is dependent on the final school's finance settlement for 2020-21, which is due in December 2019.

10.5 The Schools Forum will consider these figures at their December 2019 and January 2020 meetings.

DSG Reserves

10.6 As at Quarter 2, the DSG Reserves is expected to close with a cumulative deficit of £7.35m at the end of 2019-20. The pressure is mainly in the High Needs Block and is mainly due to the general increase in pupil numbers with special educational needs within the borough.

Table 10.2 2019/20 Year End DSG reserves forecast

Blocks	Opening DSG at 01/04/19	Schools Forum agreed transfers between blocks	Revised Reserves at 01/04/19	P6 Forecast Outturn Variance	Closing DSG Reserves at P6 2019-20
	£000	£000	£000	£000	£000
Schools Block	(1,265)	1,265	-	-	-
Central Block	13	(13)	-	-	-
Early Years Block	(785)	785	-	(424)	(424)
High Needs Block	4,267	(2,038)	2,229	5,543	7,772
Total	2,229	-	2,229	5,118	7,347

10.7 It is likely that a three year deficit recovery plan will be required by the EFSA based on the projected out-turn for 2019-20, which is past the 1% overspend threshold.

11 Consultation & Scrutiny

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

11.2 As such a formal consultation is being planned the result of which is expected in January and will be shared with Cabinet to enable them to consider and reflect any amendments into the final February report.

- 11.3 Statutory consultation with businesses will also take place in January and any feedback will be considered and, where agreed, incorporated into the final February report. A detailed consultation plan is attached at Appendix 6.
- 11.4 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 2019 to finalise its recommendations on the budget package. These will be reported, and included in the report, to Cabinet in February.

12. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

- 12.1 As the MTFS report is primarily financial in its nature, comments of the Chief Financial Officer are essentially contained throughout the report.
- 12.2 Ensuring the robustness of the Council's 2020/21 budget and its MTFS 2020/21 – 2024/25 is a key function 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.
- 12.3 The draft General Fund Budget 2020/21 presently has a budget gap of £0.6m which will need to be addressed before the February report in order that the Council can approve a balanced budget.
- 12.4 A significant change to previous financial planning assumptions beyond 2020/21 is that the Council will continue to receive a similar level of grant funding as was announced in the Spending Round 2019 (SR19), which included a significant step up in the level of social care grants receivable in 2020/21. Should this not be realised it will have a significant impact on the current forecast gap across those years. This has been highlighted as one of the biggest risks to the current MTFS.
- 12.5 Another significant change is the further increase in the scale of the Council's capital programme, with its consequent implications to the Council's balance sheet, including its level of debt.
- 12.6 The formal Section 151 Officer assessment of the robustness of the council's budget, including sufficiency of contingency and reserves to provide against future risks will be made as part of the final budget report to Council in February and will draw on independent assessments of the Council's financial resilience. This statutory role is acquiring more and more significance given the increased pressure falling upon this council's budget and uncertain national political picture.

Procurement

- 12.7 Strategic Procurement notes the contents of this report and will continue to work with services to enable cost reductions.

Assistant Director of Corporate Governance Comments

- 12.8 The Local Authorities (Standing Orders) (England) (Regulations) 2001 and the Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution, set out the process that must be followed when the Council sets its budget. It is for the Cabinet to approve the proposals and submit the same to the Full Council for adoption in order to set the budget. However, the setting of rents and service charges for Council properties is an executive function to be determined by the Cabinet.
- 12.9 The Council must ensure that it has due regard to its public Sector Equalities Duty under the Equalities Act 2010 in considering whether to adopt the recommendations set out in this report.
- 12.10 Where detailed savings proposals are yet to be developed, the Cabinet will need to ensure that where necessary, consultation is carried out and equalities impact assessments are undertaken, and the outcomes of these exercises inform any final decisions.

Equality

- 12.11 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 12.12 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 12.13 The Haringey Borough Plan 2019-23 sets out Haringey Council's Equalities Objectives. These are:
1. To narrow the gap in outcomes
 2. To identify and reduce violence that has a disproportionate impact on particular communities and groups
 3. To support the development of strong communities
 4. To have a diverse workforce at all levels of the organisation
- 12.14 The decision proposed in this paper is to commence consultation with residents, businesses, partners, staff and other groups as necessary on the draft MTFS revenue proposals for 2020/21-2024/25. The Council has designed the proposals in this report with reference to these Borough Plan equalities objectives.

- 12.15 During this consultation exercise, there will be specific focus on considering the implications of the proposals for groups with protected characteristics, including any potential cumulative impact of these decisions. Questions will include a focus on the impact of the budget on inequality.
- 12.16 The feedback from this consultation will inform the final package of savings proposals presented in February 2020 and feed into Equality Impact Assessments of the Budget and MTFS proposals. Haringey Council believes the Equality Impact Assessment process is an important way of informing our decision making process. At this stage, the assessment of the potential impact of decisions is high level and has not been subjected to detailed analysis. This is a live process and, as plans are developed further, each service area will assess the equality impacts and potential mitigating actions of their proposals in more detail. Final EQIAs will be published alongside decisions on specific proposals.
- 12.17 Initial Equality Impact Assessments for relevant savings proposals will be published in February 2020 and will reflect feedback regarding potential equality impacts gathered during the consultation period. If a risk of disproportionate adverse impact for any protected group is identified, consideration will be given to measures that would prevent or mitigate that impact. Where there are existing proposals on which decisions have been taken, existing equalities impact assessments will be signposted.

13. Use of Appendices

Appendix 1 – Summary of Draft Revenue 2020/21 Budget and Medium Term Financial Plan 2020-2025

Appendix 2 – Summary of new budget reduction proposals

Appendix 3 – Summary of total budget reduction proposals by year

Appendix 4 – Draft General Fund Capital Programme 2020/21 – 2024/25

Appendix 5 – Summary of new proposed capital investment

Appendix 6 – Budget Consultation Plan

14. Local Government (Access to Information) Act 1985

2019/20 Qtr 1 and Qtr 2 Budget Reports

2019/20 Budget & MTFS 2019-2024

Detailed pro-formas for individual budget reduction proposals are available online at the following location:

<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9155&Ver=4>