

Report for: Full Council 26th February 2018

Item number:

Title: 2018/19 Budget and Medium Term Financial Strategy (2018/19 – 2022/23)

Report authorised by: Jon Warlow – Interim Chief Finance Officer (CFO), Section 151 Officer

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

Ward(s) affected: ALL

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

1. Describe the issue under consideration

- 1.1. Cabinet considered the 2018/19 Budget and MTFS 2018/19 – 2022/23 report at their meeting held on 13th February 2018 and resolved to propose that report for consideration and approval of the final Budget, MTFS and Council Tax for 2018/19 by Full Council in accordance with the Council’s constitution.
- 1.2. Since the publication of the Cabinet report, the government announced the final settlement figures for local government. This had a relatively minor beneficial effect on Haringey’s 2018/19 budget and the recommendations are based on the amended figures. The council tax and savings proposals remain unchanged from those in the Cabinet report.

2. Cabinet Member Introduction

- 2.1. Whilst the relatively minor additional funding provided to the Council in the final local government finance settlement is welcomed, it does not change the Council’s budget strategy going forward.
- 2.2. Therefore, my comments on the 2018/19 budget which can be found in the Cabinet report attached at Annex 1 remain unchanged.

3. Recommendations

3.1. Council are asked:

- (a) To approve the proposed 2018/19 Budget and Medium Term Financial Strategy (2018-23) agreed by Cabinet on 13th February 2018 as updated for the final settlement figures described in paragraph 1.2 and Annex 1A, including the outcomes from the budget consultation exercise, which are attached as Annex 1 and Annex 6;
- (b) To approve the increase in the Haringey Council tax of 3% relating to the Adult Social Care precept;
- (c) To approve the General Fund budget requirement for 2018/19 of £250.110m, net of Dedicated Schools Grant, as set out in table 6.1 and Annex 1A to this report.
- (d) To approve the Cash Limit for 2018/19 of £250.11m as set out in Annex 2;
- (e) To approve the 2018/19 General Fund capital programme set out in Appendix 3 to the Cabinet budget report (Annex 1);
- (f) To approve the policy on the flexible use of capital receipts as set out in section 8 and Appendix 11 of Annex 1 to this report;
- (g) To approve the update on the use of flexible capital receipts set out in para 6.2 of this report.
- (h) To approve the Housing Revenue Account Budget 2018/19 as set out in Appendix 2 to the Cabinet budget report (Annex 1);
- (i) To approve the 2018/19 Housing Revenue Account (HRA) capital programme set out in Appendix 4 to the Cabinet budget report (Annex 1);
- (j) To note the Greater London Authority (GLA) proposed precept (para. 7.11);
- (k) To delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Finance and Health, to reflect any final changes to the level of the GLA precept in the Council's Council tax billing information set out in Annex 5;
- (l) To approve the creation and maintenance of a Budget Resilience Reserve as set out in the Reserves Policy at Annex 3a;
- (m) To approve the estimated level of non-earmarked General Fund reserves and the specific and other reserves as set out in Annex 3b;
- (n) To approve the reserves policy including the Chief Finance Officer's (CFO) assessment of risk and the assessment of the adequacy of reserves, as set out in Annex 3 (a – c);
- (o) To note the report of the Chief Finance Officer under Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of proposed reserves set out in section 9;
- (p) To approve the Treasury Management Strategy Statement 2018/19 set out in Annex 4; and

- (q) To pass the budget resolution including the level of Council Tax, in the specified format, and to determine that the Council's relevant basic amount of Council Tax for the year is not excessive as set out in Annex 5.

4. Reasons for decision

- 4.1. The Council approved its Corporate Plan and Medium Term Financial Strategy (MTFS) covering the period 2015-18 in February 2015. The approved Corporate Plan set out the Council's priorities and the MTFS outlined the overall financial strategy for and Workforce Plan for achieving those priorities.
- 4.2. The February 2015 MTFS showed that as a result of reductions to the Council's funding from central government, it was projected that recurring savings of £25m would be required to mitigate the shortfall in the MTFS and deliver a balanced budget position in each of the three years covered by the MTFS (2015-18).
- 4.3. This budget gap position has improved due to a better funding position than was initially projected and the delivery of significant efficiency savings including:
- Remodelling of how the Council deliver some of its services;
 - Greater value for money in commissioning and procurement of goods and services; and
 - reducing its workforce by over a third since 2010;
- 4.4. Following the publication, on 19th December 2017, of the Provisional Local Government Finance settlement, Cabinet reviewed the impact of the settlement on the 2018/19 budget set out in the approved MTFS. A further report to the Cabinet on 13th February 2018 provided the Cabinet with the opportunity to finalise the budget proposals set out in this report taking into account the feedback from consultation and the views of the Overview and Scrutiny Committee.
- 4.5. The report and recommendations from the Cabinet meeting on 13th February 2018, which were agreed in full, are attached as Annex 1.
- 4.6. Since the publication of the Cabinet report, the Secretary of State for the Ministry of Housing, Communities and Local Government has published the final Local Government Finance Settlement. There were two changes to the Council's funding in the final settlement compared to the provisional settlement: Additional funding of £0.72m on Adult Social Care Support grant; and a correction relating to under-indexing of the business rates multiplier of £0.16m. These resulted in total increase of £0.88m in funding for the Council in 2018/19.
- 4.7. Taking all relevant factors into account, including the outcomes from statutory consultation with residents, business rate payers (attached at Annex 6) and the recommendations from the Overview and Scrutiny committee meeting held on 29th January 2018, this report sets out Cabinet's Budget proposals (as amended for final settlement figures) including proposals for the level of Council tax for the Council to consider and approve.

5. Alternative options considered

- 5.1. In accordance with legislation and the Council's constitution, this report recommends that the Council should approve the proposed 2018/19 Budget and Medium Term Financial Strategy (2018-23) agreed by Cabinet on 13th February 2018, as amended for the final settlement figures described in paragraph 1.2 and Annex 1A, including the outcomes from the budget consultation exercise, which is attached as Annex 1 and Annex 6 and approve the Council tax for 2018/19. Accordingly no other options have been considered.

6. Background information

- 6.1. On 13th February 2018 Cabinet agreed a proposed Budget package for submission to this meeting of the Council, including a revenue budget for 2018/19 of £249.228m, with an additional indicative budget of £255.2m in respect of the Dedicated Schools Grant and approved the 2018/19 Capital Programmes for both the General Fund and Housing Revenue Account (HRA). Cabinet agreement to these proposals was subject to the final Local Government Finance Settlement and the decisions of levying and precepting authorities.
- 6.2. The Cabinet report of 13th February 2018 (attached as Annex 1 to this report), and the proposed budget package recommended to Full Council by Cabinet, together with the subsequent amendments are the subjects of debate at this meeting.
- 6.3. This report addresses:
- The final local government finance settlement 2018/19;
 - Update on flexible use of capital receipts
 - Update on London Business Rates Retention Pilot;
 - The decisions of levying bodies and precepting authorities;
 - Update on budget consultation
 - Considerations in setting the Council tax;
 - The robustness of the Council's budget process;
 - The adequacy of the Council's reserves; and,
 - The Treasury Management Strategy Statement 2018/19.
- 6.4. The report concludes by presenting the Budget Resolution to set the Council Tax for 2018/19.

7. Key Developments and Updates

Final Local Government Finance Settlement 2018/19 and Other Changes

- 7.1. The Secretary of State for the Ministry of Housing, Communities and Local Government published the details of the final Local Government Finance settlement (2018/19) via a statement in Parliament on 6th February 2018. The two changes (re Adult Social Care grant and the business rates multiplier) to the provisional figures are incorporated into the figures being presented to Full Council. The impact of the changes on the proposed 2018/19 Budget and MTFs 2108/23 are set out in the below table and at Annex 1A to this report.

Table 6.1 – Impact of New Funding on 2018/19 Budget/Cash Limit

	2018/19
Expenditure	£m
Net Budget Requirement (Per Cabinet Report)	249.228
Additional Contribution to/(from) Reserves	0.882
Total Council Budget Requirement/Cash Limit	250.11
Funded By	
Available Funding (Per Cabinet Report)	249.228
Additional Adult Social Care Support Grant	0.718
Under-Indexing of Business Rates Multiplier	0.164
Total Revised Funding Available	250.11

- 7.2. As shown in table 6.1 above, it is proposed that these amounts are added to the new Budget Resilience Reserve (BRR) which is proposed to be established to address the risk of overspends/delay in implementation of planned savings.
- 7.3. There have been no other funding announcements or the provision of other information by the government that would change the key assumptions underpinning Cabinet's proposals to Council regarding the 2018/19 budget, the Housing Revenue Account, the Delegated Schools Budget, and the Capital Programme(s).
- 7.4. Any such changes that do occur following Council's approval of the 2018/19 Budget will be reported to Cabinet as part of the normal in-year budget monitoring and financial planning processes.

Update on Flexible Use of Capital Receipts

- 7.5. The Full Council approved the Council's use of flexible capital receipts in February 2017. The table below provides an update on the projected cost/savings in 2017/18 and the actual cost/savings for 2016/17.

Projected/Actual Cost and Savings for 2016/17-2017/18

	Original	Outturn	Original	Actual to Date
£m	2016/17	2016/17	2017/18	2017/18
Restructuring Cost	6	4.3	3	3.3
Restructuring Savings (Cumulative)	6	6.1	9	9.5

London Pilot of 100% Business Rates Retention Scheme

- 7.6. The impact of the London Business Rates Retention Pilot Pool was included in the budget report considered by Cabinet on 13th February. Further information has been made available to the Council by the City of London Corporation (Pool Administrator), following collation and analysis of business rates returns from all London Boroughs and the City of London Corporation. The total net benefit to London authorities of 100% business rates to the pool is now estimated at £370m per annum – up from £240m, mainly due to the increase in the projected growth across London.
- 7.7. There must be still be some uncertainty around what the actual benefit of pooling will be to the Council as current projections rely on returns submitted by all 32 Boroughs and the City of London Corporation being consistent and the assumed growth projections will be realised.
- 7.8. However, these latest figures confirm that the estimates used in this Council's budget for 2018/19 Retained Business Rates are prudent and an improvement in the 2018/19 budgeted position may be reportable during the year which could then be taken into account in the Council's revisions to its financial plans.

Levying bodies

- 7.9. The Board of the North London Waste Authority (NLWA) met on 9th February 2017 and agreed an overall levy of £48.5m for 2018/19; which is a 1.3% increase over the 2017/18 position. Of this overall sum, £5.755m is the levy to this Council which is a significant reduction compared to the 2017/18 £7.9m levy charge to the Council.
- 7.10. The reduction in 2018/19 is due to Haringey having a credit balance with the NLWA, mainly because of fewer tonnes of recycling and residual waste delivered to NLWA waste processing centres than was budgeted. These balances are being used to reduce the Council's waste levy in 2018/19, but it is estimated that the Council's waste levy for 2019/20 will be set at around £8.6m, which will be more in line with historic levy charges.

The Greater London Authority Precept

- 7.11. The Mayor's final draft budget proposals for the 2018/19 consolidated budget were scheduled to be published on Thursday 15th February and will be considered by the London Assembly on Thursday 22nd February. The current draft proposals indicate a proposed increase of £14.21 (5.1%) to £294.23 (Band D), however it is possible that this may change before the final Budget is approved – including the possibility of a change at the GLA meeting on the 22nd February 2018.
- 7.12. It is possible, therefore, that the amounts shown in respect of the GLA precept in Annex 5 – the formal Budget resolution, may change. The Council as a billing authority is required to reflect the level of any relevant precept notified to it and so it is not a decision of the Council as to whether the level of the GLA precept should be approved or not. It is however, imperative that the information

produced by the Council as the Billing Authority reflects the final decision taken by the GLA.

- 7.13. In order to accommodate the possibility that the final GLA precept varies from that currently advised, the recommendation to the Council is that it approves the budget resolution as currently presented at Annex 5 which reflects the current position and gives delegated authority to the Council's CFO in consultation with the Lead Member for Finance and Health to implement the final GLA Council tax precept in the Council's billing information.
- 7.14. In the unlikely event that the GLA finally resolve a Council tax precept at a level requiring them to undertake a referendum (i.e. a 3% (£2.22) or greater increase in the non-policing element of the GLA precept and an increase greater than £12 of the policing element of the GLA precept which equates to a total increase of £14.22 or greater), a further report considering the implications of this on the Council would need to be considered.

Update on Consultation

- 7.15. Members should be aware that a further representation was received from Haringey Business Alliance (HBA) after the consultation period closed, attached at Annex 6. Having considered the response to the budget consultation by HBA, no amendments to the Cabinet's recommendations on the 2018/19 Budget nor the MTFS (2018-23) are proposed as a consequence of this submission.

8. Considerations in setting the Council tax

- 8.1. The Localism Act 2011 gave electors the right to veto excessive Council tax rises. Councils that set 'excessive' tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 8.2. The Government has announced that those authorities with Adult Social Care functions can implement an Adult Social Care precept up to a maximum of 6% between 2017/18 and 2019/20, providing that the sums raised are allocated entirely towards Adults Social Care costs; the Chief Finance Officer must make a declaration to the Secretary of State to the effect that this has been achieved and specific information must also be made available on the face of the Council tax bill highlighting this to taxpayers.
- 8.3. It has been confirmed by the Government that for 2018/19, an increase is excessive if the authority's relevant basic amount of Council tax for 2018/19 is 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure) or greater than its relevant basic amount of Council tax for 2017/18.
- 8.4. In total therefore the Council could approve an increase in its relevant basic amount of Council Tax for 2018/19 up to 5.99% without triggering a referendum.
- 8.5. The basis of the Cabinet's budget proposals to implement only the Adult Social Care precept gives rise to an increase of 3% in the relevant basic amount of

Council tax and is, in terms of the legislation, deemed as not being excessive. Council is, therefore, recommended to resolve the relevant basic amount as not excessive at paragraph 6 of the Formal Budget Resolution (Annex 5).

- 8.6. In considering the level of its Council tax for 2018/19 the Council should have regard to:
- The level of non-Council tax funding resources that will be available;
 - The on-going demand for services;
 - The views of residents, businesses and other interested parties;
 - The level of efficiency savings and service reductions that can realistically be delivered;
 - The criteria for a Council tax referendum determined by the government;
 - The general economic climate and the additional financial burden any increase would have on Council tax payers.
- 8.7. The projected income from Council tax in 2018/19 is £98.800m based on 77,093 Band D equivalent dwellings (the Tax Base) a collection rate of 96.25%, and the proposed Band D Council tax rate of £1,281.57. The 2017/18 Tax Base was 75,365 Band D equivalent dwellings.
- 8.8. These proposals result in total available funding (the 'Budget Requirement') for 2018/19 of £250.110m, as set out in recommendation 3.1(c), above.

9. Statements of the Designated Chief Finance Officer

Robustness of the budget process

- 9.1. The Council's Chief Financial Officer is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the final budget calculations.
- 9.2. The government continued its programme of public spending reductions, originally set out in its Spending Review (SR) of 2010 through SR 2015 and intervening Autumn Statement and Budget Statement announcements which set out significant funding reductions for local authorities. In addition the government has embarked on a shift toward greater localisation of core revenues to local authorities.
- 9.3. The government first introduced Business Rate Retention Scheme (BRRS) in 2013 and allowed London Councils to retain a proportion (30%) of net growth in the Business Rates in its area. The government formally announced in December 2017 that London will pilot a 100% BRRS in 2018/19. It is anticipated that the implementation of 100% BRRS will result in increased revenue of approximately £3m annually to the Council by 2020/21.
- 9.4. The introduction of 100% BRRS is forecast to be beneficial to the Council. However, the shift to full business rates retention carries with it a degree of risk and uncertainty for the authority which have been recognised in the MTF5. The establishment of Business Rates Retention, the maintenance of General Fund

balances and the prudence in recognising any additional BRRS revenues mitigate this budget risk.

- 9.5. To meet the scale of the financial challenge facing the Council, the Council refreshes its five year MTFS on an annual basis to ensure that assumptions, especially those around savings and reviewed are updated as necessary.
- 9.6. Given the level of risk around delivery of planned savings, the budget proposals for 2018/19 include a Budget Resilience Reserve of £7.2m to be used to mitigate any in-year overspend/delay in implementation of planned savings. The MTFS also assumes that the Budget Resilience Reserve will be replenished to by £7.2m throughout the MTFS period.
- 9.7. The budget proposals have been subject to detailed scrutiny and the Cabinet has also undertaken consultation with residents and businesses.
- 9.8. The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 29th January 2018, together with the responses of the Cabinet, are set out in Appendix 7 to the Cabinet report of 13th February 2018 (attached as Annex 1 to this report).
- 9.9. The budget process is complemented by a regular cycle of Budget Management and Performance Reviews. This involves detailed evaluation of budget, performance and workforce information at both Cabinet Member and senior officer levels. The Council's Risk Management process also underpins all of these activities.
- 9.10. At the end of Period 9 (2017/18), the 2017/18 budget monitoring position indicates a year end deficit of £5.4m. The Council has identified in-year measures to mitigate this 2017/18 budget deficit without the need to utilise non-earmarked General Fund balances. Further, measures have been identified to maintain the estimated closing General Fund balances at £15m for 2018/19.
- 9.11. Accordingly, the Chief Financial Officer is satisfied the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the 2018/19 Budget.
- 9.12. It is, however, imperative that the Cabinet and Council continue to pursue the identification, and subsequent delivery, of those savings that have not been fully delivered in 2017/18 together with the additional savings required from 2018/19 and onwards as set out in this report.

Adequacy of Reserves

- 9.13. Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Annex 3a, which the Council should formally review each year.
- 9.14. It is projected that the Council will have un-earmarked General Fund balances of approximately £15m at 31st March 2018. The final position will be dependent however on the Council's 2017/18 financial outturn to be reported to Cabinet in June 2018. Further, measures have been identified to maintain the estimated closing General Fund balances at £15m for 2018/19.
- 9.15. The level of earmarked reserves will be subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 9.16. The Council holds a number of reserves which are detailed in Annex 3b and can be categorised as follows:
- **Non-earmarked (general) Reserves** - These are held to cover the net impact of risks, opportunities and unforeseen emergencies;
 - **Earmarked (specific) Reserves** - These are held to cover specific known or predicted financial liabilities;
 - **Other Reserves** - These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools' accumulated balances.
 - Annex 3b also shows the projected movement on the reserves over the financial planning period 2017-18. All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.
- 9.17. It is imperative the un-earmarked general reserves and contingencies are adequate to meet the net financial impact of the risks facing the Council. These risks have been assessed as £22m, as set out in Annex 3c. Accordingly, the proposed levels of general reserves set out above, together with any contingency provision in the Council's base budget are judged to be adequate within the meaning of the 2003 Act.
- 9.18. No change to the Council's Reserves Policy is recommended at this time, other than the creation of the new Budget Resilience Reserve.

Adult Social Care Precept

- 9.19. The Chief Finance Officer is satisfied that the Council Tax income yield from the Social Care Precept has been fully utilised to meet adult social care costs.

Treasury Management

- 9.20. The Treasury Management Strategy Statement (TMSS) for 2018/19 in Annex 4 sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was considered by Corporate Committee on 30th January 2018 and recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.
- 9.21. The Council's Overview and Scrutiny Committee also considered the TMSS on 29th January 2018 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.
- 9.22. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 13th February 2018. Any future decision by the Council to undertake further debt financed capital expenditure, including in particular any changes associated with the Capital Strategy will require a review of the prudential indicators and further approval by full Council.

10. Summary and Conclusions

- 10.1. This report finalises the Budget process and proposes that Council Tax is increased in respect of a 3% Adult Social Care precept.
- 10.2. The level of financial reserves is also reported and those levels are considered to be adequate.
- 10.3. The Council is required to determine whether its increase in Council Tax for 2018/19 is 'excessive' and, if so, would trigger a referendum. The proposal in this report is not an "excessive" increase.
- 10.4. The recommendations of the Cabinet are reflected in the formal Council tax Resolution in Annex 5.
- 10.5. The Medium Term Financial Strategy 2018-2023 recognises the key drivers and risks arising from funding constraints and increases in demands for council services, but it remains essential the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of savings, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its resources.

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

- 11.1. As the report is primarily financial in its nature, comments of the Chief Finance Officer are contained throughout the report.

Assistant Director of Corporate Governance Comments and legal implications

- 11.2. In accordance with section 67 of the Local Government Finance Act 1992 (the '1992 Act'), the functions of agreeing the budget and the calculation of Council tax are to be discharged by the Full Council.
- 11.3. The Local Authorities (Standing Orders) (England) (Regulations) 2001 set out the process of approving the budget and provide that the adoption of the budget and calculation of the Council tax by Full Council is to be on the recommendation of the Cabinet. This report details changes to the budget proposals since their consideration by the Cabinet on 13th February 2018. It has been confirmed that the Leader of the Council has been notified and has considered these changes.
- 11.4. Under section 25 Local Government Act 2003, in considering decisions on the budget, and the level of Council tax, the Council must take into account this report from the Council's Chief Finance Officer, as the Section 151 Officer, who has a statutory duty to report on the robustness of the estimates and the adequacy of the proposals for reserves.
- 11.5. The Council may take decisions which are at variance with this advice provided there are reasonable grounds so to do. However Members must take into consideration their exposure to personal risk if they disregard clearly expressed advice.
- 11.6. The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil the statutory obligations in this regard.
- 11.7. In accordance with section 31A of the 1992 Act, the Council is required to calculate the Council tax chargeable by way of a Council tax requirement. The Council must calculate its expected outgoings and income for the year. Where the expected outgoings exceed the expected income the difference is the Council's Council tax requirement for the year. The relevant basic amount of Council tax for the year is calculated by dividing the Council tax requirement after the deduction of levies by the Council tax base.
- 11.8. Under section 52ZB of the 1992 Act the Council is required to determine whether its proposed relevant basic amount of Council tax is excessive on the basis of criteria set by the Secretary of State. It has been confirmed by the Referendums Relating to Council tax Increases (Principles) (England) Report 2018/19 that for 2018/19 an increase is excessive if the authority's relevant basic amount of Council tax for 2018/19 is 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure), or more than 6%, greater than its relevant basic amount of Council tax for 2017-18. In such circumstances such an increase would be regarded as excessive and automatically trigger a referendum in the borough. The 'relevant basic amount' of Council tax was redefined by section 41 of the Local Audit and Accountability Act 2014, and accordingly section 52ZX of the 1992 Act has been updated. Essentially an authority's relevant basic amount of Council tax is the authority's own level of Band D Council tax. With the current proposals of a less than 6% increase the Council is entitled to conclude in accordance

with the Direction issued by the Secretary of State, that the relevant basic amount of Council tax is not excessive.

- 11.9. In accordance with section 30 of the 1992 Act, the Council is required to set the Council tax for the next financial year on or before 11 March. Under section 106 of the 1992 Act, any Member who is in arrears of two months or more Council tax must declare it at the meeting and abstain from voting upon this report.

Equalities and Community Cohesion Comments

- 11.10. Equality comments are included in the report to Cabinet dated 13th February 2018, attached as Annex 1. An update on equalities impact of the 2018/19 budget proposals including those that had already been considered by Cabinet is attached at Annex 7.

12. Use of Appendices

Annex 1 – Cabinet report of 13th February 2018 including Appendices 1 - 11.

Annex 1A – Amended General Fund (2018/19) Budget and MTFS (2018-2023)

Annex 2 – Cash Limits analysed at Priority Level

Annex 3 – Reserves

3a: Reserves Policy

3b: Reserves and their adequacy

3c: Risk evaluation

Annex 4 – The Treasury Management Strategy Statement

Annex 5 – The Formal Budget Resolution

Annex 6 – Update on Budget Consultation

Annex 7 – Update on Equality Impact Consideration Relating to Budget Proposals

13. Local Government (Access to Information) Act 1985

- 13.1. The following background papers were used in the preparation of this report

- Final Local Government Finance Settlement 2018/19.
- NLWA Budget Proposals report published 31st January (for 8th February meeting)
- GLA Budget proposals report published 15th February (for 22nd February meeting)

- 13.2. For access to the background papers or any further information please contact Oladapo Shonola – Lead Officer, Budget & MTFS Programmes on 0208 489 3726.

HARINGEY GENERAL FUND BUDGET 2018/19 AND MEDIUM TERM FINANCIAL PLAN 2018/23

Annex 1A

	2017/18 Budget	Movement	2018/19 Budget	Movement	2019/20 Projected	Movement	2020/21 Projected	Movement	2021/22 Projected	Movement	2022/23 Projected
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Services											
Priority 1	56,273	(1,748)	54,525	(310)	54,215	0	54,215	0	54,215	0	54,215
Priority 2	91,130	680	91,809	10	91,820	65	91,885	189	92,073	319	92,393
Priority 3	29,580	(1,660)	27,920	(150)	27,770	0	27,770	0	27,770	0	27,770
Priority 4	4,766	(50)	4,716	0	4,716	0	4,716	0	4,716	0	4,716
Priority 5	19,883	(50)	19,833	(120)	19,713	0	19,713	(0)	19,713	0	19,713
Priority X	38,507	(226)	38,281	(3,725)	34,556	(1,500)	33,056	(20)	33,036	0	33,036
Non Service Revenue	15,624	(2,598)	13,026	13,459	26,485	2,147	28,632	5,146	33,779	5,558	39,337
Total Budget Requirement	255,762	(5,652)	250,110	9,164	259,274	712	259,987	5,315	265,302	5,877	271,179
Unidentified Savings	0		0		7,172		7,374		7,878		7,223
Balanced Budget Position	255,762		250,110		252,102		252,613		257,424		263,956
Funding											
New Homes Bonus	5,712	(2,976)	2,736	(36)	2,700	0	2,700	0	2,700	0	2,700
Adult Social Care Grant	1,195	(477)	718	(718)	0	0	0	0	0	0	0
Revenue Support Grant	38,590	(38,590)	0	(8,561)	(8,561)	(1,626)	(10,187)	(1,658)	(11,845)	0	(11,845)
Council Tax	93,773	8,544	102,317	5,236	107,554	2,695	110,249	4,358	114,607	4,532	119,139
Retained Business Rates (100%)	22,084	85,549	107,633	2,810	110,443	2,047	112,490	2,097	114,587	2,000	116,587
Top up Business Rates	54,232	(54,232)	0	0	0	0	0	0	0	0	0
Total Main Funding	215,586	(2,181)	213,404	(1,269)	212,135	3,117	215,252	4,797	220,049	6,532	226,581
Public Health	20,742	(533)	20,209	(532)	19,677	0	19,678	(0)	19,677	0	19,677
Other core grants	10,653	5,844	16,497	3,793	20,290	(2,607)	17,683	14	17,698	0	17,698
Contribution t/(from)o Reserves and Balances	8,782	(8,782)	0	0	0	0	0	0	0	0	0
TOTAL FUNDING	255,762	(5,652)	250,110	1,992	252,102	510	252,613	4,811	257,424	6,532	263,956

	2018/19
Cash Limits by Priority	£'000
Priority 1	54,525
Priority 2	91,809
Priority 3	27,920
Priority 4	4,716
Priority 5	19,833
Priority X	38,281
Priority Cash Limit	237,084
Council Wide	12,034
Contributions to/(from) Balances	992
Council Cash Limit	250,110

Haringey Council – Reserves Policy

Background

1. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
2. CIPFA has issued Local Authority Accounting Panel (LAAP) Bulletin No.55, Guidance Note on Local Authority Reserves and Balances and LAAP Bulletin 99 (Local Authority Reserves and Provisions). Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
3. This note sets out the Council's policy for compliance with the statutory regime and relevant non-statutory guidance.

Overview

4. The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the Annual Governance Statement. Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management and performance management.
5. The Council will maintain:
 - a general fund general reserve;
 - a housing revenue account (HRA) general reserve; and
 - a number of earmarked reserves.
6. Additionally the Council is required to maintain *unusable* reserves to comply with accounting requirements although, as the term suggests, these reserves are not available to fund expenditure.

General fund general reserve

7. The purpose of the general reserve is to manage the impact of emergencies or unexpected events. Without such a reserve, the financial impact of such events could cause a potential financial deficit in the general fund, which would be severely disruptive to the effective operation of the authority. The reserve should mitigate against immediate service reductions if there were any unforeseen financial impacts.
8. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a

matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves. The level will be expressed as a cash sum over the period of the general fund medium-term financial strategy. The level will also be expressed as a percentage of the general funding requirement (to provide an indication of financial context).

HRA general reserve

9. The purpose of the HRA general reserve is similar to the general fund general reserve above except applied to the ring-fenced HRA.

Earmarked reserves

10. The purpose of earmarked reserves is to enable sums to be set aside for specific purposes or in respect of potential or contingent liabilities where the creation of a provision is not required or permitted.
11. The Council will maintain the following earmarked reserves:
 - i. **Services Reserve:** includes the net unspent balance of service and other budgets where the Cabinet has agreed that such sums could be carried-forward for use in subsequent years;
 - ii. **Insurance Reserve:** funds set aside to meet internally-insured liabilities where the creation of a provision is not required or permitted;
 - iii. **PFI Lifecycle Reserve:** funds set aside from specific PFI grant given by the government to meet payments to be made to service the debt relating to the Council's secondary schools PFI project; this reserve will be required to manage lifecycle funds during the suspended services period;
 - iv. **Council Infrastructure Reserve** (formerly infrastructure reserve): specific funds set aside for the planned maintenance and renewal of the Council's infrastructure including for IT and Property programmes;
 - v. **Transformation Reserve:** will be used to fund investment needs identified through the Medium Term Financial Planning process. It will also be used to fund redundancy and decommissioning costs and the investment necessary to deliver longer term efficiencies and change;
 - vi. **Capital Financing Reserve:** a reserve to enable multiple-year medium-term financial strategies in the context of the annual budgeting and accounting cycle;
 - vii. **Debt Repayment / Capital Reserve:** this reserve is used to set aside money that the Council has for repaying outstanding debt in the future and/or for the purposes of setting aside money earmarked for capital investment;
 - viii. **Major Repairs reserve (HRA):** the balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used to meet housing capital expenditure in future years;

- ix. **Schools' Reserve:** the net unspent balance of delegated funds managed by schools;
- x. **Community Infrastructure and Growth Reserve** – the council will need to grow its revenue base as government funding reduces, this will be achieved by increasing the Council Tax and Business Rate base. Resources are likely to be needed to support the community, infrastructure and growth in housing and business;
- xi. **Urban Renewal Reserve:** it would be beneficial for the council to support local businesses so they can share the benefits of the growth, this could include supporting town centres and business investment districts, and maintaining retail business.
- xii. **Labour Market Growth and Resilience Reserve:** this will be used to support initiatives which assist people with returning to and remaining in work.
- xiii. **Collection Fund Equalisation Reserve:** this reserve deals with the volatility around the collection of Council Tax and Business Rates leading to annual surpluses and deficits in the Collection Fund. This reserve is designed to equalise these fluctuations.
- xiv. **Public Health Reserve:** the Council assumed responsibility for certain Public Health functions from April 2013 supported through a new Public Health grant; this reserve will be used to manage any over or underspends against this grant which is restricted to Public health expenditure.
- xv. **Unspent Grants Reserve:** where revenue grants have no conditions or where the conditions are met and expenditure has yet to take place it is recommended practice to hold these sums in an earmarked reserve to meet the future expenditure.
- xvi. **Smoothing Reserve (HRA):** this is used to accumulate changes in asset values within the HRA that must, under accounting rules, be charged against the revenue costs of the HRA. The reserve will assist the impact of volatile movements from one year to another.
- xvii. **Budget Resilience Reserve:** this reserve will be used to manage in-year budget risks due to service budget overspends and non delivery/delay of planned savings.

Management and control

- 12. The schools reserve, the insurance reserve, and the PFI Lifecycle reserve are clearly defined and require no further authority for the financing of relevant expenditure.
- 13. The use of all other reserves requires budgetary approval in the normal way.
- 14. All reserves are reviewed as part of the budget preparation, financial management and closing processes.

Reporting and review

15. The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The Corporate Committee will consider actual reserves when approving the statement of accounts each year.
16. The Council will review the reserves policy on an annual basis.

RESERVES AND THEIR ADEQUACY

1. General Fund General Reserve

- 1.1. The judgement on the adequacy of the general fund general reserve needs to reflect the risk management and financial control processes that are in place, and the residual risk of emergencies or unexpected events. For this purpose identification of the key risks is done in three ways:
 - identification of risks during the financial planning and budget setting process as set out in the main report;
 - risk assessment of the agreed investment and savings proposals in the agreed budget package, and;
 - key risks identified, monitored and managed through the Council's risk management strategy and framework.
- 1.2. The calculation of the potential financial impact of these assessed risks has been undertaken and in the light of this, it is considered that the level of the General Fund un-earmarked balance which is maintained at £15m during 2018/19 is appropriate.
- 1.3. The risks set out in Annex 3c assess a potential financial impact at £21.6m for 2018/19; the Chief Finance Officer (CFO) regards the range set out above as being sufficient to cover the potential risks. However it is clear that there is only a small margin for error and the CFO is therefore specifically highlighting the need for robust budget management in 2018/19 including the efficient delivery of agreed savings.
- 1.4. The 2018/19 figure for general balances (£15m) represents 6% of the Council's net budget requirement for 2018/19.

2. Earmarked Reserves

Services Reserve

- 2.1. It is Council policy that residual service under and over spends are retained by the relevant service subject to approval by the Cabinet in the year-end financial outturn report. This reserve earmarks those funds to either be carried forward to the following financial year or retained.

Insurance Reserve

- 2.2. The insurance reserve is kept under review by the Head of Audit and Risk Management with the assistance of the Council's insurance adviser. A key variable is the split between this reserve and the level of insurance provision held elsewhere in the balance sheet. The Chief Finance Officer is satisfied that the reserve constitutes adequate protection in respect of the self-insured risk.

PFI Reserve

- 2.3. The PFI reserve reflects the agreed arrangements following the suspension of services within the PFI contract. The reserve will be used to manage the lifecycle fund requirements for secondary schools covered by the PFI scheme.

Council Infrastructure Reserve

- 2.4. The Council infrastructure reserve is a key financing resource for the programmes of renewal of assets for the Council, including IT and property. This assists in spreading the costs of core replacement of assets as well as managing asset improvement programmes. It is current policy that revenue and capital underspends in IT and Property are transferred to this reserve for future use.

- 2.5. The infrastructure reserve will remain in place to spread the cost of future infrastructure programmes.

Transformation Reserve

- 2.6. The Transformation Reserve will be used to fund investment necessary to deliver longer term efficiencies and transformational change.

Financing Reserve

- 2.7. The financing reserve is a tool for managing the impact of financial plans from one year to another. This reserve requires balances to be at different levels, year to year, depending on the demand as identified through previous and current budget plans. This reserve includes an amount set aside for the Sustainable Investment Fund (SIF) which supports invest-to-save projects designed to reduce the Council's CO2 emissions and reduce energy costs.

Debt Repayment / Capital Reserve

- 2.8. This reserve is used to set aside money that the Council has for repaying outstanding debt in the future and / or for the purposes of setting aside money earmarked for future capital investment. It is also available to support generally the capital programme.

Schools Reserve

- 2.9. The amount in the schools reserve is a consequence of the funding and spending of individual schools. A proportion of it reflects earmarked funding for future schools projects. The overall balance is likely to reduce as we move towards a national funding formula.

- 2.10. A schools loan scheme is in place (with the agreement of the Schools Forum) which acts like the Council's own Sustainable Investment Fund (SIF) and allows schools to borrow to invest in energy and carbon reducing improvements that can be repaid back to the general schools balances.

Community Infrastructure and Growth Reserve

- 2.11. The Council will need to grow its revenue base as government funding continues to reduce, this will be achieved by increasing the Council Tax and Business Rate base. Resources are likely to be needed to support the community infrastructure and growth in housing and business.

Urban Renewal Reserve

- 2.12. It will be beneficial for the council to support local businesses so they can share the benefits of growth, this could include supporting town centres and business investment districts, and maintaining retail business.

Labour Market Growth and Resilience Reserve

- 2.13. It is beneficial for the Council to support people into work and this reserve will support activities which achieve that aim.

Collection Fund Equalisation Reserve

- 2.14. This reserve deals with the volatility around the collection of Council Tax and Business Rates leading to annual surpluses and deficits in the Collection Fund; this reserve is designed to equalise these fluctuations.

Public Health Reserve

- 2.15. This reserve will be used to manage any over or underspends against the Council's Public Health Grant which is ring-fenced for Public health expenditure purposes.

Unspent Grants Reserve

- 2.16. Where revenue grants have no conditions or where the conditions are met and expenditure has yet to take place it is recommended practice to hold these sums in an earmarked reserve to meet the future expenditure.

HRA reserve

- 2.17. The judgement on the adequacy of the HRA general reserve needs to reflect the risk management and financial control processes that are in place, and the residual risk of emergencies or unexpected events. The risk evaluation has taken into account the impact of the change in the governments rent policy which has reduced the resources available to meet future expenditure needs..

- 2.18. The HRA will need to generate additional and substantial contributions to the reserve to fund Housing capital expenditure in the future. The Chief Finance Officer considers the plans set out in the HRA MTFP for the next ten years financial planning period to be at a prudent level.

HRA Major Repairs Reserve

- 2.19. The balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used for future housing capital spend.

HRA Smoothing Reserve

- 2.20. This reserve is used to accumulate and manage changes in asset values within the HRA that must, under accounting rules, be charged against the revenue costs of the HRA.

Budget Resilience Reserve

- 2.21. This reserve will be used to manage in-year budget risks due to service budget overspends and non delivery/delay of planned savings.

3. Overall

- 3.1. The estimates of the reserves position, including earmarked and un-earmarked reserves for the General Fund, Schools and the HRA are detailed in the following table. It should be noted however, that by the nature of these reserves, the timing of when draw down may be required is uncertain and thus unless specific timeframes have been identified no draw down is assumed.

Projected Reserves Position (At Period 10 - 2017/18)

Description	17/18 Opening Balance	2017/18 Movements		17/18 Projected Yr End Balance
		To reserve	From reserve	
General Fund Reserve	(14,907,049)	(8,950,000)	8,782,000	(15,075,049)
General Fund Reserves	(14,907,049)	(8,950,000)	8,782,000	(15,075,049)
Earmarked Reserves:				
Service Reserves	(8,313,890)	-	1,942,977	(6,370,913)
Unspent Grants Reserve	(3,513,016)	-	523,163	(2,989,853)
Transformation Reserve	(10,339,378)	-	4,593,390	(5,745,988)
Insurance Reserve	(4,861,761)	-	-	(4,861,761)
PFI Lifecycle Reserve	(9,015,905)	-	-	(9,015,905)
IT Infrastructure Reserve	(837,858)	-	-	(837,858)
Accommodation Strategy Reserve	(442,229)	-	-	(442,229)
Financing Reserve	(879,801)	-	-	(879,801)
Debt Repayment Reserve	(5,103,241)	-	94,000	(5,009,241)
Community Infrastructure Reserve	(3,000,000)	-	-	(3,000,000)
Urban Renewal Reserve	(284,038)	-	-	(284,038)
Labour Market Growth Resilience Reserve	(1,578,323)	-	787,900	(790,423)
Risk Reserve	(400,000)	-	-	(400,000)
General Fund Earmarked Reserves	(48,569,439)	-	7,941,430	(40,628,009)
Schools Reserve	(7,876,354)	-	-	(7,876,354)
Schools Reserves	(7,876,354)	-	-	(7,876,354)
Housing Revenue Account Balance	(30,556,699)	(6,339,511)	-	(36,896,210)
Earmarked Reserves:				
Homes for Haringey	(629,362)	-	300,000	(329,362)
Smoothing Reserve	(6,339,511)	-	6,339,511	-
HRA Earmarked Reserves	(6,968,873)	-	6,639,511	(329,362)

Adequacy of Reserves - Risk Assessment 2018/19

Three key assessment areas:

1. Identification of risks during the financial planning and budget setting process as set out in the main report;
2. Risk assessment of the agreed investment and savings proposals in the proposed budget package, and;
3. key risks identified, monitored and managed through the Council's risk management strategy in the corporate risk register.

	Net Budget Exposure	Risk	Residual Impact
	£m	%	£m
1. Budget Process			
Priority 1 - Children's	55	A High level risk assessment (10%) has been applied to the budget amount potentially at risk	15.7
Priority 2 - Adults	92		
Priority 5 - Temp. Accommod.	11		
2. Savings Proposals			
- Delivery Programme	16	High risk (33%) on savings proposals for 2018/19	5.3
3. Corporate Risk Register	5	Low risk (2.5%) assessment on variety of risks within the corporate risk register	0.1
4. Unidentified Risks		Estimated	0.5
Total Risks			21.6
Less Budget Resilience Reserve			7.2
Less un-earmarked (General) reserves for the above			15.1
Available after risks			0.7