

2016/17 – End of Year Financial Position

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Departmental Cash Limits

(Under) /
Over
Budget
£'000

Departmental Expenditure

| | |
|------------------------------------|------------------------|
| Adults' Services | (12,293) |
| Children's Services - Non schools | 0 |
| Economy, Transport and Environment | (7,282) |
| Policy and Resources | (14,248) |
| TOTAL | <u>(33,823)</u> |

Other Budgets

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| | (Under) / Over Budget £'000 |
|--|--------------------------------------|
| Capital Financing / Interest on Balances | (12.7) |
| Waste Management | (2.0) |
| Contingencies | (14.4) |
| Increase in Doubtful Debt Provision | 4.6 |
| Other Net Variations | (0.1) |
| TOTAL | <u>(24.6)</u> |

Allocation of Budget Savings

- Departmental savings will be added to cost of change reserves in line with current policy
- £22m to be allocated 'Enabling IT Investment' to underpin the delivery of Transformation to 2019 savings
- Savings on Winter Maintenance (which is usually returned to the centre) will be retained by ETE to be used for additional works in 2017/18
- £1.23m allocated to feasibility works for new school builds in line with revised design and delivery strategy
- Balance of £1.4m added to Grant Equalisation Reserve

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Reserves

| | Balance 31/03/2015 £'000 | Balance 31/03/2016 £'000 | % of Total % |
|--|--------------------------------|--------------------------------|--------------------|
| <u>Summary</u> | | | |
| Committed to existing spend programmes | 223,841 | 254,717 | 48.6% |
| Departmental / Trading Reserves | 69,597 | 98,411 | 18.8% |
| Risk Reserves | 26,423 | 22,071 | 4.2% |
| Other Reserves | 100,887 | 80,788 | 15.4% |
| Total Earmarked Reserves | 420,748 | 455,987 | 87.0% |
| Schools Reserves | 55,950 | 46,679 | 8.9% |
| General Fund Balance | 20,598 | 21,498 | 4.1% |
| Total Reserves and Balances | 497,296 | 524,164 | 100.0% |

Total Debt

| | Balance on 01/04/2016 £m | Net New Borrowing £m | Balance on 31/03/2017 £m |
|---|--------------------------------|----------------------------|--------------------------------|
| Capital Financing Requirement | 755.7 | | 755.4 |
| | | | |
| Short Term Borrowing | 12.5 | 1.0 | 13.5 |
| Long Term Borrowing | 333.3 | (13.6) | 319.7 |
| Total Borrowing | 345.8 | (12.6) | 333.2 |
| Other Long Term Liabilities | 175.5 | (4.5) | 171.0 |
| Total External Debt | 521.3 | (17.1) | 504.2 |
| Increase/ (Decrease) in Borrowing £m | | | (12.6) |

Total Investments

| Investments | Balance on 01/04/2016 £m | Balance on 31/03/2017 £m | Average Rate/Yield on 31/03/2017 % | Average Life on 31/03/2017 Years |
|---------------------------------|--------------------------------|--------------------------------|---|---|
| Short term Investments | | | | |
| - Banks and Building Societies: | | | | |
| - Unsecured | 55.7 | 35.7 | 0.56 | 0.08 |
| - Secured | 27.8 | 20.0 | 0.57 | 0.62 |
| Money Market Funds | 66.1 | 61.7 | 0.26 | 0.00 |
| Local Authorities | 92.5 | 116.8 | 0.68 | 0.39 |
| Corporate Bonds | 10.0 | 1.3 | 0.37 | 0.19 |
| | 252.1 | 235.5 | 0.54 | 0.26 |
| Long term Investments | | | | |
| - Banks and Building Societies: | | | | |
| - Secured | 65.0 | 70.0 | 0.88 | 1.58 |
| - Local Authorities | 113.5 | 97.5 | 2.11 | 1.56 |
| | 178.5 | 167.5 | 1.59 | 1.57 |

Total Investments

| | Balance on 01/04/2016 £m | Balance on 31/03/2017 £m | Average Rate/Yield on 31/03/2017 % | Average Life on 31/03/201 7 Years |
|--|--------------------------------|--------------------------------|---|--|
| Long term Investments – high yielding strategy | | | | |
| - Local Authorities | | | | |
| - Fixed deposits | 20.0 | 20.0 | 3.96 | 16.97 |
| - Fixed bonds | 10.0 | 10.0 | 3.78 | 16.77 |
| - Pooled Funds | | | | |
| - Pooled property | 35.0 | 45.0 | 3.85 | n/a |
| - Pooled equity | - | 20.0 | 3.04 | n/a |
| - Pooled multi-asset | - | 10.0 | 0.89 | n/a |
| - Registered Provider | - | 5.0 | 3.40 | 2.08 |
| | 65.0 | 110.0 | 3.43 | 14.79 |
| Total Investments | 495.6 | 513.0 | 1.50 | 1.92 |
| Increase/ (Decrease) in Investments | | 17.4 | | |

Transformation to 2019 Programme

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Medium Term Budget Position – Pre Settlement

(Covers 2018/19 and 2019/20)

| | £'000 |
|--|-----------------------|
| Price and Pay (1%) Inflation | 42,000 |
| Impact of National Living Wage on direct salary costs | 5,000 |
| Assumed Loss of RSG | 48,000 |
| Borrowing Costs for additional secondary school places | 15,000 |
| Social Care Growth | <u>20,000</u> |
| Estimated two year gap | <u>130,000</u> |

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Assumes successful implementation of all the Transformation to 2017 Programme and no allowance for increased costs of NLW in care sector.

Medium Term Budget Position – Post Settlement

£'000

| | |
|--|-----------------------|
| Forecast two year Budget Gap to 2019/20 | 130,000 |
| Impact of National Living Wage on Care Costs | 45,000 |
| Increased Loss of RSG | <u>48,000</u> |
| Revised Gap | <u>223,000</u> |

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Medium Term Budget Position - Summary

- New funding regime assumes that all Authorities will increase council tax by the maximum permissible over the four years
- 3.99% a year for four years for the County Council generates around £83m of additional council tax income.
- Reduces the net gap to £140m by 2019/20
- Gap in the interim year (2018/19) is £70m (which needs to be met from one off reserves)

Transformation to 2019 Programme Targets

| | Target £'000 |
|--|-----------------------|
| Adults', Health and Care | 55,934 |
| Children's Services (Non-Schools) | 30,132 |
| Economy, Transport and Environment | 19,005 |
| Corporate Resources | 6,127 |
| Transformation and Governance | 645 |
| Customer Engagement Service | 1,045 |
| Culture, Communities and Business Services | 6,304 |
| P&R Other | 808 |
| Housekeeping | 20,000 |
| Total | <u>140,000</u> |

Key Corporate Themes

- Redesigning services and developing new operating models for services consistent with the reducing financial envelope (Health and social care integration is key).
- Evaluating the impact of further volunteering, shared ownership and co-design of services with partners.
- Exploiting digital capability, building on current programme.
- Reviewing external spend and supply chain management.
- Managing demand through effective collaboration with partners, performance and early intervention.
- Evaluating opportunities for further income generation.
- Exploiting our assets.
- Using the capital programme to maximise economic impact on our business and our services and reviewing opportunities to bridge the revenue deficit through changes to the programme and its funding.

Potential Policy Changes

- Inevitably, further savings on this scale will necessitate major service reductions
- Some Government policy areas are a barrier to reducing costs
- We will lobby the Government and have fed into the Fair Funding Review on areas such as:
 - Home to School Transport – The current regulations are unchanged since 1948 and review to give the power to change eligibility criteria and apply means testing would seem timely
 - Concessionary Travel – There is a view that this new burden is not properly funded and the opportunity could be taken to review the statutory scheme for example in relation to hours of operation
 - Household Waste Recycling – Legislation recently introduced barring councils from charging residents any entry or exit fee for using a ‘discretionary HWRC’ service could be changed to allow the introduction of charges
 - Public Health – Exploration of options to charge for some former NHS services such as weight management support which may ensure provision continues
 - The removal of Council Tax capping.

Consultation Themes

- High-Level strategic consultation to commence immediately
- Partly to secure 'Haringey Compliance' and to set crucial timeline
- To be followed later by service specific consultations as required
- Haringey compliance must show consideration of key strategic options including:-
 - council tax
 - charging
 - Local government review (because of the significant revenue implications, conservatively £40 million)
 - Noting the HCC policy position adopted by Full Council in November 2016

Timescales and Approvals

| Milestone | Date |
|---|-------------------------|
| Full programme mobilisation / detailed planning | May / June 2017 |
| Public Consultation Exercise (Stage One) 6-8 weeks | July to August 2017 |
| Executive Member meetings to approve Departmental savings proposals | September 2017 |
| Cabinet consideration of Public Consultation response | September 2017 |
| Cabinet and Full Council Approval of Budget Envelope and Savings for April 2019 | October / November 2017 |
| Continued delivery of projects, programmes and savings | November 2017 onwards |
| Budget and Council Tax Setting for 2018/19 Financial Year | February 2018 |
| Stage Two consultations carried out where necessary | As required |
| Executive Member makes final decisions on proposals where Stage Two consultations have been carried out | As required |

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