

NOTICE OF MEETING

OVERVIEW AND SCRUTINY COMMITTEE

Thursday 18th January 2024, 7.00 pm - George Meehan House, 294 High Road, Wood Green, London, N22 8JZ (watch the live meeting [here](#), watch the recording [here](#))

Members: Councillors Matt White (Chair), Pippa Connor (Vice-Chair), Makbule Gunes, Michelle Simmons-Safo and Alexandra Worrell

Co-optees/Non-Voting Members: Yvonne Denny (Co-opted Member - Church Representative (CofE)) and Lourdes Keever (Co-opted Member - Church Representative (Catholic))

Quorum: 3

1. **FILMING AT MEETINGS**

Please note that this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on.

By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. **APOLOGIES FOR ABSENCE**

3. **URGENT BUSINESS**

The Chair will consider the admission of any late items of urgent business. (Late items will be considered under the agenda item where they appear. New items will be dealt with at item below).

4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

5. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

6. TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25 (PAGES 1 - 24)

7. SCRUTINY OF THE 2024/25 DRAFT BUDGET / 5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2024/25 - 2028/29) (PAGES 25 - 110)

Appendix 1 – Scrutiny Role

Appendix 2 – Cabinet report – Budget and MTFS (5th December 2023)

Appendix 3 – P6 2023/24 Savings Tracker – To follow

Appendix 4 – New Revenue Growth Proposals

Appendix 5 – New Revenue Savings Proposals

Appendix 6 – Draft Capital Programme

Appendix 7 – Draft Budget Scrutiny Recommendations – To follow

8. NEW ITEMS OF URGENT BUSINESS

9. WORK PROGRAMME UPDATE

To consider any additions or amendments to the Committee's current work programme.

10. FUTURE MEETINGS

1st Feb 2024 (7pm)
11th Mar 2024 (7pm)

Philip Slawther, Principal Committee Co-ordinator, philip.slawther2@haringey.gov.uk
Tel – 020 8489 2957
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Email: philip.slawther2@haringey.gov.uk

Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
George Meehan House, 294 High Road, Wood Green, N22 8JZ

Thursday, 11 January 2024

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Report for: Overview & Scrutiny Committee – 18 January 2024

Item number:

Title: Treasury Management Strategy Statement 2024/25

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Tim Mpofu, Head of Finance – Pensions and Treasury
tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non Key decision

1. Describe the issue under consideration

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.2. The CIPFA Code requires the Committee responsible for monitoring treasury management activities to formulate the Treasury Management Strategy Statement (TMSS). The TMSS is then subject to scrutiny before being approved by Full Council.
- 1.3. The draft TMSS is presented to this committee for scrutiny. Any comments made by the Overview and Scrutiny Committee will be taken into account and, where appropriate, reflected in the draft TMSS.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. The Overview and Scrutiny Committee is requested to scrutinise and provide any comments on the proposed updated Treasury Management Strategy Statement (TMSS) for 2024/25 prior to its presentation full Council for approval.
- 3.2. To note that Audit Committee will be considering the draft TMSS at its meeting on 18 January.

4. Reason for Decision

- 4.1. The CIPFA Code requires all local authorities to agree a Treasury Management Strategy annually in advance of the new financial year.

5. Other options considered

- 5.1. Not applicable.

6. Background information

- 6.1. The Council's treasury management activity is underpinned by CIPFA's Treasury Management in Public Services: Code of Practice (the CIPFA Code), which requires all local authorities to produce annually a Treasury Management Strategy Statement.
- 6.2. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 6.3. The following sections provide a summary of the proposed treasury strategy for the financial year 2024/2025.

Economic Background

- 6.4. The Council's treasury management strategy for 2024/25 will be significantly influenced by several factors, including inflation, higher interest rates, a weakening economic outlook, an uncertain political climate due to an upcoming general election, and ongoing conflicts in Ukraine and the Middle East.
- 6.5. The economic outlook remains uncertain, and financial markets are expected to experience increased volatility in the near term. The Bank of England (BoE) anticipates that CPI inflation will continue to fall slowly based on the interest rate path implied by financial markets. However, the BoE also anticipates that interest rates will remain higher for longer, as it is projected that inflation will not reach the 2% target until early 2025.
- 6.6. The table below shows an extract of the Bank Rate over the past 12 months.

	Jan-23	Mar-23	Jun-23	Sep-23	Dec-23
BoE Bank Rate	3.5%	4.25%	5.00%	5.25%	5.25%

- 6.7. Further details on the economic outlook over the medium term can be found in section 2 and Annex 1 of Appendix 1 to this report.

Haringey Council's Local Context

- 6.8. The Treasury Management Strategy Statement sets out a five-year position throughout the report, which better aligns with the Council's medium term financial strategy.

- 6.9. The Council's underlying need to borrow for capital purposes, also referred to as the Capital Financing Requirement (CFR) is set out in section 3 of this report. The Council has an increasing CFR driven by its overall capital programme. As a result, additional borrowing will be required in the upcoming years to finance both the General Fund and the Housing Revenue Account's (HRA) capital programmes.
- 6.10. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4.75%, and that new-long term loans will be borrowed at an average rate of 5.50%.

Borrowing Strategy

- 6.11. The Council's primary objective when borrowing is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 6.12. The cost of borrowing has increased significantly for both short-term and long-term debt. The table below shows the rates offered across the various PWLB maturities on 30 September 2023. The rates shown include the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

PWLB Maturity	Jan-22	Mar-23	Jun-23	Sep-23	Dec-23
1-year	4.33%	4.78%	6.22%	5.69%	5.13%
5-year	4.48%	4.31%	5.71%	5.22%	4.19%
10-year	4.59%	4.33%	5.35%	5.26%	4.37%
20 year	4.89%	4.70%	5.36%	5.64%	4.90%
50 year	4.49%	4.41%	4.95%	5.43%	4.68%

- 6.13. The Council's borrowing decisions are not based on any single outcome for interest rates, and it intends to maintain a balanced portfolio of short and long-term borrowing.
- 6.14. Further details on the Council's borrowing strategy including the available sources of borrowing can be found in section 4 of Appendix 1 to this report.

Treasury Investment Strategy

- 6.15. In accordance with the CIPFA Code and government guidance, the Council aims to strike an appropriate balance between risk and return, when making treasury investments. The aim is to prioritise the security and liquidity of its investments before seeking the optimum rate of return or yield.
- 6.16. Further details on the Council's treasury investment strategy including the proposed counterparties, investment limits and treasury risk assessment approach can be found in section 5 of Appendix 1 to this report.

Treasury Management Prudential Indicators

- 6.17. The Council measures and manages its exposures to treasury management risks using several indicators that are set when the Treasury Management Strategy is approved in advance of the new financial year.

6.18. A detailed assessment of the proposed treasury management prudential indicators for the next financial year can be found in section 6 of Appendix 1 to this report.

7. Contribution to Strategic Outcomes

7.1. None

8. Carbon and Climate Change

8.1. Not applicable

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

Finance and Procurement

9.1. Finance Comments are included throughout the attached report.

Head of Legal and Governance [Haydee Nunes De Souza, Head of Legal Services]

9.2. The Head of Legal Services has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the Local Government Act 2003 (“the 2003 Act”), the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the CIPFA Treasury Management code.

9.3. The prudential capital finance system relies on the provisions of Part 1 of the 2003 Act. Under this system, local authorities can borrow funds for capital investment as long as the borrowing remains within prudent limits. Section 1 of the 2003 Act allows the council to borrow for any purpose related to its functions or the prudent management of its financial affairs, provided it does not breach the affordable borrowing limit determined in accordance with section 3(1) of the 2003 Act.

9.4. Part 4, Rules of Procedure Section I – Financial Regulations, of the council’s constitution provides that the Overview and Scrutiny Committee will scrutinise the draft Treasury Management Strategy Statement annually, before its adoption by Full Council

9.5. The Treasury Management Strategy is part of the Council’s Policy Framework. As such, approval of the Treasury Management Strategy is reserved to Full Council.

Equalities

1.1. There are no equalities issues arising from this report.

10. Use of Appendices

10.1. Appendix 1 – Treasury Management Strategy Statement 2024/25

11. Background Papers

11.1. None

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London Borough of Haringey

Treasury Management Strategy Statement 2024/25

1. Introduction

- 1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.3. Investments held for service purposes or for commercial profit are considered in a different report.

2. External Context – provided by the Council's appointed treasury advisor, Arlingclose

Economic background

- 2.1. The Council's treasury management strategy for 2024/25 will be significantly influenced by several factors, including inflation, higher interest rates, a weakening economic outlook, an uncertain political climate due to an upcoming general election, and ongoing conflicts in Ukraine and the Middle East.

UK inflation, interest rates and economic growth outlook

- 2.2. The Bank of England's (BoE) Monetary Policy Committee (MPC) continued to tighten monetary policy throughout 2023. The Bank Rate was raised to a peak of 5.25% in August 2023. However, contrary to expectations of another increase in September, the MPC decided to maintain this level for the rest of the year. The table below shows an extract of the Bank of England's Bank Rates throughout the year.

	Jan-23	Mar-23	Jun-23	Sep-23	Dec-23
BoE Bank Rate	3.5%	4.25%	5.00%	5.25%	5.25%

- 2.3. The November quarterly Monetary Policy Report (MPR) forecasted an extended period of low Gross Domestic Product (GDP) growth, with the potential for a slight decline due to continued weak economic activity. The BoE also anticipates that higher interest rates will constrain GDP growth, which is forecast to remain weak over the forecast period.
- 2.4. The forecast for UK Consumer Price Index (CPI) inflation was considered highly uncertain, with potential upside risks to CPI reaching the 2% target in the near term. These risks are driven primarily by potential energy price increases, strong domestic wage growth, and the persistence of price-setting.
- 2.5. The Office for National Statistics (ONS) reported that the annual CPI inflation measure for the UK was 3.9% in November 2023, down from 4.6% in the previous month. Looking

ahead, the Bank of England (BoE) anticipates that CPI inflation will continue to fall slowly based on the interest rate path implied by financial markets. However, it is projected to take until early 2025 to reach the 2% target, and then fall below target in the second half of 2025 and into 2026.

- 2.6. Despite the challenging economic environment, demand for labour has remained strong. The table below shows an extract of the reported annual unemployment rate over the past four quarters.

	Jan-23	Mar-23	Jun-23	Sep-23
Unemployment rate	3.7%	4.9%	4.2%	4.2%

- 2.7. Looking ahead, the Monetary Policy Report (MPR) indicates that the unemployment rate is expected to gradually increase over the forecast period and reach approximately 5% by late 2025 or early 2026.

Global economic outlook

- 2.8. Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve (Fed) decided to pause in September and November, keeping the Fed Funds rate target at this level. It is likely this level represents the peak in the Fed's rate hiking cycle, after it struck a more cautious and accommodating tone following the December 2023 meeting.
- 2.9. In the Eurozone, inflation has been steadily declining since the beginning of 2023, reaching an annual rate of 2.4% in November 2023. Economic growth has been weak, with GDP contracting by 0.1% in the three months leading up to September 2023. In line with other central banks, the European Central Bank has raised its rates, bringing the deposit facility, fixed rate tender, and marginal lending rates to 4.00%, 4.50%, and 4.75% respectively.

Credit Outlook

- 2.10. Credit Default Swaps (CDS) are financial derivatives that investors use as insurance to offset their credit risk with that of another investor. Throughout 2023, CDS prices were volatile. They spiked in March due to concerns of banking sector contagion following the insolvency of Silicon Valley Bank and the takeover of Credit Suisse by UBS. After declining in Q2 of the calendar year, CDS prices began to steadily rise in the second half of the year.
- 2.11. Factors contributing to this increase include higher interest rates and inflation, and the ongoing war in Ukraine, and now the Middle East. However, on an annual basis, the volatility of CDS prices was lower in 2023 compared to 2022.
- 2.12. Moody's, a US-based credit rating agency, has revised its outlook on the UK sovereign from negative to stable. This change reflects their view of restored political predictability following the volatility after the 2022 mini-budget. Moody's has also affirmed the Aa3 rating, acknowledging the UK's economic resilience and strong institutional framework.
- 2.13. Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative. It also made the same adjustment for five rated local authorities. However, in the same update, the long-term ratings of those five local authorities were downgraded.
- 2.14. Competing tensions persist in the banking sector. On one hand, higher interest rates boost net income and profitability. On the other hand, a weakening economic outlook and potential recessions increase the possibility of a deterioration in the quality of banks' assets.
- 2.15. However, the institutions on the Council's treasury management adviser, Arlingclose's counterparty list remain well-capitalised, and the counterparty advice provided on both

recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (December 2023)

- 2.16. Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that the Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee (MPC) is expected to begin reducing rates in 2024 to stimulate the UK economy, but it will be cautious and wait until it is confident that there will be no lasting second-round effects. Arlingclose forecasts rate cuts starting from Q3 2024, with rates potentially reaching a low of around 3% by early to mid-2026.
- 2.17. Arlingclose anticipates that long-term gilt yields will remain generally stable at their current levels, despite ongoing volatility. This follows the decrease in yields towards the end of 2023, which reflects the projected lower medium-term trajectory for the Bank Rate. Yields will continue to be relatively higher compared to previous periods, influenced by quantitative tightening and substantial bond supply. However, it is important to note that there may still be short-term fluctuations caused by economic and political uncertainty and events.
- 2.18. A more detailed economic and interest rate forecast provided by Arlingclose is included in this document as Annex A.
- 2.19. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4.75%, and that new long-term loans will be borrowed at an average rate of 5.50%.

3. Local Context

- 3.1. On 31 December 2023, the Council held £787.1m of borrowing and £54.4m of treasury investments. This is set out further in detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast (Capital Financing Requirement)

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
General Fund CFR	649.8	698.5	779.6	855.8	907.8	949.5	1,000.3
HRA CFR	471.1	516.1	643.5	838.5	1,081.4	1,329.9	1,471.3
Total CFR	1,142.9	1,214.6	1,423.1	1,694.3	1,989.2	2,279.4	2,471.6
Less: Other debt liabilities*	-22.0	-17.7	-13.2	-10.6	-9.9	-9.2	-8.5
Loans CFR	1,120.9	1,196.9	1,409.9	1,683.7	1,979.3	2,270.2	2,463.1
Less: Internal borrowing	-337.6	-316.5	-332.7	-352.4	-364.1	-366.0	-374.8
CFR Funded by External Borrowing	783.3	880.4	1,077.2	1,331.3	1,615.2	1,904.2	2,088.3
Breakdown of External Borrowing:							
Existing borrowing**	783.3	760.4	677.3	661.3	645.3	629.3	613.3
New borrowing to be raised	-	120.0	399.9	670.0	969.9	1,274.9	1,475.0

* leases and PFI liabilities that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

- 3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

- 3.3. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during the medium-term financial strategy (MTFS) forecast period.
- 3.4. The Council has an increasing CFR due to the capital programme, but minimal treasury investments, therefore there will be a new borrowing requirement of up to £1,475m over the forecast period 2024/25 to 2028/29 (See Table 1). Table 2 below shows a breakdown of the forecast borrowing position at each financial year end to finance both the General Fund and the Housing Revenue Account's (HRA) capital programmes.

Table 2: Year-end Borrowing Position Summary

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
General Fund borrowing	421.9	410.2	477.9	535.6	578.2	620.9	663.6
HRA borrowing	361.4	470.2	599.3	795.7	1,037.0	1,283.3	1,424.7
Total borrowing	783.3	880.4	1,077.2	1,331.3	1,615.2	1,904.2	2,088.3

- 3.5. The Council's capital plans are the primary driver of the Council's borrowing requirement, and they are outlined in detail in the Council's main budget report, specifically in the Capital Strategy section. The Council's capital programme is robustly scrutinised and tested to ensure that the capital plans are affordable and prudent. Table 1 shows the five-year effects of the Council's capital programme; however, all capital plans are assessed in their entirety (i.e., some schemes are for a greater than five year time frame).

Liability Benchmark

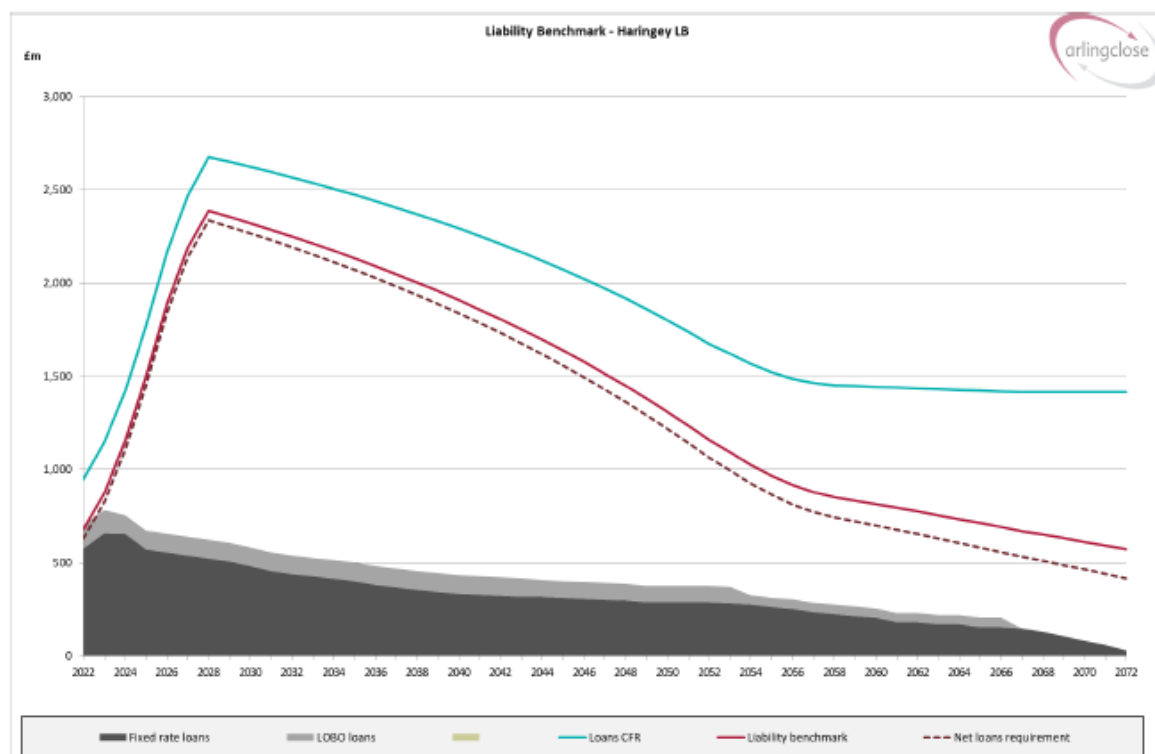
- 3.6. The liability benchmark has been calculated to compare the Council's actual borrowing against an alternative strategy. The liability benchmark shows the lowest risk level of borrowing. This assumes the same borrowing forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 3.7. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or a long-term investor in the future. This is important in developing the Council's strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 3: Prudential Indicator – Liability Benchmark

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
Loans CFR	1,120.9	1,196.9	1,409.9	1,683.7	1,979.3	2,270.2	2,463.1
Less: Balance Sheet resources	-424.8	-419.0	-4,248.8	-429.5	-433.3	-440.4	-440.4
Net loans requirement	696.1	777.9	-2,838.9	1,254.2	1,546.0	1,829.8	2,022.7
Plus: Liquidity allowance	20.0	30.0	30.0	30.0	30.0	30.0	20.0
Liability Benchmark	716.1	807.9	-2,808.9	1,284.2	1,576.0	1,859.8	2,042.7

- 3.8. The long-term liability benchmark assumes the same capital expenditure funded by borrowing as included in the CFR, minimum revenue provision on new capital expenditure

based on a 25-year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart on the following page together with the maturity profile of the Council's existing borrowing.



4. **Borrowing Strategy**

- 4.1. On 31 December 2023, the Council held £787.1m of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to increase its borrowing by up to £400m by the end of 2024/25. The Council may also borrow additional sums to pre-fund future years' borrowing requirements, provided this does not exceed the authorised limit for borrowing as set out in the Capital Strategy.

Objectives

- 4.2. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change, is a secondary objective.

Strategy

- 4.3. Given the significant cuts to public expenditure and, in particular, to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years. The scale of the Council's capital programme, and the need to diversify the Council's debt portfolio to further minimise refinancing risk means that long term borrowing will be required during 2024/25. Therefore, the Council's strategy will be to fulfil its borrowing requirement during the financial year with a mixture of short-term and long-term borrowing.
- 4.4. By doing so, the Council aims to reduce net borrowing costs and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term

borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 4.5. The Council has in recent years raised all its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pension funds and other local authorities, and may investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council has not done this in the past and intends to avoid this activity in order to retain its access to PWLB loans.
- 4.6. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.7. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of Borrowing

- 4.8. The approved sources of long-term and short-term borrowing are:
 - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - UK Infrastructure Bank Ltd
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Haringey Pension Fund and the London Collective Investment Vehicle)
 - capital market bond investors
 - retail investors via a regulated peer-to-peer platform
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other Sources of Debt Finance

- 4.9. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
 - Leasing
 - Hire Purchase
 - Private Finance Initiative
 - Sale and Lease Back
 - Similar asset based finance

Municipal Bonds Agency

- 4.10. The UK Municipal Bonds Agency was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Audit Committee.

LOBOs

- 4.11. The Council holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £50m of these LOBOs have options exercisable during 2024/25, and with interest rates having risen sharply recently, there is now a reasonable likelihood that lenders will explore their ability to exercise their options. If they do, the Council will take the option to repay the LOBO loans to reduce refinancing risk in later years.
- 4.12. Some LOBO lenders may be open to negotiating premature exit terms from LOBO loans via payment of a premium to the lender. The Council's policy will be to exit LOBO agreements if the costs of replacing the loans, including all premium, transaction and funding costs, generate a material net revenue saving for the Council over the life of the loan in net present value terms, and all costs are consistent with Haringey's approved medium term financial strategy. The decision to repay a LOBO loan will be determined by the S151 Officer in consultation with the lead Cabinet member for Finance, in line with Haringey's constitution.
- 4.13. When loans are prematurely repaid, there is usually a premium payable to the lender, to compensate them for interest forgone at the contractual rate, where prevailing interest rates are lower. The Council would need to refinance LOBOs by raising borrowing for both the original sum borrowed, and the premium payable to the lender. However, this type of arrangement can prove beneficial where interest savings exceed premium costs. Replacing LOBOs that contain an option for lenders to increase the rate, with fixed rate debt would reduce refinancing and interest rate risk.

Short-term and Variable Rate Loans

- 4.14. These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk.

Debt Rescheduling

- 4.15. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5. Treasury Investment Strategy

- 5.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £37m and £165m, and similar levels are expected to be maintained in the forthcoming year.

Objectives

- 5.2. The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal

or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) factors when making investment decisions.

Strategy

- 5.3. As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The Council aims to maintain its policy of utilising highly creditworthy and highly liquid investments such as deposits with the Debt Management Office (DMO), AAA rated money market funds and other entities on the Arlingclose approved counterparty list.

ESG policy

- 5.4. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Business Models

- 5.5. Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved Counterparties

- 5.6. The Council may invest its surplus funds with any of the counterparty types in table 5 on the following page, subject to the limits shown.

Table 5: Treasury Investment Counterparties and Limits

Sector	Time Limit	Counterparty Limit	Sector Limit
The UK Government	50 years	Unlimited	n/a
Money Market Funds	n/a	£10m	Unlimited
Local authorities & other government entities	25 years	£5m	Unlimited
Banks (secured)*	2 years	£5m	Unlimited
Banks (unsecured)*	13 months	£5m	Unlimited
Building societies (unsecured)*	13 months	£5m	£20m
Registered providers (unsecured)*	5 years	£5m	£20m
Strategic Pooled Funds	n/a	£5m	Unlimited
Real Estate Investment Trusts	n/a	£5m	Unlimited

Minimum Credit Rating

- 5.7. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Government

- 5.8. The Council may invest in loans, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Bank Secured Investments

- 5.9. Bank secured investments are investments that are secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and Building Societies (unsecured)

- 5.10. The Council may invest in accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered Providers (unsecured)

- 5.11. The Council may invest in loans, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money Market Funds

- 5.12. Money market funds are pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over banks of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic Pooled Funds

- 5.13. Strategic pooled funds include bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real Estate Investment Trusts (REITs)

- 5.14. REITs are publicly traded companies that invest mainly in real estate and pay most of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially

as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational Bank Accounts

- 5.15. The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk Assessment and Credit Ratings

- 5.16. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

- 5.17. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

- 5.18. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects

- 5.19. The Council acknowledges that investing with certain counterparties, although financially secure, may subject it to criticism, whether valid or not, that could impact its public reputation. This risk will be considered when making investment decisions.
- 5.20. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment Limits

- 5.21. The Council's revenue reserves available to cover investment losses are forecast to be £30 million on 31st March 2024 and £30 million on 31 March 2025. In order that no more than 100% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 5.22. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

Table 6: Additional Investment Limits

	Cash Limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£10m per country
Registered providers and registered social landlords	£10m in total
Unsecured investments with building societies	£10m in total
Loans to unrated corporates	£10m in total
Money market funds*	£50m in total
Real Estate Investment Trusts	£10m in total

* These limits apply for both Haringey Council and Haringey Pension Fund, so the limit for Money Market Funds is £10m per MMF and £50m aggregate limit for the Council, and £50m for the Pension Fund.

Liquidity Management

- 5.23. The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

6. Treasury Management Prudential Indicators

- 6.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

Security

- 6.2. The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit Risk Indicator	Target
Portfolio average credit rating	Above A, score of 6 or lower

Liquidity

- 6.3. The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3-month period, without additional borrowing.

Liquidity Risk Indicator	Target
Total cash available within 3 months	£30m

Interest rate exposures

- 6.4. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest Rate Risk Indicator	Target
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2m

- 6.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Maturity structure of borrowing

- 6.6. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing are shown on the following page:

Refinancing Rate Risk Indicator	Upper Limit	Lower Limit
Under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

- 6.7. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Total short-term borrowing

- 6.8. In recent years, the Council has used short term borrowing (under 1 year in duration) from other local authorities to meet short-term liquidity requirements. Short term borrowing can also be raised from other counterparties such as banks. This approach offers increased flexibility for cash flow management by the Council and can serve as an alternative to borrowing from PWLB over a longer term.
- 6.9. Short-term borrowing exposes the Council to refinancing risk. This is the risk that interest rates may rise quickly over a short period of time, resulting in significantly higher rates when the loans mature. In such cases, there is a risk that the new replacement borrowing would need to be taken at higher interest rates compared to the maturing loans.
- 6.10. Bearing this in mind, the Council has set a limit on the total amount of short-term borrowing that has no associated protection against interest rate rises, as a proportion of all borrowing.

Short term borrowing	Target
Upper limit on short-term borrowing that exposes the Council to interest rate rises as a percentage of total borrowing	20%

Long-term treasury management investments

- 6.11. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price Risk Indicator	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£10m	£5m	£5m

7. **Related Matters**

- 7.1. The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial Derivatives

- 7.2. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).
- 7.3. The Council will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk will be included to count against the counterparty credit limit and the relevant foreign country limit.
- 7.5. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account

- 7.6. On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g., premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

Markets in Financial Instruments Directive

- 7.7. The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Director of Finance (S151 Officer) considers this to be the most appropriate status.

8. Financial Implications

- 8.1. The budget for investment income in 2024/25 is £2.4m based on an average investment portfolio of £50 million at an interest rate of 4.75%.
- 8.2. The budget for total debt interest paid in 2024/25 is detailed in table 7 below for both the General Fund and HRA. If the actual levels of investments and borrowing, or the actual interest rates, differ from those forecasted, the performance against the budget will be correspondingly different.
- 8.3. Table 7 demonstrates the revenue budgets in both the General Fund and HRA for both interest costs on borrowing and minimum revenue provision (MRP) charges.

Table 7: Revenue budget for interest costs and MRP

	2023/24 Budget £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
MRP - pre 2008 expenditure	5.0	5.0	5.0	5.0	5.0	5.0
MRP - post 2008 expenditure	13.7	12.8	14.1	15.1	16.2	16.7
Total MRP	18.7	17.8	19.1	20.1	21.2	21.7
Interest Costs (GF)	16.9	14.8	20.0	22.0	24.5	27.1
Capital Financing Costs (GF)	35.6	32.6	39.1	42.1	45.7	48.8
Offsetting Savings for self-funded schemes	-12.7	-1.1	-2.7	-3.7	-4.2	-5.2
Estimated Capital Financing Budgets	22.9	31.5	36.4	38.4	41.5	43.6
Interest Costs (HRA)	18.6	25.9	36.0	48.3	60.8	69.6

9. Other Options Considered

- 9.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance (S151 Officer), having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed on the following page.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater

Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Annex A – Arlingclose Economic & Interest Rate Forecast - December 2023**Underlying assumptions:**

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

Interest Rate Forecast:

The table below shows the most recent interest rate forecast provided by Arlingclose.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B – Existing Investment & Debt Portfolio Position - December 2023

	Actual portfolio £m	Average rate %
External borrowing:		
Public Works Loan Board	642.1	2.9%
LOBO loans from banks	100.0	4.7%
Local authorities	45.0	5.7%
Total external borrowing	787.1	3.3%
Treasury investments:		
The UK Government	34.4	5.2%
Money market funds	20.0	5.3%
Total treasury investments	54.4	5.2%

Report for: Overview & Scrutiny Committee, 18th January 2024

Item number:

Title: Scrutiny of the 2024/25 Draft Budget and 5 Year Medium Term Financial Strategy 2024/2029

Report authorised by: Jon Warlow, Director of Finance and Section 151 Officer

Lead Officer: Frances Palopoli, Head of Corporate Financial Strategy & Monitoring

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** N/A

1. Describe the issue under consideration

- 1.1 To consider and comment on the Council's 2024/25 Draft Budget and 5 Year Medium Term Financial Strategy (MTFS) 2024/2029 proposals relating to the Scrutiny Panels' remit.

2. Recommendations

- 2.1 That the Committee considers the recommendations from each of the Panel and Committee budget scrutiny meetings held between 12 December 2023 and 9 January 2024 and compile final recommendations, to be shared with Cabinet, on the Council's 2024/25 Draft Budget and 5 Year Medium Term Financial Strategy (MTFS) 2024/2029 proposals considered by Cabinet on 5th December 2023.

3. Background information

- 3.1 The Council's Overview and Scrutiny Procedure Rules (Constitution, Part 4, Section G) state: "The Overview and Scrutiny Committee shall undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol covering the Overview and Scrutiny Committee".
- 3.2 Also laid out in this section is that "the Chair of the Budget Scrutiny Review process will be drawn from among the opposition party Councillors sitting on the Overview and Scrutiny Committee. The Overview and Scrutiny Committee shall not be able to change the appointed Chair unless there is a vote of no confidence as outlined in Article 6.5 of the Constitution".

4. Overview and Scrutiny Protocol

- 4.1 The Overview and Scrutiny Protocol lays out the process of Budget Scrutiny and includes the following points:
- a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their recommendations shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main Overview and Scrutiny Committee (OSC).
 - b. A lead OSC member from the largest opposition group shall be responsible for the co-ordination of the Budget Scrutiny process and recommendations made by respective Scrutiny Review Panels relating to the budget.
 - c. Overseen by the lead member referred to in paragraph 4.1.b, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the Draft Budget/MTFS. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that the Cabinet Member for Finance and/or Senior Officers attend these meetings to answer questions.
 - d. Each Scrutiny Review Panel shall submit their final budget scrutiny report to the OSC Budget scrutiny meeting in 1January containing their recommendations/proposals in respect of the budget for ratification by the OSC.
 - e. The recommendations from the Budget Scrutiny process, ratified by the OSC, shall be fed back to Cabinet. As part of the budget setting process, the Cabinet will clearly set out its response to the recommendations/proposals made by the OSC in relation to the budget.

5. 2024/25 Draft Budget and MTFS 2024/29 – Key Messages from report considered by Cabinet on 5/12/2023

Introduction / Background

- 5.1 This sets out details of the draft General Fund (GF) Budget for 2024/25; the Medium Term Financial Strategy (MTFS) 2024/29; the draft HRA Budget 2024/25 and it's draft Business Plan including estimated income (funding) and expenditure adjustments, as well as the draft capital programmes for both funds.

General Fund Revenue Budget

- 5.2 As Members will know, the financial situation for local authorities is as difficult at this time as perhaps it has ever been, as evidenced by the increasing number of authorities who are needing, or near to issuing, a Section 114 statement regarding their inability to set a legal budget. This is the backdrop to our budgetary process for the coming year.
- 5.3 This Council, like most if not all others, is finding it extremely challenging to meet its legal obligation to put forward a balanced budget for next year. As such, the draft Budget as framed in this report at this time has not yet achieved that objective. Even after budget savings and other management

actions identified through this budget round of £11m, the 2024/25 draft Budget gap in this report is £16.3m, significantly worse than the £6.3m estimated in the Budget/MTFS report from March 2023.

- 5.4 There needs to be considerable further work undertaken between now and the issue of its second and final Budget report in February 2024 which must and will present a balanced Budget to be agreed. This final Budget report will include the outcomes for the Council of a number of important developments which have yet to play out. Government announcements on 2024/25 funding for local government will not take place until after this December report is finalised and with all parts of the public sector looking for additional resources, this Council cannot rely on assumptions about any significant new funding being allocated to the sector.
- 5.5 Therefore, while this year's Budget consultation process will include budget policy changes described in this report, it must be recognised that there will be significant additional proposals included in the February Budget report.
- 5.6 Conditions in the national economy have had a more significant impact on expenditure than had been assumed when the March budget was set. Inflation has remained higher for longer than expected and the Bank of England has continued to increase interest rates in an attempt to offset this.
- 5.7 These in turn have impacted negatively on the costs of critical services, notably social care, and more costly mortgages have seen landlords leaving the buy to let market, reducing the supply of Temporary Accommodation and driving up costs.
- 5.8 High interest rates have also placed pressure on the funding of the Council's capital programme and are influencing decisions on any changes and additions for the forthcoming year. Although the inflation rate fell sharply in October to its lowest rate in two years (4.6%), this was largely due to energy prices and much of the inflationary costs associated with care services will be driven by wage increases which are likely to take longer to reduce. Furthermore, the supply chain not only for temporary accommodation but also notably for children's social care, is extremely tight leading to above inflation cost rises.
- 5.9 All these factors are driving the need for growth in Directorate budgets, predominately in the three demand led services, as evidenced by the current year's Qtr2 forecast overspend of £20.8m. This has had to be acknowledged in the preparation of the draft Budget for 2024/25, leading to a much higher budget requirement than we forecast in March.
- 5.10 In response to these economic factors, £25.5m growth has been built into this draft Budget solely for the demand led services: £20.4m for Adult social care; £3.0m for Temporary Accommodation and £2.1m for Children's.

General Fund Capital Programme

- 5.11 Investment in capital expenditure can support the Council to deliver on key priorities and can support the delivery of permanent revenue savings. However, in the current financial climate, it is more important than ever that the Council ensures that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable.
- 5.12 The current economic environment has also had major implications for the existing and future GF Capital Programme. Borrowing costs have increased and inflation has impacted the cost of raw materials and the tightness in the supply chain for capital works (labour and materials) has added both cost and time to schemes.
- 5.13 In response, the Council has undertaken a fundamental review of the existing capital programme, removing or deferring a number of schemes. A robust approach has been taken to the inclusion of any new proposed investment.
- 5.14 The impact of this rigour can be seen when comparing the latest capital programme projection to 2027/28 (£612m) with that in the agreed in March 2023 (£1,008m), a reduction of £396m.
- 5.15 The draft General Fund Capital Programme presented here totals £155.9m for 2024/25 and, while some schemes have been deferred, the Council has prioritised investment in the following:
- The Schools estate – to address identified health and safety issues
 - Leisure facilities – to increase usage and reduce carbon emissions
 - Parks - creating new biodiversity areas, tree planting, activity areas and active travel options in and around our parks.
 - Street lighting and borough roads – to deliver transport infrastructure that is safe and supports active travel options
- 5.16 Given the extent of the financial challenge still facing the authority, inevitably the draft capital programme set out in this report must continue to be under review before the final Budget/MTFS can be agreed in March.

HRA

- 5.17 The prevailing economic situation is also forecast to impact on the current HRA financial plan with increases in energy costs, inflation and interest rate rises presenting a level of challenge and difficulty in delivering the capital programmes now and the viability of our HRA in the medium to long-term.
- 5.18 To be able to invest in the management and maintenance of our homes and maintain the long-term sustainability of the HRA, the Council has reviewed its charges to tenants.
- 5.19 The draft Plans now presented, despite the forecasted challenges, maintain an adequate annual surplus providing an appropriate level of in-year financial cover.

- 5.20 The new HRA capital plan places a strong emphasis on meeting the needs of the existing tenants and addressing the condition of the existing stock. It also focuses on the delivery of new homes, renewal of the Broadwater Farm (“BWF”) estate, carbon reduction in existing stock, and fire safety of the entire stock. Capital investment for 2024/25 alone is £238m and is geared towards maximising the use of other available resources and use of borrowing as last resort.

Dedicated Schools Budget

- 5.21 For schools, the indicative Dedicated Schools Budget (DSB) funding, which is ring fenced for the delivery of education services, is also outlined.
- 5.22 Overall, Haringey’s provisional National Funding Formula (NFF) allocation for 2024/25 is an increase of 0.81% excluding rolled in grants equivalent to £2.20m. The actual grant level is dependent on updated pupil census numbers and the final schools finance settlement which is due after the publication of this report.
- 5.23 In March 2023, Haringey was successful in joining the Department for Education (DfE) Safety Valve Programme, which targets local authorities with the highest DSG deficits to identify plans to bring spend more in line with agreed budgets over the short to medium term, in return for support to deal with historic deficits. This plan is being monitored via the quarterly finance update reports. The draft budget plans contained in this report are in line with the expectations of the Safety Valve programme.

Statutory Officers comments - Director of Finance

- 5.24 The financial planning process ensures that the Council’s finances align to the delivery of the Council’s priorities and the administration’s manifesto commitments in the medium term. In addition, it is consistent with proper arrangements for the management of the Council’s financial affairs and its obligation under section 151 of the Local Government Act 1972.
- 5.25 Ensuring the robustness of the Council’s 2024/25 budget and its MTFS 2024/25 – 2028/29 is a key function for the Council’s Section 151 Officer. This includes ensuring that the budget proposals are realistic and deliverable. As the MTFS report is primarily financial in its nature, comments of the Chief Financial Officer are contained throughout the report.
- 5.26 Even after budget savings and other management actions identified through this budget round of £11.2m, the 2024/25 draft Budget gap in this report is c £16.3m, significantly worse than the £6.3m estimated in the Budget/MTFS report from March 2023. This is an exceptional and concerning position to be in, particularly this late in the annual process. This position reflects the difficult financial situation local authorities are facing, as evidenced by the increasing number of authorities who are needing, or near to issuing a Section 114 statement regarding their inability to set a legal budget. The Council’s reserves position is also lower than average for a council of this size and a

medium to long term objective should be to improve on this and increase our financial resilience.

- 5.27 The Council continues to experience the impact of the conditions in the national economy and post pandemic environment. Inflation and cost of living remains high, costs of critical services increasing (particularly in care) and costly mortgages are driving up costs of Temporary Accommodation. High interest rates have also placed pressure on the funding of the Council's capital programme. All these factors are driving the need for £25.5m growth in Directorate budgets, predominately in the three demand led services, Adults, Children's and Temporary Accommodation. The impact on expenditure in these services is greater than assumed when the March budget was set and so the Council is finding it extremely challenging to meet its legal obligation to put forward a balanced budget for 2024/25 at this time.
- 5.28 Further substantial work must be conducted between now and the issuing of the final Budget report in February 2024 to identify realistic and deliverable proposals to present a balanced Budget to be agreed.
- 5.29 At the time of writing this report, the Autumn Budget Statement has just been announced and it has not been possible to incorporate any detailed implications but it would appear that it will not have any major overall impact on the estimates included in this draft Budget. Further Government announcements on 2024/25 funding for local government will not take place until after this December report is finalised and with all parts of the public sector looking for additional resources, this Council cannot rely on assumptions about any significant new funding being allocated to the sector.
- 5.30 With regard to the HRA, the draft plan presented, despite the forecasted challenges, maintains an adequate annual surplus providing an appropriate level of in year cover.
- 5.31 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 March 2024.

6.0 Explanation of Appendices

- 6.1 Appendix 1 is an aide memoire to assist with the scrutiny of budget proposals including possible key lines of enquiry. This report is specifically concerned with Stage 1 (planning and setting the budget) as a key part of the overall annual financial scrutiny activity.
- 6.2 Appendix 2 is the Draft 2024/25 Budget and 2024/29 MTFS considered by Cabinet on 5th December 2023. This report sets out details of the draft General Fund (GF) Budget for 2024/25; the Medium-Term Financial Strategy (MTFS) 2024/29; the draft HRA Budget 2024/25 and its draft Business Plan including estimated income (funding) and expenditure adjustments, as well as the draft capital programmes for both funds.
- 6.3 Appendix 3 lists the previously agreed MTFS savings relevant to each Panel/Committee and details progress of delivery as at Q2 23/24.
- 6.4 Appendix 4 provides details of the new revenue budget growth proposals relevant to each Panel/Committee.
- 6.5 Appendix 5 provides details of the new revenue budget savings proposals relevant to each Panel/Committee.
- 6.6 Appendix 6 provides details of the capital investment proposals relevant to each Panel/Committee. Details of the proposed funding source are clearly identified. The Council's Capital Programme provides a framework for spend but does not constitute the approval to spend on specific projects. Approval to spend on particular projects is usually granted by cabinet decisions (e.g., contract awards). All capital projects must be fully financed before proceeding. Sources of funding/finance can be external, such as grants, or S106/CIL, or if no external funding is available, the Council can borrow to fund the project.
- 6.7 Where the Council does have to borrow to finance a project, there is an ongoing cost to the Council's revenue budget to repay the debt and pay interest on the borrowing costs. Currently, a rule of thumb is that for each £1m of capital financed by borrowing there is a c. £72k per annum revenue cost, (c.£61k last year). Many of the schemes within the capital programme are 'self-financing': these schemes are funded by borrowing however, they will generate an ongoing revenue betterment to the Council, which will offset the costs of borrowing once the scheme is completed.
- 6.8 Attention is also drawn to the 2023/24 Quarter 2 Finance Update Report presented to Cabinet on 5th December 2023 which provides a summary of the in-year budget implications facing the authority and which has informed the 2024/25 Draft Budget proposals now presented. The Council's 2023/24 Budget Book provides details of service budgets for the current year.

7 Contribution to strategic outcomes

- 7.1 The Budget Scrutiny process for 2024/25 will contribute to strategic outcomes relating to all Council priorities.

8.0 Statutory Officers comments

Finance

- 8.1 There are no financial implications arising directly from this report. Should any of the work undertaken by Overview and Scrutiny generate recommendations with financial implications then these will be highlighted at that time.

Legal

- 8.2 There are no immediate legal implications arising from this report.
- 8.3 In accordance with the Council's Constitution (Part 4, Section G), the Overview and Scrutiny Committee should undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol, which is outside the Council's constitution, covering the Overview and Scrutiny Committee.

Equality

- 8.4 The draft Borough Plan sets out the Council's overarching commitment to tackling poverty and inequality and to working towards a fairer Borough.
- 8.5 The Council is also bound by the 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.
- 8.6 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.
- 8.7 Further equalities comments are provided in Appendix 2.

9.0 Use of Appendices

Appendix 1 – Key lines of enquiry for budget setting

Appendix 2 – 2024/25 Draft Budget and 2024/2029 Medium Term Financial Strategy Report (presented to Cabinet 5th December 2023)

Appendix 3 - P6 Combined Existing Savings Tracker

Appendix 4- New Revenue Growth Proposals

Appendix 5 - New Revenue Savings Proposals

Appendix 6 - Capital Budget Proposals

11. Local Government (Access to Information) Act 1985

None.

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Financial Scrutiny: Understanding your Role in the Budget Process

This document summarises issues and questions you should consider as part of your review of financial information. You might like to take it with you to your meetings and use it as an aide-memoir.

Overall, is the MTFS and annual budget:

- A financial representation of the council's policy framework/ priorities?
- Legal (your Section 151 Officer will specifically advise on this)?
- Affordable and prudent?

Stage 1 – planning and setting the budget

Always seek to scrutinise financial information at a strategic level and try to avoid too much detail at this stage. For example, it is better to ask whether the proposed budget is sufficient to fund the level of service planned for the year rather than asking why £x has been cut from a service budget.

Possible questions which Scrutiny members might consider –

- Are the MTFS, capital programme and revenue budget financial representations of what the council is trying to achieve?
- Does the MTFS and annual budget reflect the revenue effects of the proposed capital programme?
- How does the annual budget relate to the MTFS?
- What level of Council Tax is proposed? Is this acceptable in terms of national capping rules and local political acceptability?
- Is there sufficient money in “balances” kept aside for unforeseen needs?
- Are services providing value for money (VFM)? How is VFM measured and how does it relate to service quality and customer satisfaction?
- Have fees and charges been reviewed, both in terms of fee levels and potential demand?
- Does any proposed budget growth reflect the council's priorities?
- Does the budget contain anything that the council no longer needs to do?
- Do service budgets reflect and adequately resource individual service plans?
- Could the Council achieve similar outcomes more efficiently by doing things differently?

Stage 2 – Monitoring the budget

It is the role of “budget holders” to undertake detailed budget monitoring, and the Executive and individual Portfolio Holders will overview such detailed budget monitoring. Budget monitoring should never be carried out in isolation from service performance information. Scrutiny should assure itself that budget monitoring is being carried out but should avoid duplicating discussions and try to add value to the process. Possible questions which Scrutiny members might consider –

- What does the under/over spend mean in terms of service performance? What are the overall implications of not achieving performance targets?
- What is the forecast under/over spend at the year end?
- What plans have budget managers and/or the Portfolio Holder made to bring spending back on budget? Are these reasonable?
- Does the under/over spend signal a need for a more detailed study into the service area?

Stage 3 – Reviewing the budget

At the end of the financial year you will receive an “outturn report”. Use this to look back and think about what lessons can be learned. Then try to apply these lessons to discussions about future budgets. Possible questions which Scrutiny members might consider –

- Did services achieve what they set out to achieve in terms of both performance and financial targets?
- What were public satisfaction levels and how do these compare with budgets and spending?
- Did the income and expenditure profile match the plan, and, if not, what conclusions can be drawn?
- What are the implications of over or under achievement for the MTFS?
- Have all planned savings been achieved, and is the impact on service performance as expected?
- Have all growth bids achieved the planned increases in service performance?
- If not, did anything unusual occur which would mitigate any conclusions drawn?

How well did the first two scrutiny stages work, were they useful and how could they be improved?

Decision cover page

Report Title: **Draft 2024-25 Budget and 2024-29 Medium Term Financial Strategy**

Date of Decision:

Report Author:

Contact No:

Council Leadership Team Lead (and date report agreed):

Report Title	
*Legal Comments Provided by:	
*Financial Comments Provided by:	
*Equalities Comments Reviewed by:	
*Procurement Comments Provided by:	
In the Background - This section of the report includes outlining consultation with partners/stakeholders, service users, residents more generally, business, other public bodies, interest groups, government, staff or statutory consultees. Please indicate if this has happened and who has been consulted. Also include how consideration has been given to the Haringey Deal and to hearing the voices that are too often overlooked	
Number of Appendices included –please check the report writing guidance on the template and consider can these be included as background documents if they do not refer to in the recommendations or need to be referred to agree the proposals.	
*Background documents listed that are available for public inspection or web links exists? [These are the documents that have been relied upon to a material extent in the preparation of the report. Any background papers that are listed must be retained and accessible for public inspection for a period of 6 years. It is the responsibility of the report author to ensure this is done.]	
Date considered by Cabinet Member Please note that if your report impacts or relates to two or more Cabinet portfolios, you will need to also arrange a further briefing meeting with the Cabinet members before submission of the report to Informal CAB.	
Dates considered by Officer Internal Boards [This can include internal Cabinet and Officer Groups]	
Date considered by Council Leadership Team	

<p>Politically sensitive strategic key decisions would need to be considered by .] Please contact Ben Hunt on x1164 if you have any queries about which meeting your report should be considered at. Meetings table place on a Thursday morning</p>	
<p>Date considered by informal CAB [Politically sensitive strategic key decisions would need consideration at CAB – Please contact Felicity Foley with any queries about Informal CAB.]</p>	
<p>Please consider if a wider briefing on this key decision is required at Labour Group / Liberal Democrat Group meetings? When?</p>	
<p>Is the decision compliant with the Council’s Budget and Policy Framework as set out in Part Four Section E of the Constitution?</p>	

Report for: Cabinet 5 December 2023

Item number: To be added by the Committee Section

Title: Draft 2024-25 Budget and 2024-29 Medium Term Financial Strategy

Report authorised by : Jon Warlow, Director of Finance

Lead Officer: Frances Palopoli, Head of Corporate Financial Strategy & Monitoring

Ward(s) affected: All

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

1. Describe the issue under consideration

1.1. This sets out details of the draft General Fund (GF) Budget for 2024/25; the Medium Term Financial Strategy (MTFS) 2024/29; the draft HRA Budget 2024/25 and its draft Business Plan including estimated income (funding) and expenditure adjustments, as well as the draft capital programmes for both funds.

General Fund Revenue Budget

1.2. As Members will know, the financial situation for local authorities is as difficult at this time as perhaps it has ever been, as evidenced by the increasing number of authorities who are needing, or near to issuing, a Section 114 statement regarding their inability to set a legal budget. This is the backdrop to our budgetary process for the coming year.

1.3. This Council, like most if not all others, is finding it extremely challenging to meet its legal obligation to put forward a balanced budget for next year. As such, the draft Budget as framed in this report at this time has not yet achieved that objective. Even after budget savings and other management actions identified through this budget round of £11m, the 2024/25 draft Budget gap in this report is £16.3m, significantly worse than the £6.3m estimated in the Budget/MTFS report from March 2023.

1.4. There needs to be considerable further work undertaken between now and the issue of its second and final Budget report in February 2024 which must and will present a balanced Budget to be agreed. This final Budget report will include the outcomes for the Council of a number of important developments which have yet to play out. Government announcements on 2024/25 funding for local government will not take place until after this

December report is finalised and with all parts of the public sector looking for additional resources, this Council cannot rely on assumptions about any significant new funding being allocated to the sector.

- 1.5. Therefore, while this year's Budget consultation process will include budget policy changes described in this report, it must be recognised that there will be significant additional proposals included in the February Budget report.
- 1.6. Conditions in the national economy have had a more significant impact on expenditure than had been assumed when the March budget was set. Inflation has remained higher for longer than expected and the Bank of England has continued to increase interest rates in an attempt of offset this.
- 1.7. These in turn have impacted negatively on the costs of critical services, notably social care, and more costly mortgages have seen landlords leaving the buy to let market, reducing the supply of Temporary Accommodation and driving up costs.
- 1.8. High interest rates have also placed pressure on the funding of the Council's capital programme and are influencing decisions on any changes and additions for the forthcoming year. Although the inflation rate fell sharply in October to its lowest rate in two years (4.6%), this was largely due to energy prices and much of the inflationary costs associated with care services will be driven by wage increases which are likely to take longer to reduce. Furthermore, the supply chain not only for temporary accommodation but also notably for children's social care, is extremely tight leading to above inflation cost rises.
- 1.9. All these factors are driving the need for growth in Directorate budgets, predominately in the three demand led services, as evidenced by the current year's Qtr2 forecast overspend of £20.8m. This has had to be acknowledged in the preparation of the draft Budget for 2024/25, leading to a much higher budget requirement than we forecast in March.
- 1.10. In response to these economic factors, £25.5m growth has been built into this draft Budget solely for the demand led services: £20.4m for Adult social care; £3.0m for Temporary Accommodation and £2.1m for Children's.

General Fund Capital Programme

- 1.11. Investment in capital expenditure can support the Council to deliver on key priorities and can support the delivery of permanent revenue savings. However, in the current financial climate, it is more important than ever that the Council ensures that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable.
- 1.12. The current economic environment has also had major implications for the existing and future GF Capital Programme. Borrowing costs have increased and inflation has impacted the cost of raw materials and the

tightness in the supply chain for capital works (labour and materials) has added both cost and time to schemes.

- 1.13. In response, the Council has undertaken a fundamental review of the existing capital programme, removing or deferring a number of schemes. A robust approach has been taken to the inclusion of any new proposed investment.
- 1.14. The impact of this rigour can be seen when comparing the latest capital programme projection to 2027/28 (£612m) with that in the agreed in March 2023 (£1,008m), a reduction of £396m.
- 1.15. The draft General Fund Capital Programme presented here totals £155.9m for 2024/25 and, while some schemes have been deferred, the Council has prioritised investment in the following:
 - The Schools estate – to address identified health and safety issues
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 - Parks - creating new biodiversity areas, tree planting, activity areas and active travel options in and around our parks.
 - Street lighting and borough roads – to deliver transport infrastructure that is safe and supports active travel options
- 1.16. Given the extent of the financial challenge still facing the authority, inevitably the draft capital programme set out in this report must continue to be under review before the final Budget/MTFS can be agreed in March.

HRA

- 1.17. The prevailing economic situation is also forecast to impact on the current HRA financial plan with increases in energy costs, inflation and interest rate rises presenting a level of challenge and difficulty in delivering the capital programmes now and the viability of our HRA in the medium to long-term.
- 1.18. To be able to invest in the management and maintenance of our homes and maintain the long-term sustainability of the HRA, the Council has reviewed its charges to tenants.
- 1.19. The draft Plans now presented, despite the forecasted challenges, maintain an adequate annual surplus providing an appropriate level of in-year financial cover.
- 1.20. The new HRA capital plan places a strong emphasis on meeting the needs of the existing tenants and addressing the condition of the existing stock. It also focuses on the delivery of new homes, renewal of the Broadwater Farm (“BWF”) estate, carbon reduction in existing stock, and fire safety of the entire stock. Capital investment for 2024/25 alone is £238m and is geared towards maximising the use of other available resources and use of borrowing as last resort.

Dedicated Schools Budget

- 1.21. For schools, the indicative Dedicated Schools Budget (DSB) funding, which is ring fenced for the delivery of education services, is also outlined.
- 1.22. Overall, Haringey's provisional National Funding Formula (NFF) allocation for 2024/25 is an increase of 0.81% excluding rolled in grants equivalent to £2.20m. The actual grant level is dependent on updated pupil census numbers and the final schools finance settlement which is due after the publication of this report.
- 1.23. In March 2023, Haringey was successful in joining the Department for Education (DfE) Safety Valve Programme, which targets local authorities with the highest DSG deficits to identify plans to bring spend more in line with agreed budgets over the short to medium term, in return for support to deal with historic deficits. This plan is being monitored via the quarterly finance update reports. The draft budget plans contained in this report are in line with the expectations of the Safety Valve programme.

2. Cabinet Member Introduction

- 2.1. Councils in England face a funding gap of £4bn over the next two years. Next year's budget is being developed against a backdrop of continued government austerity and increasing demand for the services we provide. We have had to do more for less for over the last 13 years by making our services more efficient and taking tough decisions on where we spend money. These draft proposals set out our plans for protecting services for our most vulnerable residents and investing in the local services we all rely on.
- 2.2. Central government has failed to provide the additional funding we need at a time when high inflation rates in particular have increased our costs. Haringey as a responsible authority has stepped up. This is demonstrated by the increased funding we are putting into the Adults, Childrens, and temporary accommodation budgets for next year. This additional spend is necessary to protect our local services. Local authorities have a legal obligation to provide these services, the rising cost of delivering these services combined with insufficient funding puts pressure on other areas of our budget.
- 2.3. We know that times are extremely tough for our residents. The cost-of-living crisis is not abating, prices are still rising, and energy costs will increase in January. Haringey continues to provide all the support we can to residents who are struggling.
- 2.4. These draft budget proposals set out our current position and we will be listening to residents' views through our budget consultation as we work to deliver a balanced budget when this is finalised in the new year.

3. Recommendations

- 3.1. It is recommended that Cabinet:

- a) Note the draft 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 2024 and to incorporate further budget changes as required;
- b) Note the Draft General Fund 2024/25 Budget and MTFS 2024-29 detailed in this report and Appendix 1;
- c) Note the Draft revenue and capital budget growth proposals summarised in Sections 7 and 8 and Appendices 2 and 5 and note the draft revenue savings proposals summarised in Section 7 and Appendix 3;
- d) Note the Draft General Fund Capital Programme for 2024/25 to 2028/29 as set out in Appendix 4;
- e) Note the Draft Housing Revenue Account (HRA) Revenue and Capital Programme proposals (which includes the proposed rents and service charges) and HRA Financial Plan as set out in Section 9;
- f) Note the 2024/25 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 2023 and January 2024 for scrutiny and comments;
- h) Agree to commence consultation on the 2024/25 Budget and MTFS 2024-29;
- i) Note that an updated General Fund and HRA 2024/25 Budget and MTFS 2024-29 will be presented to Cabinet on 06 February 2024 to be recommended for approval to the Full Council meeting taking place on 04 March 2024;
- j) Delegate the final decision on whether or not to participate in the proposed 8 borough business rates pool from 1 April 2024 to the Director of Finance in conjunction with the Lead Member for Finance and Local Investment.

4. **Reasons for decision**

- 4.1 The Council has a statutory obligation to set a balanced budget for 2024/25 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for that year at this point. 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. It should be noted that the final version of this will be presented to Full Council on 4 March 2024.

5. Alternative options considered

- 5.1 The Cabinet must consider how to deliver a balanced 2024-25 Budget and sustainable MTFs over the five-year period 2024-29, to be reviewed and ultimately adopted at the meeting of Full Council on 04 March 2024.
- 5.2 The Council has developed the proposals contained in this report in light of its current forecasts for future income levels and service demand. These take account of the Council's priorities; the extent of the estimated funding shortfall; the estimated impact of wider environmental factors such as inflation, interest rates, the cost of living crisis on households and, in some service areas, the legacy of the Covid-19 pandemic; and finally, the Council's overall financial position. It is this appraisal that has led to these options being presented in this report. These will be reviewed and, where necessary, updated in advance of the final Budget report being presented.
- 5.3 These proposals will be subject to consultation, both externally and through the Overview and Scrutiny process, and the outcomes of these will inform the final budget proposals.

6. Background information and Funding Assumptions

- 6.1 The Council has access to five main sources of funding:
- Business Rates
 - Council Tax
 - Grants
 - Fees & Charges
 - Reserves
- 6.2 Business Rates and Grant funding levels are largely driven by the outcome of Spending Reviews (SR), Budget Statements and the Local Government Finance Settlement (LGFS).
- 6.3 There has been no SR this year. At the time of writing this report, the Autumn Budget Statement has just been announced and it has not been possible to incorporate any detailed implications but it would appear that it will not have any major overall impact on the estimates included in this draft Budget.
- 6.4 The LGFS for 2024/25 is not expected to be announced until mid/late December which is after this report is published however, the LGFS last year did include a policy statement covering both 2023-24 and 2024-25. This statement set out the government's intentions for the local government finance settlement for the next 2 years, providing councils with greater certainty on key aspects of their funding to inform their budget setting process and help them to plan for the future.

- 6.5 This was helpful to a certain extent but the budget envelopes where provided were at a national level so the estimates built into the 2024/25 budget when the 2023/24 Budget and 2023-2028 MTFS was agreed in March must be treated with some caution.

Business Rates and Revenue Support Grant

- 6.6 When the new localised business rates system was introduced in 2013, it set a 'baseline' for each local authority against which growth could be measured. It was recognised that the baseline would need to be re-visited after a number of years to ensure that the incentive to grow businesses in local areas was maintained.
- 6.7 The intention was for business rates baselines to be reset from April 2020 however, both SR19 and SR20 confirmed annual delays. SR21 was silent on the reset and it wasn't implemented for 2022/23. The Government progressed with a revaluation of business rates from 1 April 2023 but the reset did not take place. Nothing further has been announced to date so the draft Budget now assumes a reset in 2025. As Haringey is a top up authority, even if this assumption proves incorrect, it is expected that a similar level of funding will accrue from a redistribution of business rates income in the form of additional/alternative grant.
- 6.8 Revenue Support Grant (RSG) and the amount provided to local government is just one part of the overall amount of funding determined during a Spending Review. However, for local authorities, since the introduction of the Business Rate Retention Scheme, Revenue Support Grant is the primary source of funding from central government and is calculated via the Settlement Funding Assessment (SFA) which consists of the local share of business rates, and Revenue Support Grant. The SFA is updated year on year in line with the change in the small business multiplier which more recently has been based on the September CPI figure. This was 6.7% in September 2023 and has been used in forecasting the funding for 2024/25.
- 6.9 The Council participated in the London Pool for three years (2018/19 – 2020/21). London chose not to continue the Pool in 2021/22 due to the significant impact that the Covid 19 pandemic had had on the business community and therefore forecast revenues. Pooling was revisited for 2022/23 and, while a London-wide pool was not deemed viable, a smaller pool consisting of Haringey and 7 other London boroughs was put into place for that year. This continued in 2023/24.
- 6.10 Modelling was undertaken during September which showed that the continuation of this 8 Borough pool is expected to have a similar financial benefit in 2024/25 to the current year of c.£2.0m. The Council has therefore already supported in principle the continuation of the smaller pool. The final decision to proceed or not does not need to be taken until 28 days after the publication of the provisional local government finance settlement and to enable final due diligence to be built into the process, as last year it

is proposed that the final decision to participate in the pool is delegated to the Director of Finance in consultation with the Cabinet Member for Finance. On the strength of the modelling and recent experience, a £2m benefit has been built into the draft Budget, but for one year only.

- 6.11 Currently, the MTFS assumes a 6.7% inflationary increase in business rates income including RSG, in 2024/25. Given the late timing of Government announcements overall funding across these budget heads from 2025/26 have been assumed as broadly flat. These figures will be reviewed for the final Budget presented in February.
- 6.12 In terms of net growth in the business rates taxbase / hereditaments, the planning assumption across the MTFS period is that there will be no net growth. This is in line with the previous assumptions.
- 6.13 Collection rates have improved post pandemic and the current year's target is 96%. It is expected that the collection rate for 2024/25 can be set higher than that but the actual value will be confirmed in the final report.
- 6.14 The forecast income from business rates related income, including revenue support grant, is shown in table overleaf.
- 6.15 We have not felt it possible at this point to amend projections beyond 2025/26.

Table 6.1

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Revenue Support Grant	£'000	£'000	£'000	£'000	£'000	£'000
RSG	(25,635)	(27,353)	(27,517)	(27,517)	(27,517)	(27,517)
NNDR Top Up Grant	(59,451)	(63,686)	(95,991)	(95,991)	(95,991)	(95,991)
NNDR Income & Fees	(19,800)	(22,288)	(22,414)	(22,414)	(22,414)	(22,414)
Section 31 Grants	(21,546)	(22,251)	(0)	(0)	(0)	(0)
Bus Rates Pool Benefit	(2,000)	(2,000)	-	-	-	-
NNDR (Surplus)/Deficit	1,271	-	-	-	-	-
Total	(127,162)	(137,578)	(145,922)	(145,922)	(145,922)	(145,922)

Council Tax

- 6.16 The current assumptions about Council Tax are set out below.
- A 2.99% increase in Council Tax in 2024/25 after which it reduces to 1.99% across the MTFS period.
 - A 2% increase in ASC Precept for 2024/25 after which it is assumed to discontinue.
 - The tax base is forecast to grow by 1% per annum across the whole MTFS planning period.
 - The collection rate is assumed to continue on a post pandemic improvement and is forecast at 97% in 2024/25. This collection rate is

assumed across the remainder of the MTFS period. These assumptions will be kept under review between now and the final budget report.

- The Revenues service have been given one-off resources to focus on collection of arrears. On the back of this, a £1m additional income has been assumed as deliverable in 2024/25.

6.17 The resulting projections for Council Tax income and Band D rates are set out in Table 6.2 below. These figures are subject to confirmation of the council tax base, which is due to be finalised in January 2024 and formal Council ratification of Council Tax Rates in March 2024.

Table 6.2

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Taxbase before collection rate	82,823	83,038	83,868	84,707	85,554	86,410
Taxbase change	0.26%	1.00%	1.00%	1.00%	1.00%	1.00%
Taxbase for year	83,038	83,868	84,707	85,554	86,410	87,274
Collection Rate	96.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Taxbase after collection rate	79,716	81,352	82,166	82,987	83,818	84,656
Council Tax increase	2.99%	2.99%	1.99%	1.99%	1.99%	1.99%
Social Care precept	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%
Band D rate	1,558	1,636	1,668	1,702	1,736	1,736
Council Tax Before Surplus	124,212	133,085	137,091	141,215	145,466	146,920
Arrears Improvement		1,000				
Council Tax Yield	124,212	134,085	137,091	141,215	145,466	146,920

Grants

6.18 The Council receives 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. As described earlier, it is expected that many of these grant figures will change before February.

Social Care Grants

6.19 The SR21 announced that specific grants would remain 'cash flat' and this draft Budget and MTFS assumes that for the majority of grants, this doesn't change.

6.20 There is a forecast increase in the Social Care Support Grant for 2024/25 based on the Policy statement included in the Local Government Finance Settlement, after which it flat lines. An addition to the Discharge Funding Grant is now assumed for 2024/25 after which it is forecast to cease completely.

6.21 Table 6.3 shows Social Care related grants and assumptions. It should be noted that all these social care grants have been allocated directly against the relevant service budget heads rather than being kept corporately.

Table 6.3 Social Care Grant

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Revenue Support Grant	£'000	£'000	£'000	£'000	£'000	£'000
Better Care Fund (BCF) - (CCG Contribution)	(6,388)	(6,388)	(6,388)	(6,388)	(6,388)	(6,388)
Improved & Add'l Imp Better Care Fund (iBCF)	(9,806)	(9,806)	(9,806)	(9,806)	(9,806)	(9,806)
Social Care Support Grant	(19,261)	(22,322)	(22,322)	(22,322)	(22,322)	(22,322)
Adult Social Care Market Sustainability and Improvement Funding	(2,689)	(4,043)	(4,043)	(4,043)	(4,043)	(4,043)
Discharge Funding grant	(1,375)	(2,291)	-	-	-	-
Manual adj for rolling in of Independent Living Fund grant into overall CSP	681	-	-	-	-	-
Total	(38,837)	(44,849)	(42,558)	(42,558)	(42,558)	(42,558)

Homelessness Prevention Grant (HPG)

- 6.22 Last year, the Government consulted on a revised funding methodology for this grant however, no final conclusions have been reached.
- 6.23 In the light of this uncertainty, the draft Budget makes no adjustments to the existing grant level of £8.5m. This will be kept under review and an update provided in the final report.

Core Grants

- 6.24 The current assumptions about the level of Core grants anticipated to be received in 2024/25 and across the remainder of the MTFS are set out below:
- Revenue Support Grant (RSG) is a core grant but fundamentally linked to the Business Rates system and so discussed in the Section above.
 - The Local Council Tax Support Administration grant and the Housing Benefit Admin grant are assumed to be cash flat but continue across the MTFS;
 - The Public Health (PH) grant is currently still assumed as cash flat across the MTFS however in recent years some uplift has been applied and it is likely that this will continue for 2024/25. However, as announcements of the final value are normally received after the final budget reports, no uplift has been built into the draft budget at this point. It must be noted that this grant is ring-fenced to PH activity;
 - New Homes Bonus – Government have previously indicated that the methodology for apportioning this grant would be amended or replaced entirely. The current MTFS assumed that this grant would be phased out but that a similar level of grant funding would be received. Since then, there have been indications that there may be an increase in allocation for 2024/25 and this has been built into the draft Budget.

From 2025/26 it is assumed as cash flat. This funding is one of the greatest risks regarding any further decisions at central government level around the Levelling up agenda. Final figures will be included in the February report.

- 6.25 Table 6.4 shows the Core grant values currently assumed across the MTFS period. We have not felt it possible at this point to amend projections beyond 2025/26.

Table 6.4

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Grant	£'000	£'000	£'000	£'000	£'000	£'000
Housing Benefit Admin Grant	(1,351)	(1,351)	(1,351)	(1,351)	(1,351)	(1,351)
Public Health Grant	(21,502)	(21,502)	(21,502)	(21,502)	(21,502)	(21,502)
New Homes Bonus (NHB) / Replacement Funding	(2,105)	(3,099)	(3,107)	(3,107)	(3,107)	(3,107)
Total	(24,958)	(25,952)	(25,960)	(25,960)	(25,960)	(25,960)
RSG	(25,635)	(27,353)	(27,517)	(27,517)	(27,517)	(27,517)
Total (inc. RSG)	(50,593)	(53,305)	(53,477)	(53,477)	(53,477)	(53,477)

Fees and Charges

- 6.26 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.
- 6.27 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.
- 6.28 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.
- 6.29 Each year the Council reviews the level of its fees and charges through consideration of a report by the Cabinet and its Licensing Committee where

it is a requirement that they are considered and approved outside of the Executive.

- 6.30 The proposed 2024/25 fees and charges will be presented to the same Cabinet as this report (December 2023).

Use of Reserves

- 6.31 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.
- 6.32 In setting a balanced budget for 2023/24 the Council agreed to use £3.5m of the Strategic Budget Planning reserve which had been previously earmarked for this purpose.
- 6.33 That Budget/MTFS report in March 2023 forecast a gap for 2024/25 of c. £6.3m. The draft Budget now presented has a gap of £16.3m. This report describes the significant further work that will take place before the final Budget is presented to Cabinet in February and then to Full Council in March 2024. At this point no assumptions have been made about the use of Corporate reserves, although there is limited application of Service reserves agreed in last year's budget.

Summary of Funding Assumptions

- 6.34 A summary of the currently assumed funding levels and sources is set out in Table 6.5 below.

Table 6.5

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Funding Source	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	(124,212)	(134,375)	(137,381)	(141,505)	(145,757)	(145,757)
RSG	(25,635)	(27,353)	(27,517)	(27,517)	(27,517)	(27,517)
Top up Business Rates	(59,451)	(63,686)	(95,991)	(95,991)	(95,991)	(95,991)
Retained Business Rates	(19,800)	(22,288)	(22,414)	(22,414)	(22,414)	(22,414)
Section 31 Grants	(21,546)	(22,251)	(0)	(0)	(0)	(0)
NNDR (Surplus)/Deficit	1,271	-	-	-	-	-
NNDR Pool	(2,000)	(2,000)	-	-	-	-
New Homes Bonus	(2,105)	(3,099)	(3,107)	(3,107)	(3,107)	(3,107)

Public Health	(21,502)	(21,502)	(21,502)	(21,502)	(21,502)	(21,502)
Other core grants	(4,536)	(4,536)	(4,536)	(4,536)	(4,536)	(4,536)
Total External Funding	(279,517)	(301,090)	(312,448)	(316,572)	(320,824)	(320,824)
Contributions from Reserves	(3,500)	(459)	(294)	(145)	(11)	(11)
Total Funding	(283,017)	(301,549)	(312,741)	(316,716)	(320,834)	(320,834)

7. General Fund Revenue Assumptions

7.1 2023-24 Financial Performance at Qtr2

7.2 The Qtr2 forecast position of £20.9m is broadly in line with that reported in Qtr1 (£20.5m). Although the majority continues to be driven by Adults social care pressures, this figure has improved to £13.9m compared to the £17.5m reported at Qtr1. The majority of this is due to additional one-off grant funding received so cannot be assumed to continue in 2024/25. The forecast for temporary accommodation has deteriorated by £0.8m due to a small increase in the overall number of households living in temporary accommodation and increased cost of providing temporary accommodation due to limited supply. As highlighted in the Qtr1 report, the Adults social care pressure was apparent in the 2022/23 Provisional outturn report, but the temporary accommodation is an emerging pressure caused by wider economic conditions which have seen rents increase significantly and landlords leaving the market.

7.3 It must be stressed that this Council is not alone in facing budgetary pressures in these service areas; these are being felt nationally. The authority works hard each year to understand service pressures, build in growth where appropriate and possible as well as identifying efficiencies. However, the impact of inflation and restricted and short-term funding is leaving this authority and many others across the sector in an extremely difficult financial position.

7.4 In year delivery of the agreed savings programme has improved slightly at Qtr2 and, overall, £13.7m (78%) of the £17.5m is forecast to deliver. Directors continue to focus on improving the position further before the end of the year or identify mitigating solutions.

7.5 As part of ensuring that future year's budgets are as sound and deliverable as possible, a detailed review of the agreed savings 'RAG-rated' as Amber or Red either for 2023/24 or beyond has been undertaken. This has resulted in a proposal to write off 7 proposals totalling £2.8m in 2024/25 (£4.4m across the MTFS period). These are genuinely not deliverable because the original assumptions are no longer viable or are unable to deliver to the value originally intended. The impact of this decision has been recognised in the draft 2024/25 Budget.

7.6 It is not clear at this point the extent that the cost of living crisis will continue to have on residents ability to pay council tax and other fees and charges

and businesses ability to pay business rates. This will be reviewed in detail as part of the closure of the 2023/24 accounts when existing provisions for bad debt are re-calculated.

- 7.7 The impact of the forecast high levels of inflation was acknowledged when the 2023-24 Budget was set. While for non-demand led services, the estimated budget looks to be broadly sufficient, the recently agreed staff pay award is likely to require more funding than was allowed for. Inflation in the demand led services of Adults, Children's and Temporary Accommodation are all running much ahead of the forecasts, for reasons outlined above.
- 7.8 The Bank of England's strategy for reducing inflation is to increase borrowing rates, which increased steadily over the first 5 months of this year and now stands at 5.25%. This is putting pressure on the Council's repayment of debt and has led to a fundamental review of in year and future year's capital programme with a view to reducing, removing or postponing schemes fully or partially funded by Council borrowing.
- 7.9 The number of identified pressures and overall volatility is concerning and makes forecasting in year open to considerable challenges. Furthermore, many of the issues are outside the direct control of Council and many of these look to continue into at least the first part of 2024-25.
- 7.10 **The 2024/25 Budget and 2024/29 Medium Term Financial Strategy (MTFS)**
- 7.11 It became clear early on in this year that the financial situation had worsened for most local authorities, this Council included, and this has been key in shaping the approach to the financial planning work for 2024/25. There has been a further step-up in finance and budget dialogue with managers throughout the Council, and with the Cabinet individually and collectively.
- 7.12 All senior managers participated in a Budget Fortnight, aimed at identifying cross directorate savings and efficiencies or where activities were duplicated across various Directorates. The output of this activity led to a number of saving and / or cost avoidance business cases which were then shared with Cabinet.
- 7.13 Running parallel to this, Directorates were tasked with identifying any new savings proposals or management actions that could be put to Cabinet to drive further reductions in expenditure or generate additional income.
- 7.14 Appendix 3 details the current savings proposals built into the Draft Budget now presented. This report also recommends that these be shared with residents and businesses as part of the normal consultation process.
- 7.15 Despite the fact that any growth will inevitably require a higher level of savings to be identified, the Budget has had to recognise the real pressures being seen in the current year particularly in the demand led services. The

majority of the growth required is to address the brought forward 2023/24 base budget pressures and to build in realistic sums to cover on-going inflationary pressures which are being compounded by lack of availability of supply. The 2024/25 Budget has undertaken extensive modelling to identify the most realistic level of spend across the care services and temporary accommodation.

7.16 Over and above this, growth has had to be recognised in some of the back office services such as Digital and Legal and Governance where the organisation has little choice but to protect itself from cyber attacks and provide accurate and timely legal advice. On-going high levels of interest have required additional sums to be built into the treasury and capital financing budgets.

7.17 The outcome of the financial planning work to date has been to identify in as full a way as possible the growth required to set realistic Directorate budgets. However, although new savings have been put forward, there is currently a forecast gap between expected expenditure and income of £16.3m.

7.18 With the lack of any new announcements from Government concerning additional grant or other funding support the Council cannot assume that any or all of this gap will be met externally and therefore, has commenced a further round of budget challenge work. This work will complete after the publication of this Draft 2024/25 Budget report and the outcome will be incorporated into the final 2024/25 Budget report in February.

7.19 **Budget Growth and Pressures**

7.20 The main corporate assumptions across the MTFS period are outlined below followed by a section focussing on the policy priorities and service specific items.

7.21 **Inflation**

7.22 The inflation rate for October UK inflation fell sharply in October to 4.6% (6.7% September) its lowest rate in two years, largely due to lower energy prices.

7.23 This is clearly a positive direction of travel and the Government still expect the Bank of England to work to bring inflation down to the 2% target as soon as possible. Forecasts for 2024/25 rates in the October update provided by the Treasury indicate that the figure could fall back to 2.5% by the end of the next financial year.

7.24 The **pay deal** for 2023/24 has recently been agreed at a flat rate per employee. This amounted to an average 5.4% increase. The draft Budget

assumes a 4% pay award is agreed for 2024/25 falling to 3% in 2025/26 then 2% from 2026/27 and beyond.

- 7.25 The impact of inflationary increases in the **demand led services** is addressed as part of the overall annual demand modelling exercise. This is based on an estimated 4% inflation rate for 2024/25.
- 7.26 For **all other non-pay inflation**, the assumption continues that the services will broadly have to manage within existing budgets, thus absorbing any inflationary pressures. However, in recognition that some contracts include inflation-linked increases and utility costs continue to be volatile and difficult to predict an annual allowance is built into the budget to address these items should they arise.
- 7.27 Forecasts for energy costs and major contracts for 2024/25 are lower than those for 2023/24. The estimate for 2024/25 suggests that an additional £1.6m is required, on top of that already included in the existing MTFS. Due to the various services impacted, the actual % increase is an average of 12%. From 2025/26 the budget allowance returns to a more stable figure of c. £1.6m pa.
- 7.28 All of the main inflationary assumptions will be reviewed again before the final Budget is presented in February.

Employer Pension Contributions

- 7.29 The last triennial valuation covered the period 2023-2026 showed that the Council would need to increase its contribution rate by 0.5% across each of the two years 2024/25 and 2025/26. The estimated budgetary impact was £0.6m for each year and this was built into the 2023-2029 MTFS agreed in March 2023.
- 7.30 No assumptions have yet been made about the financial impact of the next triennial valuation (2026-2029).

Treasury & Capital Financing

- 7.31 In recognition of the impact that interest rates are having on borrowing costs, additional growth of £2.3m has been built into 2024/25 with a further £6.8m across the following 3 years. This is on top of growth already assumed in the previous MTFS.
- 7.32 This impact would have been greater had the Council not undertaken the review of the existing capital programme and consequent level of proposed reductions detailed in Section 8.

Levies

- 7.33 The current assumption that all Levy costs except the North London Waste Authority (NLWA) levy will remain broadly in line with the 2023/24 figures across the period.

7.34 The NLWA meeting papers on 5th October 2023 forecast a levy of £9.75m for 2024/25 which is c. £1.0m less than the figure assumed in the last MTFS. The draft Budget has therefore been adjusted for one year only to reflect this lower figure.

7.35 The final figure will be confirmed in early February and any further adjustments built into the final Budget.

Concessionary Fares

7.36 Each London Borough funds the cost of concessionary fares (the Freedom Pass) for older residents in their borough. The annual charge is based on usage and numbers are still below the level pre-Covid pandemic. The final figure will not be received until after this report is published but all indications to this point suggest a saving against budget for an additional year. This has been built into the draft Budget.

7.37 This will be reviewed before the final report is produced in February.

Contingency

7.38 The Council holds a single corporate contingency largely to manage any slippage to the agreed budget reduction programme in any one year as well as addressing unforeseen circumstances which cannot realistically be built into budget plans. This draft Budget assumes that the contingency for 2024/25 and across the remainder of the MTFS remains at c.£7.4m.

Policy Priorities

7.39 Despite the challenges outlined in this report, this draft Budget for 2024/25:

- Ensures we can continue to meet the significant need of our most vulnerable residents – through further, year on year additional investment in Children’s, Adult’s and Temporary Accommodation services. (£25.5m in 2024/25 alone)
- Drives value for money through a significant efficiency and reform agenda – with every area of the council contributing.

Service Growth

7.40 The **existing** MTFS contained a level of growth across the 2024-28 period which has been reviewed but confirmed as still required. The amounts by Directorate are shown in Table 7.1a below.

Table 7.1a – Existing Growth

Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Healths & Communities	4,102	2,789	2,821	0	0	9,712
Children's Services	482	20	20	0	0	522
Corporate	5,656	7,106	3,400	6,900	0	23,062
Culture, Strategy & Engagement	(184)	(165)	363	(134)	0	(120)
Environment & Resident Experience	(94)	0	0	0	0	(94)
Legal and Governance	0	0	0	0	0	0
Placemaking & Housing	(605)	0	(30)	0	0	(635)
Total	9,357	9,750	6,574	6,766	0	32,447

7.41 The financial planning process this year has sought to be as robust as possible recognising structural base budget issues referred to in paragraph 7.15 along with forecasts for future requirements which are largely driven by inflation, lack of supply and also the impact of writing out agreed savings that are no longer viable.

7.42 Table 7.1b below details the proposed **new growth** by Directorate.

Table 7.1b – New Growth

Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Healths & Communities	19,267	7,311	7,311	0	0	33,889
Children's Services	1,631	660	660	0	0	2,951
Corporate	1,290	3,200	2,350	0	0	6,840
Culture, Strategy & Engagement	1,150	0	0	0	0	1,150
Environment & Resident Experience	1,046	0	0	0	0	1,046
Legal and Governance	608	0	0	0	0	608
Placemaking & Housing	0	0	0	0	0	0
Total	24,992	11,171	10,321	0	0	46,484

7.43 Table 7.1c below summarises the **total** additional budget growth proposed to be built into each Directorate for 2024/25 and across the remainder of the MTFS.

Table 7.1c – Total Planned Growth

Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Healths & Communities	23,369	10,100	10,132	0	0	43,601
Children's Services	2,113	680	680	0	0	3,473
Corporate	6,946	10,306	5,750	6,900	0	29,902
Culture, Strategy & Engagement	966	(165)	363	(134)	0	1,030
Environment & Resident Experience	952	0	0	0	0	952
Legal and Governance	608	0	0	0	0	608

Placemaking & Housing	(605)	0	(30)	0	0	(635)
Total	34,349	20,921	16,895	6,766	0	78,931

Budget Reduction / Savings

- 7.44 The Council has previously **agreed** £8.3m savings to be delivered across the period 2024- 2028 as set out in the table below.

Table 7.2a – Previously Agreed Savings or Budget Reductions

Management Area	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	Total
Adults, Healths & Communities	6,848	3,067	(159)	(100)	0	9,656
Children's Services	1,630	230	0	0	0	1,860
Cross-Cutting	500	500	1,360	0	0	2,360
Culture, Strategy & Engagement	1,089	969	210	5	5	2,278
Environment & Resident Experience	6,974	491	1,459	(6)	44	8,962
Placemaking & Housing	470	110	70	0	0	650
Total	17,511	5,367	2,940	(101)	49	25,766

- 7.45 As is the practice in this Council, as part of the financial planning process all existing savings plans are reviewed and challenged robustly to ensure that they can still be met as originally agreed and if not, looks to re-profile or write off.
- 7.46 This outcome of this year's process is that £4.4m of **savings are no longer deemed viable and have been taken out of the draft Budget and MTFS**. These are shown by Directorate in the table below.

Table 7.2b – Removed/Written off Savings

Management Area	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	Total
Adults, Healths & Communities	1,900	700	(400)	(100)	0	2,100
Culture, Strategy & Engagement			655			655
Environment & Resident Experience	15	20	1,320	0	0	1,355
Placemaking & Housing	100	100	70			270
Total	2,015	820	1,645	(100)	0	4,380

- 7.47 The changes to the Adults, Health and Communities existing programme represents their re-articulation of their approach which is now set out in their new savings proposals. The major change in 2025/26 for Environment and Resident Experience reflects the current expectation of the implication of the introduction of the new waste management contract.

7.48 The **new budget reduction / savings proposals** generated through this year's financial planning process are a mixture of management actions and those that require policy decision. The former include value for money initiatives, service redesign or service restructures.

The new savings now included in this draft Budget are shown by Directorate in the 2 tables below, one covering management actions and one the Policy proposals.

Table 7.2c – Management Actions

Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Healths & Communities	500	150	0	0	0	650
Children's Services	543	90	15	15	0	663
Corporate Governance	0	0	0	0	0	0
Culture, Strategy & Engagement	30	20	0	0	0	50
Environment & Resident Experience	581	-35	82	0	0	629
Finance	250	0	100	225	200	775
Placemaking & Housing	1004	453	585	635	275	2952
Total	2,908	678	782	875	475	5,719

Table 7.2d – New Savings

Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Healths & Communities	4,890	782	0	0	0	5,672
Children's Services	673	1,152	777	724	1,220	4,546
Culture, Strategy & Engagement	920	619	372	0	0	1,911
Environment & Resident Experience	1,636	53	47	39	17	1,792
Finance	0	0	0	0	0	0
Placemaking & Housing	0	0	0	0	0	0
Total	8,119	2,606	1,196	763	1,237	13,921

7.49 The net impact of the above adjustments and additions is a total savings programme across the 2024-2029 period of £25.7m, with £15.6m for 2024/25 alone.

Table 7.2e – Total Savings and Management Actions 2024-2029

Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Healths & Communities	7,757	1,173	0	0	0	8,930
Children's Services	1,446	1,242	792	739	1,220	5,439
Culture, Strategy & Engagement	1,919	194	377	5	0	2,495
Environment & Resident Experience	2,688	157	123	83	17	3,069
Finance	250	0	100	225	200	775
Placemaking & Housing	1,014	453	585	635	275	2,962
Corporate Governance	0	0	0	0	0	0
Cross-Cutting	500	1,360	0	0	0	1,860
Total	15,574	4,579	1,977	1,687	1,712	25,530

Implications of the Financial Planning Process on Directorate Budgets

7.50 Appendix 3a provides more detailed contextual information by Directorates of the impact of the 2024/25 financial planning process to date and described in the paragraphs above. It sets out the 2023/24 budget position and comments on the more significant new growth, savings and management actions now proposed.

7.51 Summary General Fund Revenue Budget Position 2024/25 – 2028/29

7.52 After taking into account the proposed amendments to existing plans and funding, the new savings and growth proposals discussed in the sections above, the current draft GF revenue Budget position for next year and across the MTFS period is set out in the table below.

7.53 The draft 2024/25 Budget currently has a budget gap of £16.3m. As made clear in sections 1 and 6.34 it is assumed that significant further work will be undertaken before the final Budget is presented and that at point the gap will be closed.

7.54 It must be recognised that this is an immense challenge.

7.55 The draft 2024/25 revenue Budget and MTFS now presented is summarised in Table 7.3 below.

Table 7.3 – Summary Revenue Budget Position 2023-2029

2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Budget	Budget	Projected	Projected	Projected	Projected

Directorate	£'000	£'000	£'000	£'000	£'000	£'000
Adults, Health & Communities	108,701	120,824	132,041	140,141	140,141	140,141
Children's Services	62,949	63,304	62,742	62,630	61,491	60,271
Culture, Strategy & Engagement	33,569	32,951	32,592	32,578	32,439	32,439
Environment & Neighbourhood	14,565	18,134	21,576	21,453	21,370	21,353
Placemaking & Housing	7,829	6,310	5,857	5,242	4,607	4,332
Chief Executive	305	305	305	305	305	305
Corporate Governance	2,283	2,891	2,891	2,891	2,891	2,891
Finance	52,815	73,216	84,867	95,505	104,314	104,114
Council Cash Limit	283,017	317,935	342,872	360,746	367,559	365,847
Planned Contributions from Reserves	(3,500)	(459)	(294)	(145)	(11)	(11)
Further Savings to be Identified	-	(16,386)	(30,424)	(44,174)	(46,735)	(45,023)
Total General Fund Budget	279,517	301,090	312,154	316,427	320,813	320,813
Council Tax	(124,212)	(134,375)	(137,381)	(141,505)	(145,757)	(145,757)
Council Tax Surplus	-	-	-	-	-	-
RSG	(25,635)	(27,353)	(27,517)	(27,517)	(27,517)	(27,517)
Top up Business Rates	(59,451)	(63,686)	(95,991)	(95,991)	(95,991)	(95,991)
Retained Business Rates	(19,800)	(22,288)	(22,414)	(22,414)	(22,414)	(22,414)
Section 31 Grants	(21,546)	(22,251)	(0)	(0)	(0)	(0)
NNDR Surplus/(Deficit)	1,271	-	-	-	-	-
NNDR Growth	(2,000)	(2,000)	-	-	-	-
Total Main Funding	(251,374)	(271,953)	(283,303)	(287,427)	(291,679)	(291,679)
New Homes Bonus	(2,105)	(3,099)	(3,107)	(3,107)	(3,107)	(3,107)
Public Health	(21,502)	(21,502)	(21,502)	(21,502)	(21,502)	(21,502)
Other core grants	(4,536)	(4,536)	(4,536)	(4,536)	(4,536)	(4,536)
Total Core/Other External Grants	(28,143)	(29,137)	(29,145)	(29,145)	(29,145)	(29,145)
Total Income	(279,517)	(301,090)	(312,448)	(316,572)	(320,824)	(320,824)

Review of Assumptions and Risks Across the Budget and MTFS Period 2024-2029

- 7.56 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 March 2024 and will draw on independent assessments of the Council's financial resilience where available however, it is critical that this **Draft 2024/25 Budget** report outlines the assumptions and approach to risk taken when arriving at the budget proposals included in the draft Budget & MTFS.
- 7.57 Given the increased financial pressure that is falling upon this council's budget and the uncertain national political and economic picture, this statutory role has been acquiring more and more significance. The number and breadth of potential risks and uncertainty, particularly around the level of Government funding into the Local Government sector overall and more importantly for this Council, the long-awaited Fair Funding Review are

unprecedented. Add to this a still volatile economic situation and a general election that must take place before January 2025, underline the challenges being faced.

- 7.58 These factors clearly underline the need to keep both the budgeted contingency and the general fund reserve at current levels and, as far as practical, to keep earmarked reserves close to current levels or above.
- 7.59 The main uncertainties and risks identified to date which may or are likely to impact on the Council's budget for 2024/25 and over the period of the MTFS are:
- Detailed grant funding figures for 2024/25 and beyond have yet to be announced and are subject to the final local government settlement expected in January 2024.
 - On-going lack of multi-year funding allocations.
 - The national economic outlook, in particular if inflation continues to fall or not; interest rates levels; on-going impact of wars and unrest internationally on costs and supply chains.
 - The extent to which these factors will continue to place stress on individuals and businesses manifesting in the cost of living crisis.
 - Government legislation and policy concerning homelessness and addressing the housing crisis
 - The pace at which planned actions to increase Council-managed temporary accommodation take place
 - Delivery of the agreed Safety Valve programme strategy to agreed timetable.
 - The Levelling Up agenda and associated funding distribution methodologies could be negative for this Council's funding allocations.
 - The Council's savings programmes do not deliver the required savings, do not deliver savings quickly enough.
 - Any further deterioration in the forecast 2023/24 position including non-delivery of in year savings
 - The ability to retain and attract suitably qualified and skilled workforce hampers the delivery of the Council's ambitions.

8. **Capital Strategy & Programme**

- 8.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of public services in Haringey. It also provides an overview of

how the risks of the capital programme are managed and the implications for future financial sustainability.

- 8.2 The current economic environment has impacted the capital programme in a number of ways. Higher levels of persistent inflation and the subsequent Bank of England response by raising interest rates to tame inflation has meant that the interest that the Council pays on new borrowing undertaken to finance the capital programme (both the existing capital programme and the proposed additions) has increased significantly. The higher levels of inflation have also impacted the cost of raw materials and the tightness in the supply chain for capital works (labour and materials) which has added both cost and time to schemes. In addition, the increased costs are making it increasingly difficult to achieve self-financing business cases for those schemes where this is expected.

The current capital programme has deferred a number of schemes that were originally expected to be self-financing as they were not able to produce a business case that justified the investment. The programme also defers expenditure on a range of schemes which are not absolutely essential. When the economic environment improves, these schemes will be reviewed to assess whether or not they can be reinstated.

- 8.3 The Council's Children's Services capital programme includes investment proposals which are designed to directly address essential, immediate health & safety issues in schools which, if they were not undertaken, could lead to school closures.
- 8.4 There is increased investment in the infrastructure of the borough's parks. Again, this is to meet the immediate health & safety concerns within the park's estate. The budget also provides for significant investment in our leisure centres, £7.4m over the MTFS period, to bring them back to safe and usable condition. There is also continued investment in the Cycling & Walking Action Plan over the MTFS which is funded by external resources.
- 8.5 The Wards Corner capital budget still provides for the acquisition of properties under the CPO and to develop the scheme to inform the next phase of investment which is what is required at this stage. The process of land assembly on the Gourley Triangle scheme is continuing with Government funding. Again, this is the funding required at this time. The Selby Urban Village scheme is now being delivered in two stages. The first phase focuses on the community centre and sports facilities, whilst the second phase focuses on the housing element. The second phase will now be delivered through the housing revenue account, rather than the general fund.
- 8.6 The Council is also investing in its digital offering to bring forward transformation that delivers savings and to ensure that our customers receive the best possible service.

- 8.7 The Council continues to invest in housing through its new homes programme. This expenditure is contained within the housing revenue account (HRA) and is reported elsewhere.

Background

- 8.9 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.
- 8.10 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 locality provision); and deliver fit for purpose schools.
- 8.10 The key objectives for the Council's capital programme are to ensure that the assets that it has are fit for purpose. To deliver this, the programme is very much focused on addressing health & safety issues first and foremost and to support the corporate delivery plan, deliver the borough plan and assist the Council in meeting the service and financial challenges that it continues to face.

Capital expenditure and financing

- 8.11 Capital expenditure is where the Council spends money on a project, with the view to derive societal, service and economic benefit from the expenditure, for a period longer than twelve months. This can also include spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 8.12 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 2024/25-2028/29, which shows the continued and growing capital investment that is being undertaken to support the achievement of the borough plan objectives and to improve people's lives.

Table 8.1: Capital expenditure plans overview 2024/25 - 2028/29

	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	Total (£'000)
Previously Agreed							
General Fund Account (GF)	220,900	200,102	217,103	276,220	93,859		1,008,184
Housing Revenue Account (HRA)	262,962	289,102	322,107	305,880	246,218		1,426,269
Total =	483,862	489,204	539,210	582,100	340,077		2,434,453
Proposed							
General Fund Account (GF)		159,732	143,101	193,719	55,179	60,383	612,115
Housing Revenue Account (HRA)		238,222	303,689	354,954	307,358	209,605	1,413,829
Total =		397,955	446,790	548,673	362,538	269,988	2,025,943

- 8.13 The capital programme is composed of individual directorate programmes. Within these directorate 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.
- 8.14 Where additional funding is proposed for an existing scheme, this will be added to the scheme rather than creating a new scheme. A full list of proposed additions to the capital programme are contained in appendix 5.
- 8.15 About 36% of the capital programme, is composed of schemes that are wholly financed by the Council's borrowing activity and not self-financing or met from external resources. These schemes largely reflect the statutory duties of the council. In large part these schemes are not able to attract external resources to either supplement or supplant Council borrowing as they are core to the Council's operation.

There are a limited number 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 borrowing and contribute to the MTFs through making savings or increasing income. These schemes are known as self-financing schemes. The decision to proceed with these schemes will follow the production of a detailed business case that supports the investment and identifies reductions in expenditure.

- 8.16 The Children's Services capital programme is reliant on the Council undertaking external borrowing. For the period 2024/25-2028/29 the Council is planning to spend £64.2m, of which approximately £32.0m is funded through government grant leaving a borrowing and self-funding requirement of £26.3m and £5.9m respectively. The cost of the increased borrowing investment in schools falls on the Council's revenue account through increased borrowing costs.
- 8.17 The Adults, Health & Communities Services capital programme is £57.3m, of which much of the programme is self-financed at £45.3m. In addition, there is £8.8m of grant funded expenditure.

- 8.18 Within the Environment & Resident Experience directorate, the proposed capital programme for the period 2024/25-2028/29 is extremely reliant on Council borrowing and broadly estimated at £75.2m of which approximately £66.6m is financed by borrowing, and £8.6m is externally funded.
- 8.19 The Placemaking & Housing capital programme has an estimated value of £306.1m, of which £207.8m is funded externally and £6.5m is self-financing. Council borrowing in this part of the capital programme is proportionately lower than in other service areas at £91.8m. The majority of this borrowing is to match fund schemes in the South Tottenham Regeneration projects, the Wood Green Regeneration Strategy and to fund the Corporate Landlord remediation works.
- 8.21 The Culture, Strategy & Engagement capital programme is estimated at £93.8m with the majority, £65.1m funded through self-financing. £60.9m of this self-financing relates to the Civic Centre refurbishment and £4.2m relates to the Alexandra Palace – Invest to Earn capital works.
- 8.22 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.
- 8.24 Service managers bid annually as part of the Council's budget setting process. The bids are assessed against their response to need in relation to the Council's priorities, the asset management plan and meeting the objectives of the medium-term financial strategy (MTFS). In addition, schemes have been considered for their contribution to economic recovery, to growth, and to jobs.
- 8.25 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.
- 8.26 The Capital Programme for 2024/25 has considered and been reviewed to ensure that it delivers in line with the Council's Carbon Reduction ambition. There are no projects that will increase the carbon footprint of the Council. There are several projects however, where there is the opportunity that these can be designed to ensure that at the delivery stages Zero Carbon requirements will be delivered. These include:
- Construction works (such as the Parkland Walk Bridge). The procurement for these works will include carbon within the selection for materials and contractors works.

- Road Safety Programme and Highways Maintenance. To deliver transport infrastructure that is safe and supports active travel options.
- School's capital Maintenance – the Council has just completed its Energy Action Plan for its schools, and this capital funding will deliver this through including carbon reduction measures (insulation, glazing, low carbon heating) within these programmes. The budget for the primary school investment is funded through government grant.
- Active and health spaces around our schools - We are continuing the funding for our successful School Streets programme and introducing Healthy Schools Zones to improve air quality in our most polluted schools of the borough. Creating safe space and infrastructure to encourage active travel options.
- The Walking and Cycling Action Plan is continuing and is funded through external sources.

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

Table 8.2: Capital expenditure plans by directorate

	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	Total (£'000)
Children's Services	28,673	24,520	5,381	5,343	300	64,216
Adults, Health & Communities	5,870	4,051	7,377	12,377	28,341	58,016
Environment & Resident Experience	21,309	13,551	15,651	13,131	11,571	75,212
Placemaking & Housing	60,365	64,138	153,782	22,959	19,672	320,915
Culture, Strategy & Engagement	43,515	36,841	11,529	1,370	500	93,756
Total General Fund (GF)	159,732	143,101	193,719	55,179	60,383	612,115
Housing (HRA)	238,222	303,689	354,954	307,358	209,605	1,413,829
Overall Total	397,955	446,790	548,673	362,538	269,988	2,025,943

8.27 Appendix 4 includes the previously agreed schemes plus the new schemes:

H is for schemes that are funded by borrowing;

S is for schemes that are funded by the borrowing but where there are compensating savings are made in service budgets;

E is for schemes that are funded by an external party.

Where there is more than one letter, this indicates that the scheme is funded from more than one source with the source contributing the most indicated first.

Appendix 5 provides details of the new schemes. The following paragraphs provide a high-level description of each directorate's new capital proposals.

8.28 Children's Services

There is additional investment in the school estate for immediate health & safety works and continued investment in the safety valve programme to make savings in the dedicated schools grant. The Alternative Provision budget has been deferred pending detailed work on the strategy to support the budget requirement.

8.29 Adult, Health, and Communities

There are no new schemes. The Edwards Drive scheme is now planned to be delivered via the housing delivery programme, funded by the housing revenue account, rather than the general fund. The Bourgoyne Road scheme has been deferred until the GLA grant programme for this type of facility is made available to the Council. There will be a continued 'meanwhile' use on the site. The supported living scheme has been transferred to be delivered through the housing delivery programme.

8.30 Environment & Resident Experience

The existing Environment & Resident Experience capital programme is designed to make the borough a cleaner and safer place where residents can lead active and healthy lives. The proposed new capital schemes build on these priorities with additional limited investment.

It is proposed to invest £7.436m in the leisure facilities that will address health & safety issues, and essential backlog maintenance requirements to increase usage and reduce carbon emissions.

There is a proposal to increase the amount of investment in the Active Life in Parks programme, by £0.23m, and to increase the investment in the Parks Asset Management, by £0.3m. These increases are to ensure that urgent health & safety works are undertaken. In addition, there is additional necessary investment in the Parkland Walk Bridges programme to ensure that the bridges continue to operate safely. The programme also allows for the continuation of investment in street lighting and borough roads in future years to ensure that the highway is safe to use.

8.31 Placemaking & Housing

Within the placemaking and housing programme a number of schemes have been deferred as they were not able to generate a business case that supported the proposed investment. Notwithstanding that the Council is still investing in its assets,

Further investment in the Councils assets is proposed for the operational buildings to address health & safety issues to enable continued occupation and service delivery. There is investment in the commercial portfolio to ensure compliance with statutory requirements and to protect the Council's income stream through continued lettings.

8.32 Culture, Strategy & Engagement

The proposed capital programme continues the investment needed in the Council's IT assets to drive through transformation to deliver savings whilst at the same time delivering improvements to the resident experience. The Council is also investing in essential works in its 2 principal heritage assets, Bruce Castle Museum and Alexandra Palace.

8.33 Financing

All capital expenditure must be financed from either an external source (government grant or other contributions), the Council's own resources (revenue, reserves, or capital receipts) or debt (borrowing, leasing, Private Finance Initiative).

The Council's capital programme has moved to a financing strategy that seeks to ensure that investment via the capital programme is self-financing or funded from external resources wherever possible. The draft capital programme for 2023/24-2027/28 is analysed in the table below and shows that the majority of schemes being proposed (82%) are either self-financing or funded via external resources.

Table 8.3: Financing Strategy

	General Fund Borrowing		External	Total
	Met from General Fund	Self-Financing met from Savings		
	(£'000)	(£'000)	(£'000)	(£'000)
Children's Services	26,281	5,900	32,035	64,216
Adults, Health & Communities	3,882	45,341	8,793	58,016
Environment & Resident Experience	64,628	1,959	8,625	75,212
Placemaking & Housing	104,396	6,537	209,982	320,915
Culture, Strategy & Engagement	28,648	65,108	0	93,756
Total	227,835	124,844	259,435	612,115

8.34 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.

8.35 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 its borrowing. This is known as the minimum revenue provision (MRP). The estimated MRP over the MTFS period is set out below:

Table 8.4: Estimated MRP

	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)
MRP	18,676	17,677	19,002	20,069	20,980	22,306

8.36 The Council's underlying need to borrow to finance its capital programme is measured by the capital financing requirement (CFR). This increases when new debt financed capital expenditure is incurred and reduces when MRP is made. The table below shows the estimated CFR over the MTFS period.

Table 8.5: Prudential Indicator: Estimates of Capital Financing Requirement

	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)
CFR	1,375,493	1,427,202	1,706,665	2,003,734	2,286,562	2,472,311

Asset Management

8.37 The Asset Management Plan will be reported to Cabinet in Spring 2024.

Asset Disposals

8.38 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 (it should be noted that if the asset includes “open space”, any decision on a proposed disposal will be subject to the statutory requirement to advertise and consult before a final decision can be taken and/or implemented). 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. This is known as the flexible use of capital receipts and this flexibility is currently due to expire on the 31st March 2025.

8.39 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 MTF period covered by the flexibility (up to 31st March 2025) 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

8.40 The Council has a Treasury Management Strategy Statement (TMSS) that sets out in detail the Council’s approach to managing its cash flows, borrowing and investment activity, and the associated risks. The Capital Strategy document includes similar information from the TMSS but presents this information in the context of the Council’s capital programme and Corporate Delivery Plan.

8.41 Treasury management is the management of the Council’s investments, cash flows, its banking and capital market transaction and the effective control of the risks associated with those activities. Surplus cash is invested until required in accordance with the guidelines set out in the approved TMSS, whilst short term liquidity requirements can be met by short term borrowing from other local authorities.

Borrowing Strategy

8.42 The Council's primary objective when borrowing money is to strike a balance between securing low interest cost and achieving certainty of those costs, over the period for which the funds are required.

8.43 Projected levels of the Council's total outstanding external debt (which comprises borrowing, PFI liabilities and leasing) are shown below and compared to the CFR.

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

	31/3/23 Actual (£'000)	31/3/24 Budget (£'000)	31/3/25 Budget (£'000)	31/3/26 Budget (£'000)	31/3/27 Budget (£'000)	31/3/28 Budget (£'000)	31/3/29 Budget (£'000)
Borrowing Debt	783,301	1,204,505	1,087,092	1,346,241	1,623,607	1,885,665	2,049,734
PFI & Lease Debt	21,967	19,471	13,189	10,552	9,852	9,151	8,450
Total Debt	805,268	1,223,976	1,100,281	1,356,794	1,633,459	1,894,816	2,058,184
Capital Financing Requirement	1,120,900	1,375,493	1,427,202	1,706,665	2,003,734	2,286,562	2,472,311

8.44 The CFR represents the Council's underlying need to borrow for capital purposes. The Council's strategy is to maintain borrowing and investments below their underlying levels, which is commonly referred to as internal borrowing. The Council has an increasing CFR due to the increasing requirement to finance its capital programmes.

Affordable Borrowing Limit

8.45 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. This is set out in Table 8.7 below.

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

	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)
Authorised limit – borrowing	1,286,022	1,344,013	1,626,113	1,923,882	2,207,411	2,393,861
Authorised limit – PFI & leases	25,702	17,410	13,929	13,004	12,079	11,154
Authorised limit – total external debt	1,311,724	1,361,423	1,640,042	1,936,886	2,219,490	2,405,015
Operational boundary - borrowing	1,236,022	1,294,013	1,576,113	1,873,882	2,157,411	2,343,861
Operational boundary – PFI & leases	23,365	15,827	12,663	11,822	10,981	10,140
Operational boundary – total external debt	1,259,387	1,309,840	1,588,775	1,885,704	2,168,392	2,354,001

8.46 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.

8.47 Table 8.8 below shows the net estimated capital financing costs based on the capital programme and the revised set of assumptions. The table also shows how these forecasts compare to the budget that is currently built into the MTFS plan.

Table 8.8: Estimated Capital Financing Costs

	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
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	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
MRP - pre 2008 expenditure	5,019	5,019	5,019	5,019	5,019	5,019
MRP - post 2008 expenditure	13,657	12,657	13,983	15,050	15,961	17,287
Total MRP	18,676	17,677	19,002	20,069	20,980	22,306
Interest Costs (General Fund)	16,946	14,996	21,319	22,943	24,438	25,626
Total Gross Capital Financing Costs (GF)	35,622	32,672	40,321	43,012	45,418	47,932
Offsetting Savings for self financing schemes	(12,714)	(1,119)	(2,743)	(3,724)	(4,235)	(5,152)
Total Net Capital Financing Costs (GF)	22,908	31,553	37,579	39,289	41,183	42,781
Interest Costs (HRA)	18,589	25,889	35,987	48,297	60,785	69,562

Table 8.9: Proportion of financing costs to net revenue stream

	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Financing Costs General Fund	35,622	32,672	40,321	43,012	45,418	47,932
Proportion of net revenue stream	12.36%	11.11%	13.45%	14.06%	14.56%	15.06%
Financing Costs HRA	18,589	25,889	35,987	48,297	60,785	69,562
Proportion of net revenue stream	16.41%	19.00%	24.32%	30.52%	36.11%	39.32%

8.48 Over the MTFs period the General Fund proportion of financing costs to net revenue stream ratio shows modest increases. These are primarily driven by the expected higher costs of new long-term borrowing that the Council will need to undertake over the MTFs. The ratio also shows significant increases

for the HRA over the MTFS. However, these increases have been modelled into the current version of the evolving HRA business plan and capital programme.

Governance

- 8.49 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) is required to act in line with the treasury management strategy as approved by full Council.

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.

Draft HRA Financial Plan Overview

- 9.2 The 30-year HRA financial plan contains a long-term assessment of the need for investment in assets, such as new homes development, existing homes acquisition, major works, and other cyclical maintenance requirements, as well as forecasts on income streams such as rents, in line with rent standards, and future developments.
- 9.3 The Plan includes the modelling of the revenue and capital implications of all planned work in the HRA to deliver council priorities and provides the basis for understanding the affordability of current capital programme delivery plans and assessing options to ensure a viable HRA over a longer period. It considers the build costs, inflation, exposure to housing market volatility and delivery capacity within the Council.
- 9.4 The increases in energy costs, inflation and interest rates rises presents a level of challenge and difficulty in delivering our capital programmes now and the viability of our HRA in the medium to long-term. The Council must agree a HRA Budget and longer-term plan which is prudent and sustainable. This plan factors in our best estimates and assumptions on interest rates and inflation, which are particularly significant for our capital programme.
- 9.5 The plan recognises that to undertake the proposed extensive development programme, the HRA must be viable now and in the future. It also recognises that there will be ongoing gateway reviews to update and test viability before future programme phases are released. One of the

measures of viability of the HRA is the annual revenue contribution to capital outlay (RCCO), which reduces the need for external borrowing. RCCO is the revenue surplus after expenditure; and it is key in assessing the HRA resilience. The financial plan seeks to maintain an ongoing £8m minimum annual surplus. This provides an appropriate level of in-year financial cover, in recognition of the risks such as changes in government policies, operational factors and those associated with an extensive development programme. The plan also assumes a year on year working balance of £20m. This increased position was established at the end of 2021/22.

9.6 In the current iteration of the financial plan, the revenue surplus is forecast at above £8m in 2024/25 and 2025/26, with surplus in the subsequent 3 years but below the £8m level, before being forecast to increase again in later years. Any unanticipated event with financial implications in those years will be managed through a call on the working balance, which is forecasted to be replenished in future years.

9.7 **The main sources of income to the HRA are Rents and Service Charges.**

9.8 **Housing rents**

9.9 The Council is required to set the rent increases in council-owned homes every year but there are strict limits for existing tenants. From 2020/21, the government has permitted Local Authorities in England to increase existing tenants' rents by no more than the Consumer Price Index (CPI), at September of the previous year, plus 1%.

9.10 On 17 November 2022, the government announced in the Autumn Statement 2022 that social housing rent increases for 2023/24 would not go up in line with the formula, instead will be capped at 7%, to help tenants with the increased cost of living.

9.11 In 2024/25, it is proposed that rents will increase by September CPI + 1%, subject to any further guidance from Central Government.

9.12 **Rents in Existing Council Homes - General Needs & Sheltered/Supported Housing**

9.13 Central Government, through the Regulator of Social Housing, prescribes the formula for both calculating social housing rents in new tenancies and the rate at which existing social rents are able to increase in each year.

9.14 The rental increase is set at September CPI plus 1%. In 2023/4 the CPI+1% rent increase would have been 11.1% however the rent increase was restricted at 7% by Central Government. In 2024/25 there is no such restriction. Therefore, the proposed rents increase in 2024/25 of 7.7% is based on September CPI of 6.7% plus 1%.

- 9.15 On this basis, the proposed average weekly rents for general needs and sheltered/supported housing will increase by £9.10 from £118.22 to £127.33 in 2024/25. There is a range of rents across different sizes of properties. The table below sets out the proposed average weekly rents by property size based on the rent increase of 7.7% for 2024/25 with effect from 1st April 2024 (the first Monday in April).

Table: Proposed Average Weekly Rent 2024/25

Number of Bedrooms	Number of Properties	Current average weekly rent 2023/24	Proposed average weekly rent 2024/25	Proposed average rent increase	Proposed percentage increase
Bedsit	130	£95.91	£103.30	£7.39	7.7%
1	5,260	£101.59	£109.41	£7.82	7.7%
2	5,133	£118.40	£127.52	£9.12	7.7%
3	3,687	£135.57	£146.01	£10.44	7.7%
4	607	£154.35	£166.23	£11.88	7.7%
5	110	£180.56	£194.46	£13.90	7.7%
6	15	£187.64	£202.09	£14.45	7.7%
7	2	£177.55	£191.22	£13.67	7.7%
All dwellings	14,944	£118.22	£127.33	£9.10	7.7%

9.16 Formula rent and Rent Caps

- 9.17 The national formula for setting social rent is intended to enable Local Authorities to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock (to at least Decent Homes Standard) and continue to operate a financially viable HRA, including meeting their borrowing commitments.
- 9.18 The formula is complex and uses national average rent, relative average local earning, relative local property value, and the number of bedrooms to calculate the formula rent.
- 9.19 Formula rents are subject to a national social rent cap. The rent cap is the maximum level by which rents can be increased in any one financial year, based on the size of the property. Where the formula rent would be higher than the rent cap for a particular property, the national social rent cap must be used instead. Rent caps for 2024/25 are as shown below:

Table: 2024/25 Bedroom Rent Caps

Number of Bedrooms	2024/25 Rent Cap

1 and bedsits	£188.04
2	£199.08
3	£210.15
4	£221.19
5	£232.26
6 or more	£243.31

9.20 Rents on New Tenancies

9.21 Rents for new tenancies are set according to a formula (hence the term 'formula rent'). This is for new tenancies in either a relet of an existing council home, or a newly built council home.

9.22 The Policy statement on rents for social housing also includes provision for social landlords to apply a 5% flexibility on formula rents: *'The government's policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants. As a result, the policy contains flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing – as defined in paragraphs 2.39-2.40 below). If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.'*

9.23 The current financial climate – with high inflation rates and high interest rates – means that the Council cannot continue to meet its obligations to its tenants by investing in its stock, ensure that all homes meet at least the decent homes standard, ensure that homes meet the council's sustainability objectives and ensure homes are warm and cheaper to heat for tenants while still setting a balanced HRA. On this basis, the 2024-2029 HRA MTFs proposes applying the 5% flexibility to formula rents.

9.24 This would not supersede any commitments on future rent levels – for example as set out in the landlord offer for new homes at Broadwater Farm and High Road West. It would also not apply to any homes that are being delivered at London Affordable Rent. And this could not affect rents on existing tenancies which can only rise by CPI+1%.

9.25 Rents on new builds (apart from the categories mentioned above) and rents for re-lets of existing Council Homes are proposed to be set at formula rent plus 5% flexibility (subject to national rent cap).

9.26 London Affordable Rent

9.27 London Affordable Rent was introduced by the Mayor of London in 2016 as a social housing product for new affordable homes funded by Building Council Homes for Londoners (BCHFL) grant. It reflects the 2015/16 formula rent cap uprated by CPI plus one per cent every year. These LAR

rents are at the same level anywhere in London. LAR homes are let by councils on secure tenancies, and by other registered providers.

9.28 The BCHFL grant programme allocated grant on the basis that homes for low-cost rent would be let at London Affordable Rent (LAR) rather than formula rent. The historically relatively low level of grant – a flat rate of £100,000 per unit – reflected that expectation.

9.29 In the 2023 HRA MTFs it was agreed to let homes build as part of the GLA's 2016-2021 programme at LAR.

9.30 The table below shows London Affordable Rents for 2024/25. This represents an uplift on 2023/24 LAR Rents by September CPI plus 1%.

9.31 **Table: 2024/25 LAR**

Number of Bedrooms	2024/25 LAR
1 and bedsits	£201.43
2	£213.26
3	£225.10
4	£236.95
5	£248.80
6 or more	£260.63

9.32 **Rents in Temporary Accommodation**

9.33 All properties acquired since 1 April 2019 for housing homeless households held in the HRA are leased to Haringey Community Benefit Society (HCBS) and let by HCBS at Local Housing Allowance (LHA) rent levels.

9.34 The HRA financial plan includes these rental incomes for a maximum period of seven (7) years from the time of acquisition. From year eight (8), it recognises incomes from these properties at formula rent, with the normal annual rent increases of CPI, as these properties are assumed will revert to the HRA after 7 years of lease.

9.35 From 1st April 2024, all other council-owned properties, in the HRA, used as temporary accommodation under a Council non-secure tenancy will have proposed rent increases of 7.7% (CPI + 1%).

9.36 **Shared Ownership Rents**

9.37 There are a small number of shared ownership properties in the HRA, and their rents are to be increased in line with their contracts, typically January

RPI +0.5%. The Government have recently announced that for new shared ownership properties the rents are to be increased by CPI +1%.

9.38 Tenants' Service Charges

9.39 In addition to rents, tenants pay charges for services they receive which are not covered by the rent.

9.40 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.

9.41 In the past years, service charge increases have been capped at CPI plus 1%, apart from last year where service charges were generally capped at 10% instead of 11.1% (CPI plus 1%) and most energy related service charges were capped at 75% of the cost.

9.42 This approach was taken so as to ensure that rises in rent and service charges were consistent. In the event that this rise meant that the council would have recovered more than the cost of providing that service, service charges were capped to ensure that no more than this was recouped.

9.43 This is in line with guidance in the rent standard – which sets out that registered providers should endeavour to keep increases for service charges within the limit on rent changes, of September CPI +1%. However, the overarching service charging principle is for an authority to recover the cost of the service, and no more than this.

9.44 Service charges are covered by housing benefit and Universal Credit, so any tenant in receipt of these benefits will have these costs covered.

9.45 Having increased service charges on the above basis for a number of years, it is proposed in 2024/25 that we revert to full cost recovery service charges. The services tenants currently pay for are listed below:

- Concierge
- Grounds maintenance
- Caretaking
- Street sweeping (Waste collection)
- Estates road maintenance
- Light and power (Communal lighting)
- TV aerial maintenance

- Door entry system maintenance
- Sheltered housing cleaning service
- Good neighbour cleaning service
- Window cleaning service.
- Converted properties cleaning
- Heating

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

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

9.47 The applicable charges proposed for 2024/25 is as shown in the table below:

Table – Proposed Tenants’ Service Charges with effect from 1st April 2024 (2024/25)

Tenants' Service Charges	Current Weekly Charge 2023/24	Proposed Weekly Charge 2024/25	Increase / Decrease	
Property Charges :				
Concierge	£20.28	£26.62	£6.34	31%
Grounds Maintenance	£3.40	£3.47	£0.07	2%
Caretaking	£5.19	£7.62	£2.43	47%
Street Sweeping	£5.98	£8.57	£2.59	43%
Estates Road maintenance	£0.68	£0.77	£0.09	13%
Communal Lighting (Light & Power)	£5.57	£4.04	-£1.53	-27%
TV aerial maintenance	£0.38	£0.41	£0.03	9%
Door entry system maintenance	£1.03	£1.11	£0.08	8%
Sheltered housing cleaning service	£2.13	£2.48	£0.35	16%
Good neighbour cleaning service	£1.51	£1.76	£0.25	17%
Window cleaning	£0.63	£0.67	£0.04	6%
Converted properties cleaning	£2.05	£3.93	£1.88	92%
Sheltered Housing Blocks Heating	£19.31	£18.33	-£0.98	-5%
Garton House / Lowry House Heating	£15.78	£15.33	-£0.45	-3%
Ferry Lane Estate / Runcorn Heating	£23.46	£21.83	-£1.63	-7%
Rosa Luxemburg - District Heating 8	£9.56	£7.14	-£2.42	-25%
William Atkinson House Heating	£20.60	£19.45	-£1.15	-6%
Broadwater Farm DEN Heating	£22.49	£21.11	-£1.38	-6%
Welbourne (Walter Tull House) DEN Heating	£11.45	£8.54	-£2.91	-25%
Support Charges :				
Sheltered Housing Charge	£32.38	£33.40	£1.02	3%
Good Neighbour Charge	£14.47	£14.93	£0.46	3%
Good Neighbour Charge (Stokley Court)	£17.62	£18.17	£0.55	3%

9.48 **Heating charges**

9.49 The heating charges reflect the projected usage in the blocks and projected energy rates for 2024/25. To protect tenants from a sharp increase some of the approved 2023/24 heating charges included a 25% discount. In 2024/25 no equivalent discount has been applied as the proposed charges are based on full cost recovery, However the current intelligence from the Council's energy supplier (Laser) is that costs in 2024/25 are expected to be approximately 26% lower than costs in 2023/24 and this has been reflected in the proposed charges in the table above.

9.50 Broadwater Farm and Welbourne heating charges are included as an indication of the average weekly cost as both sites are expected to have metered charges from the latter part of 2023/24.

9.51 Where properties are on metered heating, the charges will be based on usage for each property and proposed tariffs as detailed in the table below.

Table – Proposed Metered Tariffs with effect from 1st April 2024 (2024/25)

Metered blocks (same tariff applies to all sites)	Current Tariff 2023/24	Proposed Tariff 2024/25	Increase / Decrease	
Weekly standing charge (£/wk)	£3.65	£3.65	£0.00	0%
Price per unit of heat (pence/kWh)	8.01p	7.90p	-0.11p	-1%

9.52 Rent Consultation

9.53 As part of the budget consultation, tenants will be given the opportunity to express their views on the adoption of rent flexibility for new tenancies. There is no requirement for tenant consultation on existing rents and service charge increases (but there is a duty to notify tenants of such increases once a decision has been made). Haringey Council's rents are set in accordance with government rent standard and no new charges are being introduced for the tenants' service charges. Tenants must be given at least four weeks' notice before the new rents and service charges for 2024/25 start on 1st April 2024.

9.54 HRA Tenants Support Fund

9.55 Recognising the impact that service charge increases in this report may have on HRA tenants, it is recommended that a new support fund is established. The form of support to be provided from this fund will be addressed in a separate report with the decision making delegated to the Director of Housing & Place making in liaison with the Cabinet Member for Housing services, Private renters, and Planning. It is proposed that this be funded from the £20m HRA working balance and the replenishment of the working balance to its full level be redressed in the subsequent periods.

9.56 Draft HRA Expenditure

9.57 Significant items of expenditure in the HRA include the management cost (£30.7m), repairs cost (£23.8m), capital financing charge (£25.9m) and depreciation (£22.6m). These four items constitute 76% (£103m) of the total HRA expenditure (£136m) in 2024/25. The capital financing charge is the interest on HRA loans and internal funding and is budgeted at £7m above the 2023/24 level due to higher interest rate forecast for next year's potential borrowings. Depreciation is a cash charge to the HRA to reflect the need to finance the replacement of components within HRA homes over time. The depreciation charges to the HRA are transferred into the Major Repairs Reserve (MRR). The Major Repairs Reserve is used to build up capital sums that can be used to finance the capital programme.

9.58 The proposed HRA capital programme supports the delivery of over £2bn investment in our existing stock over the next 30 years, and the delivery of over 3,000 new council homes by March 2031.

9.59 There are of course risks such as the impact of the current inflation and interest rate rises on collection of rent, capacity to build, and overall sustainability of the HRA. However, these risks have been factored into this

iteration of the HRA budget/MTFS. The budget/MTFS forecasts revenue contribution to capital outlay (RCCO) above the set minimum of £8m in 2024/25 and 2025/26. The RCCO falls below this level in the last three periods of the MTFS and bounces back, after this period. The financial plan recognises the management of the risks in those periods via the use of working balance which currently stands at £20m.

9.60 Draft HRA 5 Years MTFS (2024/25-2028/29)

9.61 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. It also takes into consideration the current inflation and interest rates and its impact in next year's rent charges. The HRA budget for 2024/25 is a balanced budget with a revenue contribution to capital (RCCO) of £8.8m.

9.62 The table below shows the Draft HRA 5-Year Revenue Budget (2024/25 – 2008/29)

Table – Draft HRA 5-Year Revenue Budget (2024/25 – 2028/29)

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income & Expenditure	2024-25	2025-26	2026-27	2027-28	2028-29	5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Dwellings Rent Income	(109,359)	(119,027)	(128,185)	(137,189)	(144,695)	(638,455)
Void Loss	2,071	1,190	1,282	1,372	1,447	7,362
Hostel Rent Income	(1,792)	(1,855)	(1,920)	(1,986)	(2,055)	(9,608)
Service Charge Income	(17,095)	(17,902)	(18,791)	(19,619)	(20,394)	(93,801)
Leaseholder Income	(8,341)	(8,577)	(8,820)	(9,068)	(9,323)	(44,129)
Other Income (Garages /Aerials/Interest)	(1,754)	(1,789)	(1,824)	(1,861)	(1,898)	(9,126)
Total Income	(136,270)	(147,960)	(158,258)	(168,351)	(176,918)	(787,757)
Expenditure						
Repairs	23,757	24,940	24,940	23,126	20,813	117,576
Housing Management	30,744	29,983	29,523	30,133	31,756	152,139
Housing Demand	1,992	2,032	2,072	2,114	2,156	10,366
Estates Costs (Managed)	13,557	13,828	14,515	15,154	15,753	72,807
Provision for Bad Debts (Tenants)	3,301	1,526	1,652	1,754	1,834	10,067
Provision for Bad Debts (Leaseholders)	200	206	212	218	224	1,060
Other Costs (GF Services)	3,564	3,635	3,708	3,782	3,857	18,546
Other Costs (Property/Insurance)	1,824	1,861	1,898	1,936	1,974	9,492
Capital Financing Costs	25,889	35,987	48,297	60,785	69,562	240,520
Contribution to Major Repairs (Depreciation)	22,597	23,669	24,839	25,935	26,968	124,008
Revenue Contributions to Capital	8,846	10,293	6,602	3,414	2,020	31,175
Total Expenditure	136,270	147,960	158,258	168,351	176,918	787,757

9.63 The RCCO in 2024/25 and 2025/26 is more than our locally set minimum of £8m, however for the remaining 3 years it is below £8m. It is clear that our HRA position remains tight and will require close monitoring of our ongoing income and expenditure positions.

9.64 **Draft HRA 5 Years Capital Programme (2024/25 – 2028/29)**

9.65 This represents the capital implications of the new HRA financial plan where there is a strong emphasis on meeting the needs of homeless households while ensuring that the needs of the existing stock are met. It also focuses on the delivery of new homes, renewal of BWF estate, carbon reduction in existing stock, and fire safety of the entire stock.

9.66 The HRA MTFs is geared towards maximising the use of other available resources and use of borrowing as last resort, while maintaining a working balance of £20m. The MTFs capital programme funding assumes a mix of grant funding, S106 monies, revenue contribution and prudential borrowing. The total capital investment in 2024/25 is £238m, fully funded from grants,

Major Repairs Reserve, revenue contributions, RTB retained capital receipts, leaseholder contributions and borrowing.

Table - Draft HRA 5 Year Capital Programme (2024/25 – 2028/29)

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Investment & Financing	2024-25	2025-26	2026-27	2027-28	2028-29	5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Investment						
Major Works (Haringey Standard)	36,437	45,676	76,682	83,000	66,635	308,430
Carbon Reduction Works (Affordable Energy)	3,503	6,893	11,500	13,533	6,757	42,186
Fire Safety Works	7,879	8,041	8,366	7,460	5,631	37,377
Broadwater Farm Works	16,213	19,713	17,575	16,975	16,974	87,450
Total Existing Stock Investment	64,032	80,323	114,123	120,968	95,997	475,443
New Homes Build Programme	101,926	115,570	107,819	94,156	78,122	497,592
New Homes Acquisitions	33,540	17,395	22,494	14,734	2,658	90,820
High Road West	2,064	19,053	36,644	36,260	11,082	105,104
Broadwater Farm New Build	21,944	56,486	58,565	25,473	5,505	167,972
TA Acquisitions	14,716	14,863	15,309	15,768	16,241	76,897
Total Capital Investment	238,222	303,689	354,954	307,358	209,606	1,413,829
Capital Investment Financing						
Grants (GLA)	44,805	46,167	56,412	14,696	35,596	197,676
Major Repairs Reserve	22,597	23,669	24,839	25,935	26,968	124,008
Revenue Contributions	5,724	10,293	6,603	3,415	2,020	28,055
RTB Capital Receipts	6,858	6,926	7,115	7,368	7,630	35,897
Leaseholder Contributions to Major Works	8,289	7,890	6,548	6,832	7,104	36,663
Market Sales Receipts	4,717	1,348	1,613	1,482	15,450	24,610
Borrowing	145,232	207,396	251,824	247,630	114,838	966,920
Total Capital Financing	238,222	303,689	354,954	307,358	209,606	1,413,829

- 9.67 The Council continues to project an extensive HRA capital programme both in terms of investing in its existing stock and new build. The financial sustainability of this is addressed in our revenue modelling reported above.
- 9.68 This MTF5 proposes increases in major works, carbon reduction, fire safety budget – to meet current regulatory requirements (Building Safety & Fire Safety legislation), reach 100% Decent Homes standard, following self-referral.
- 9.69 **Major Works**
- 9.70 The Council's new Housing Asset Management Strategy sets out the Council's target to achieve 100% decent homes, and how this will be achieved.
- 9.71 The Council has agreed to work with partners to deliver these works for the long term, through a Partnering Contract. This Partnering Contract will run for ten years and is divided into four separate contracts over four geographical areas. Works under the Partnering Contract are expected to start in late 2024. The Partnering Contract has been designed to deliver value for money; ensure that the Council's objectives to meet decent

homes, as well as the other workstreams listed below, are met; contribute to wider corporate priorities in particular to bring good quality jobs and training opportunities to Haringey residents; and finally to ensure that those who are awarded large contracts by the Council are committed to Haringey and the success of the borough for the longer-term. The costs in this proposed capital programme budget recognises the estimated cost of the partnering contract.

9.72 Carbon Reduction Works

9.73 The budget provision would support extensive measures contained in the Council energy action plan. Despite the challenging economic circumstances, the Council is proposing an increase of £9m in the expenditure on carbon reduction works over the MTFS period.

9.74 The Council's Energy Action Plan sets out how it will deliver the objectives of both the Climate Change Action Plan and the Affordable Energy Strategy. These are to reduce carbon emissions from the Council's housing stock so that the whole stock reaches an average EPC of B by 2035; and A by 2041, where technically feasible. In turn this will contribute to the objective to minimise energy costs for Council tenants and reduce fuel poverty, especially in a time of rising costs.

9.75 The proposed approach is to firstly improve the fabric of the property. This means upgrading, where necessary, walls, roofs, windows, floors, and doors so as to reduce the need to expend energy to heat homes. The next stage is to incorporate low and zero-carbon heat and power. The worst performing homes will be targeted first. Works will be incorporated with the major works programme to minimise cost to the HRA and disruption to residents. The proposed HRA capital budget supports these works, but external funding is also sought whenever applicable.

9.76 Fire Safety Works

9.77 The proposed budget/MTFS is to ensure that all housing stock continues to meet changing statutory requirements. The budget has been refreshed and additional investment of £2m is proposed over the MTFS period; to ensure that the requirement of the recent Fire Safety (England) Regulations 2022 are met. The programme includes front entrance door replacements, window infill panel replacements, Automatic Fire Detection (AFD) to street properties, automatic Fire detection and compartmentation works to timber clad buildings, Intrusive Fire Risk Assessments (FRA) and follow up works.

9.78 Broadwater Farm Works

9.79 The council is setting aside significant capital expenditure for the regeneration of the Broadwater Farm estate and has reprofiled expenditure in line with our latest estimates. This reprofiling means a proposed additional £3.6m expenditure over the MTFS period. The identified structural faults with a number of buildings led to the development of a comprehensive programme of improvement. This programme includes:

- The construction of 294 new homes, all at council rent, with 30% family sized units with three beds or more (contained in the new homes budget, below)
- The refurbishment of 800 homes, covering sustainability, fire safety and mechanical and electrical
- Improvements to the public realm and green spaces, tackling the legacies of the 'streets in the sky' design from the 1960s

9.80 New Homes Build and Acquisition

- 9.81 This Financial plan continues to provide for financial resources to meet the Council's commitment to the delivery of high-quality Council homes. This is an integral part of the Council's core HRA business, with a delivery programme that is viable in the long term. The total estimated cost of new build homes and acquisition in the financial plan is £861m over the period of the MTF5.
- 9.82 Over the past five years, the Council has established a housing delivery programme that is committed to delivering 3,000 new council homes for council rent by 2031. These are the first new council homes in Haringey for forty years.
- 9.83 The Housing Delivery Programme currently includes over 2,000 homes that have been started on site. 199 new council homes have been completed and let.
- 9.84 The new homes are designed through an iterative process of consultation and engagement with Councillors, planners, and the community.
- 9.85 Clear, explicit design principles mean that these homes will have the highest standards of design quality – so that homes are beautiful, but also safe, comfortable, and accessible. They will also be easy and affordable to look after – for the Council and for the tenant.
- 9.86 Climate change, carbon management, and sustainability is integral to the design of our new generation of Council homes. The Council targets zero-carbon for each of our developments.
- 9.87 More than 10% of new homes are fully wheelchair accessible, with a target of 20%. As part of the programme, through the Bespoke Homes programme we are actively identifying households on the housing register with specific accessibility needs in order to design new homes for their individual needs.
- 9.88 The need for genuinely affordable homes in Haringey – as across the country – is urgent. More than 12,500 households are currently on the Council's housing register.
- 9.89 Cabinet has so far included 80 sites of Council land with potential for development in the programme. Most are held in the HRA; others are in the General Fund and will need to be appropriated at cost into the HRA. Where such land includes "open space", prior to a final decision to appropriate the land into the HRA, there will be a need to advertise and consult.
- 9.90 Sites in the HRA are underused land, generally on housing estates, typically garages, car parking spaces, or land between existing blocks.

9.91 General Fund land ranges from the conversion of former shops into homes to large sites such as the former waste management depot at Ashley Road. As an integral part of the programme, the Council also actively seeks opportunities to acquire homes to let as Council homes.

9.92 **Existing Homes Acquisitions – TA**

9.93 The Council’s TA acquisition programme is based on the purchase of homes and subsequent leasing to the Haringey Community Benefit Society (‘the CBS’) to provide housing to households in housing need nominated to it by Haringey Council. This scheme will generate adequate rental income to cover the cost of capital and associated cost. There is also a General Fund (GF) saving generated by the provision of homes to homeless households in the HRA via reduction in the use of privately-owned temporary accommodation in GF. This Financial plan has a reduced allocation over the MTFS period for this scheme compared to prior years. This is because of the restriction the new guidance on use of RTB retained receipts has placed on the Council’s ability to use these receipts for the purpose of acquiring existing homes. The new guidance means that the Council has a capped number of acquisitions in any year. The RTB retained receipts is now being applied to new build homes to match the acquisitions.

10. **Dedicated Schools Budget (DSB)**

10.1 Schools budgets are 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 at Quarter 2 2023/24 sets out the forecast year end position. The accumulated deficit on the High Needs Block has benefited from Safety Valve Funding of £11.99m received in 2022/23. As a result the opening deficit is £11.55m. The report highlights the in year budget pressures in the High Needs Block which is estimated to add an additional £2.5m to the existing deficit of £11.55m to give a forecast deficit of £14.05m by the end of 2023/24. Further Safety Valve Funding of £2.99m is expected in year bringing the forecast closing position down to £11.04m. The in year forecast deficit is in line with the Safety Valve Agreement and overall, on target to bring the High Needs Block into balance by 2027/28

10.3 Table 10.1 below sets out Haringey’s Dedicated Schools Grant allocations for 2022/23, the minimum rebased DSG baseline allocation for 2023/24 and the provisional National Funding Formula (NFF) allocation for 2024/25.

Table 10.1 Haringey’s Dedicated Schools Grant Allocation

DSG Block Allocations	Schools Block £m	High Needs Block £m	Central Schools Services Block £m	Early Years Block £m	Total DSG Allocation £m	Recoupment £m	Total DSG Received by Haringey £m	Outside Grants Rolled into Schools Block £m
2022/23	212.52	52.21	2.79	20.25	287.77	-79.11	208.66	0.00
2023/24	219.47	56.80	2.71	21.22	300.20	-84.78	215.42	5.78
2024/25 (indicative)	227.61	58.03	2.66	21.22	309.52	-85.00	224.52	7.12
								12.90
<i>Mainstream Schools Supplementary Grant (MSSG) 2023/24 and Mainstream School Additional Grant (MSAG) 2024/25 rolled</i>								
<i>Early Years Block estimated for 2024/25 and does not include Early Years Supplementary Grant</i>								

10.4 Overall, Haringey's provisional NFF allocation for 2024/25 is an increase of 0.81% excluding rolled in grants equivalent to £2.20m. This is based on the October 2022 pupil census numbers and the final allocation will be based on the October 2023 pupil census numbers. Bearing in mind the pupil numbers will change from year to year, the cash impact of this provisional funding by block is:

- Schools Block - uplift of 0.48% equivalent to £1.02 m.
- Central School Services Block - has lost -1.8% equivalent to £0.05m.
- Early Years Block – Not applicable as the funding is to be announced.
- High Needs Block – uplift of 2.17% equivalent to £1.23m.

10.5 The actual financial position for the Dedicated Schools Grant is dependent on the final school's finance settlement for 2024/25, which is due in December 2023.

10.6 The Schools Forum will consider these figures at their January 2024 meeting.

10.7 The DfE have consulted on the implementation of the direct National Funding Formula from 2024-25, which allows the Secretary of State to determine Schools funding allocations directly. The Council supports a funding system that continues to enable local discretion on the allocation of schools funding so that decisions being made are more responsive to the needs of schools.

DSG Reserves

10.8 The DSG reserves now account for Safety Valve funding of £11.99m applied to the 2022/23 position and a further funding expected to be received in 2023/24 of £2.99m to improve the forecast closing position to £11.04m.

Table 10.2 2023/24 Year End DSG reserves forecast

Blocks	Opening DSG deficit at 01/04/2023	Q2 2023/24 Forecast	Safety Valve Funding	Forecast closing DSG deficit 2023/24
	£m	£m	£m	£m
Schools Block	0	0	0	0
Central School Services Block	0	0	0	0
Early Years Block	0	0.02	0	0.02
High Needs Block	-11.55	-2.5	2.99	-11.06
Total DSG	-11.55	-2.48	2.99	-11.04

10.9 A successful bid to join the Safety Vale Programme was approved by DfE in March 2023. The approval agreed that a DSG Management Plan was implemented to undertake a transformation programme that includes action to

- Create a culture change in special educational needs and disabilities (SEND) services which leads to closer working with parents and carers and clearly communicates the ordinarily available offer;
- Review bandings and top-up funding;
- Review the post-16 offer and supported internships, with the aim that more young people can move off education health and care plans (EHCPs) after two-year internships;
- Ramp up early intervention approaches with the aim of reducing the number of EHCPs over time towards national averages. Key projects include investments in early intervention in Speech, Language, and Communication, review of social, emotional, and mental health (SEMH) pathways and support and increased expansion within the Haringey Language and Autism Team, to provide pro-active support to education settings;
- Communicate expected standards to schools and colleges and upskill their workforce. This will meet the needs of children with less complex needs, with the aim of avoiding their needs escalating to them requiring an EHCP;
- Review Alternative Provision (AP) and commissioning. Tighter governance arrangements will be implemented to ensure that children are supported in their return to mainstream settings where possible.

10.10 Successful delivery and progress in line with the DSG Management Plan would result in funding being released by DfE to support the reduction deficit and bringing the High Needs Block into a balance by 2027/28. The planned funding profile is as follows:

Year	The Department agrees to pay to the authority an additional £m of DSG by year end
-------------	--

2022-23	£11.96m
2023-24	£2.99m
2024-25	£2.99m
2025-26	£2.99m
2026-27	£2.99m
2027-28	£5.98m

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, tenants 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 in the final February report.
- 11.3 Statutory consultation with businesses will also take place during this period and any feedback will be considered and, where agreed, incorporated into the final February report.
- 11.4 Further significant savings options are expected to still be required to balance the budget, after the Budget consultation document has been issued. The consultation will therefore allow respondees to put forward any views that they want the Council to take into consideration in arriving at the final budget proposals.
- 11.5 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. The Overview and Scrutiny Committee will then meet in January 2024 to finalise its recommendations on the budget package. These will be reported to Cabinet for their consideration. Both the recommendations and Cabinet's response will be included in the final Budget report recommended to Full Council in March 2024.

12. **Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes'?**

- 12.1 The Council's draft Budget aligns to and provides the financial means to support the delivery of the Corporate Delivery Plan outcomes.

13. **Carbon and Climate Change**

- 13.1 Any carbon and climate change implications of the proposals contained in this report are addressed at the relevant section of the report.
14. **Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)**
- Finance**
- 14.1 The financial planning process ensures that the Council's finances align to the delivery of the Council's priorities and the administration's manifesto commitments in the medium term. In addition, it is consistent with proper arrangements for the management of the Council's financial affairs and its obligation under section 151 of the Local Government Act 1972.
- 14.2 Ensuring the robustness of the Council's 2024/25 budget and its MTFS 2024/25 – 2028/29 is a key function for the Council's Section 151 Officer. This includes ensuring that the budget proposals are realistic and deliverable. As the MTFS report is primarily financial in its nature, comments of the Chief Financial Officer are contained throughout the report.
- 14.3 Even after budget savings and other management actions identified through this budget round of £11.2m, the 2024/25 draft Budget gap in this report is c £16.3m, significantly worse than the £6.3m estimated in the Budget/MTFS report from March 2023. This is an exceptional and concerning position to be in, particularly this late in the annual process. This position reflects the difficult financial situation local authorities are facing, as evidenced by the increasing number of authorities who are needing, or near to issuing a Section 114 statement regarding their inability to set a legal budget. The Council's reserves position is also lower than average for a council of this size and a medium to long term objective should be to improve on this and increase our financial resilience.
- 14.4 The Council continues to experience the impact of the conditions in the national economy and post pandemic environment. Inflation and cost of living remains high, costs of critical services increasing (particularly in care) and costly mortgages are driving up costs of Temporary Accommodation. High interest rates have also placed pressure on the funding of the Council's capital programme. All these factors are driving the need for £25.5m growth in Directorate budgets, predominately in the three demand led services, Adults, Children's and Temporary Accommodation. The impact on expenditure in these services is greater than assumed when the March budget was set and so the Council is finding it extremely challenging to meet its legal obligation to put forward a balanced budget for 2024/25 at this time.
- 14.5 Further substantial work must be conducted between now and the issuing of the final Budget report in February 2024 to identify realistic and deliverable proposals to present a balanced Budget to be agreed. At the time of writing this report, the Autumn Budget Statement has just been announced and it has not been possible to incorporate any detailed implications but it would appear that it will not have any major overall

impact on the estimates included in this draft Budget. Further Government announcements on 2024/25 funding for local government will not take place until after this December report is finalised and with all parts of the public sector looking for additional resources, this Council cannot rely on assumptions about any significant new funding being allocated to the sector.

- 14.6 With regard to the HRA, the draft plan presented, despite the forecasted challenges, maintains an adequate annual surplus providing an appropriate level of in year cover.
- 14.7 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 March 2024.

Procurement

- 14.8 Strategic Procurement has been consulted in the preparation of this report and note the recommendations in section 3 and contents of the report which are not related to a procurement activity or process. Strategic Procurement will continue to work with services to enable cost reductions.

Head of Legal & Governance [Name and title of Officer completing these comments]

- 14.9 The Head of Legal & Governance has been consulted in the preparation of this report and makes the following comments.
- 14.10 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.
- 14.11 The Council must ensure that it has due regard to its public sector equality duty under section 149 of the Equality Act 2010 in considering whether to adopt the recommendations set out in this report.
- 14.12 The report proposes new savings proposals for the financial year 2024/25, which the council will be required to consult upon and ensure that it complies with the public sector equality duty.
- 14.13 In view of the conclusion reached by the Director of Finance above on the ability to set a balanced budget for 2024/25 and the Equalities comments below, there is no reason why Cabinet cannot adopt the Recommendations in this report.

Equality

- 14.14 The Council has a public sector equality duty under the Equality Act (2010) to have due regard 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.
- 14.15 The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 14.16 Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.
- 14.17 This report details the draft Budget for 2024/25 and MTFS to 2028/29, including budget adjustments and capital proposals.
- 14.18 The proposed decision is for Cabinet to note the budget proposals and agree to commence consultation with residents, businesses, partners, staff and other groups on the 2024/25 Budget and MTFS. The decision is recommended to comply with the statutory requirement to set a balanced budget for 2024/25 and to ensure the Council's finances on a medium-term basis are secured through the four-year Medium-Term Financial Strategy.
- 14.19 Existing inequalities have widened in the borough in recent years because of the COVID-19 pandemic, national economic challenges, and persistently high inflation, with adverse impacts experienced by protected groups across many health and socioeconomic outcomes. Due to high inflation in the last two years, many residents are finding themselves less well off financially and more are experiencing, or on the periphery of, financial hardship and absolute poverty. Greater socioeconomic challenge in the borough drives demand for the Council's services, which is reflected in the impacts on spend for adult social care, children's services and temporary accommodation detailed elsewhere in this report.
- 14.20 A focus on tackling inequality underpins the Council's priorities and is reflected in the current Corporate Delivery Plan. Despite the significant financial challenge outlined in this report, the Council is committed to ensuring resources are prioritised to meet equality aims.
- 14.21 During the proposed consultation on Budget and MTFS proposals, there will be a focus on considering the implications of the proposals on individuals with protected characteristics, including any potential cumulative impact of these decisions. Responses to the consultation will inform the final package of savings proposals presented in February 2024.

14.22 Savings proposals identified between the publication of this report and the final package of proposals identified in February 2024 will undergo an equalities screening process to identify where negative impacts on protected groups may arise. Where such impacts are identified, a full Equalities Impact Assessment will take place to understand the impacts in full and describe the action to mitigate those impacts. At this stage, the assessment of the potential equalities impacts of decisions is high level and, in the case of many individual proposals, has yet to be subjected to detailed analysis. This is a live process, and as plans are developed further, each service area will assess their proposal's equality impacts and potential mitigating actions in more detail. Final EQIAs will be published alongside decisions on specific proposals.

14.23 Initial Equality Impact Assessments for relevant savings proposals will be published in February 2024 and reflect feedback regarding potential equality impacts gathered during the consultation. 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 already been taken, existing Equalities Impacts Assessments will be signposted.

15. **Use of Appendices**

Appendix 1	Summary of Draft Revenue 2024-25 Budget and Medium Term Financial Plan 2024-2029
Appendix 2	Summary of new Revenue budget growth proposals
Appendix 3	Summary of new proposed Revenue Saving proposals
Appendix 3a	Directorate Focused Narratives
Appendix 4	Draft General Fund Capital Programme 2024/25–2028-29
Appendix 5	New Capital Proposals for 2024-25 MTFS Programme

16. **Background papers**

None

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Appendix 2

Description	Area	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
Funding to reflect increased costs of running Coroners Court	L&G	166					166	Committee
Additional Principal Scrutiny Officer	L&G	67					67	Committee
Additional posts to address the mis-match between demand for legal support and the current capacity of the team.	L&G	350					350	Committee
The funding will enable support to the Committees team for in person Cabinet Member signings as well as provide extra support for the Scrutiny team for the Joint Health Overview and Scrutiny Committee which our team manage on behalf of 5 boroughs.	L&G	25					25	Committee
Annual Subscription for membership of Central London Forward	CORP	40					40	Committee
Apprenticeship Levy is charged at 0.5% of the annual pay bill. Since it's introduction, the paybill has increased due to pay award and an increase to the budget is required	CORP	250					250	Committee
This growth reflects the forecast cost of the revised arrangements for delivering the Leisure management service in house.	ERE	946					946	Committee
This is the final adjustment required to rebalance the Early Year funding between the DSG and the GF in accordance with the DSG grant conditions.	CORP	243					243	Committee
Time limited saving on waste fleet vehicles is due to expire from 2024/25 resulting in the need to reinstate a budget to cover this cost.	ERE	100					100	Committee

Description	Area	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
Various cost pressures including the implications of the National 'Big Switchoff'; Audio Visual equipment; Council's internal case management software (Halo); Microsoft E5, Cyber Security.	CSE	1,150					1,150	Committee
£1m to cover the in year pressure on care costs and £0.88m to cover forecast inflation for 2024/25 (less the £500K that was placed in the MTFS for growth in 24/25)	CYP	1,388	660	660			2,708	Childrens
Impact of inflationary increase in Adults social care as well as the additional costs of Children transitioning to Adults social care services (£16.3m 24/25). Temporary Accomodation increased demand as well as inflationary pressure (£3.0m 24/25).	AHC	19,267	7,311	7,311			33,889	Adults and Housing
	Total	23,992.00	7,971.00	7,971.00	0.00	0.00	39,934.00	

Acronyms	Area	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Health and Communities (includes TA)	AHC	19267	7311	7311	0	0	33889
Culture, Strategy and Engagement	CSE	1150	0	0	0	0	1150
Corporate	CORP	533	0	0	0	0	533
Environment and Neighbourhoods	ERE	1046	0	0	0	0	1046
Legal & Governance	L&G	608	0	0	0	0	608
Children's Services	CYP	1388	660	660	0	0	2708
	Total	23992	7971	7971	0	0	39934

Ref	Description	Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
CYP24_SAV_001	We are developing a new Transitions Service to provide support and advice to young people with Special Educational Needs and Disabilities so that they know what to expect in the future and can prepare for adulthood. This will be a multi-disciplinary team that works with partners to ensure young people have the help and support they need for their health, relationships, independent living and employment.	CYP	-673	-1,152	-777	-724	-1,220	-4,546	Childrens
AHC24_SAV_001	Identify an additional site for additional modular Lodge provision. 60 units of accommmodation by mid 2026	AHC	0	-126				-126	Housing
AHC24_SAV_002	Proposing to increase the supply of Lodge accommodation by 100 units. Conversion and extension of one of our existing hostels has been scoped. We are also pursuing the possibility of repurposing /developing other council owned buildings as temporary accommodation options. If we can identify further sites, there is scope to identify additional savings.	AHC	-110	-383				-493	Housing
AHC24_SAV_003	Use of one bed social housing as temporary accommodation for families with a baby or young children – we have more 1 bed social housing properties than any other size – using a small proportion as TA would reduce TA costs. Our Annual Lettings Plan allows for 10 properties to be used for this purpose. This will be expanded to 15 and then 30 in 2023-24. Moves will particularly be focused to ensure people from Lodge accommodation are moved on, freeing up lodge vacancies.	AHC	-69	-69				-138	Housing
AHC24_SAV_004	Use of two bed social housing as temporary accommodation for families – using a small proportion as TA would reduce TA costs. We intend to introduce this provision within our Annual Lettings Plan for 24/25 and allow for 10 properties to be used in this way. The particular focus will be on families who need to stay locally , thereby reducing any additional costs for other parts of the council due to care and support needs.	AHC	-37	0	0	0	0	-37	Housing
AHC24_SAV_005	We will work with residents to identify suitable accommodation to move on from TA, ensure they are move ready and can settle successfully into the idenitified accommdoation within the community . (staffing costs have been deducted from calculated savings)	AHC	-57	0	0	0	0	-57	Housing

Ref	Description	Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
AHC24_SAV_006	A Project Officer will be engaged to work with families to remove any barriers to moving on from temporary accommodation. Targetted casework will include but not limited to ensuring that households are 'move' ready and supporting households to bid realistically for social housing. This is envisaged to be a 2.5 to 3 year project that will benefit from new supply delivered through the new build programme.	AHC	-400					-400	Housing
AHC24_SAV_007	Leases held by the Council are restricted by TA subsidy arrangements (rental at 90% of 2011 Local Housing Allowance(LHA)). This subsidy is insufficient, which result in a cost to the council. Homes for Haringey Leases are not restricted in this way, converting leases to Homes for Haringey reduces costs to Council while ensuring that accommodation is within current LHA rates and affordable to residents.	AHC	-175	-54				-229	Housing
AHC24_SAV_008	This proposal is to make savings of £300,000 from our existing contract for 0-19 year old integrated public health services. We will work with the provider on more efficient ways of working, while maintaining front line service offer for residents. Implementation period will be at least 6 months from sign off of council budget as then we will need to work with the provider. Implementation is expected by October 2024/25 with full year effect in 25/26.	AHC	-150	-150	0	0	0	-300	Adults
AHC24_SAV_009	Through the pandemic and in the following period we learnt that many residents like to access sexual health services from local pharmacies and through online advice and testing services, which are less expensive than clinic based services and achieve good outcomes. This proposal continues to take this emphasis forward with a further shift to self service and pharmacy options without impacting outcomes for residents.	AHC	-300	0	0	0	0	-300	Adults
AHC24_SAV_010	Continuing Healthcare Is a funding stream that solely provides the full responsibility of a person's care on health services. Haringey receives the lowest Continuing Health Care funding in North Central London and is very low compared nationally, this project aims to fully imbed the Continuing Health Care process within Adult Social Care and gain a greater proportion of health funding. Ensuring residents are receiving the right level of funding for high/complex placements, expenditure for these placements would be picked up by health (fully health funded, joint funded and Funded Nursing Care). To increase the number of referrals for Continuing Health Care funding, to the North Central London Integrated Care Board and establish this as part of business as usual over the next year.	AHC	-1,200	0	0	0	0	-1,200	Adults
AHC24_SAV_011	When a person has care and support needs, there are many ways this can be delivered, one option is that we can Commission a provider directly to provide that care and support. Alternatively, direct payments are another methodology, and this can enable people to have more control on how their care is provided. Using direct payments is more cost effective since they do not include the costs home care agencies charge on top of the price of care.	AHC	-800	0	0	0	0	-800	Adults

Ref	Description	Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
AHC24_SAV_012	The strength and asset-based approach is a national agenda, it changes the direction of how we provide care and support for individuals to look within their communities on how they can be supported before coming to a service led offer. It enables social care to reduce service demand by working with our voluntary sector and really focusing on early intervention and prevention. Strength Based Working produces better outcomes for people and reduced strain on adult social if residents are enabled to remain as independent as possible, strengthening people's ability to remain within the community. The use of digital tools, supports strength work based working approach.	AHC	-350	0	0	0	0	-350	Adults
AHC24_SAV_013	We are expecting to receive an uplift to the public health grant of £292k in 24/25, which can be directed to existing council priorities/spend which contribute to public health outcomes	AHC	-292	0	0	0	0	-292	Adults
AHC24_SAV_014	Supported living is when the residents remain in the community as independently as possible is enabled to claim housing benefit and their one-to-one care is provided. Currently we need to strengthen the support of living offer within Haringey. To ensure that people can reside in the Community with one-to-one provider delivered in their own home, this will reduce the cost. This will reduce the demand on nursing and residential expensive placements out of borough. Using digital tools, is key for the supported living model in Haringey.	AHC	-300	0	0	0	0	-300	Adults
AHC24_SAV_015	Currently we support approximately 3500 people to remain independently in the community on a daily basis, by auditing provider services and ensuring that the service delivery is accurate and in line with the care and support plan, we will look to find efficiencies in the system. By utilising a personalised approach and reviewing what services are available within the community for early Intervention early intervention and prevention, we may be able to reduce demand by working with our voluntary sector to deliver low levels of care, support, shopping, cleaning, et cetera additionally. By completing a financial review with residents, they may be entitled to some benefits that could support some of these low level activities.	AHC	-250	0	0	0	0	-250	Adults

Ref	Description	Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
AHC24_SAV_016	We have externally commissioned an independent review of the Mental Health Services, the review highlighted significant evidence to support that Haringey is a massive outlier nationally for funding between the age of 18 -65, this has been a long-standing issues. Steps are being taken to focus on a locality model, that will bring Mental Health Social Workers back into localities, still aligned to the Mental Health Trust. However more controls are being put in place to control Mental Health spend, additionally the review team are focusing on the high-cost placements, to ensure we are reviewing costly/out of borough packages of care and bring back into a local provision of care.	AHC	-200	0	0	0	0	-200	Adults
AHC24_SAV_017	A Better Care Fund (BCF) external review has taken place, work underway with the ICB and NHS England, in redesigning our Better Care Fund planning for 23/24, we have a deadline of the 02/10/2023. Haringey has £7.8m within the plan, are looking at opportunities to redirect spend from the wider system back into Adult Social Care.	AHC	-200	0	0	0	0	-200	Adults
CSE24_SAV_001	The use of our libraries varies from one branch to another at different time of the day. Based on footfall analysis we know that library use is typically lowest in mornings. Young people in particular have a need for study space in the evenings and libraries are ideal as a free and safe community space. We want to look at varying the opening hours of our libraries to times when they are most heavily used, which could include later in the evenings, allowing us to allocate resources in a more targeted way. Library buildings and facilities could be made available to other services even when the library service itself is not operating e.g., Community Hub teams and VCS organisations. The proposed saving is based on reviewing hours at the six branch libraries with a mixture of mornings and afternoons opening times based on demand and demographics, to ensure libraries remain accessible to all. The service is currently carrying some vacancies and agency cover which will reduce the need for any proposed redundancies. No library building would be closed.	CSE	-675	0	0	0	0	-675	Climate and Community
CSE24_SAV_002	The proposal is to introduce self-service technology in libraries. Further work is required to establish feasibility, based on learning from other boroughs; it would require investment in digital and other technologies eg CCTV but has the potential to reduce staffing by 40%. This could be introduced potentially along with a community run library service option as has been introduced in other boroughs (eg Camden and Barnet), and could also sit alongside use of library buildings by other public services and agencies, enabling users to access, check out or return library items when using those other services. No library building would be closed. The saving is modelled on a similar reduction in numbers of library staff to the previous proposal, but later in the MTF5 period to enable the detailed feasibility work to be done.	CSE	0	-304	-372	0	0	-676	Climate and Community

Ref	Description	Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
CSE24_SAV_003	The proposal is to stop providing hard copy newspapers and magazines in libraries. Newspapers and magazines are now available on Pressreader which provides thousands of newspapers and magazines from around the globe. Many library services that stopped newspapers and magazines during COVID lockdown have not reintroduced them.	CSE	-30	0	0	0	0	-30	Climate and Community
CSE24_SAV_004	Review all contracts controlled by Digital and Change and all ICT contracts held elsewhere in the organisation, utilising Gartner support: - Benchmarking against other councils - either through Gartner or LOTI, or CIO group - Write to all organisations requesting efficiencies/savings - Rationalise licenses - Review what we are paying for and performance - Renegotiation of contracts up for renewal Review and rationalise all applications used by the council with a view to reducing our digital estate. We will focus in on applications that are: - Duplicated elsewhere - Due for renewal - Under used or under performing - Offer an opportunity to move to SAAS (Software as a Service) and reduce FTE We will also review the teams involved in managing and using these applications and consider a hiatus on any new applications.	CSE	-150	-150	0	0	0	-300	Committee
CSE24_SAV_005	Carry out a restructure of Digital and Change in line with a new target operating model and a view to release some savings. This will involve: ▣ Review & reduce the renewal of Fixed Term Contracts ▣ Restructure the team and reduce FTEs by 2 • Centralise digital functions	CSE	-100	-130	0	0	0	-230	Committee
CSE24_SAV_006	Building on current portfolio to seek additional significant digital and other advertising space in borough. Income generation is hard to quantify without detailed feasibility work. Savings here are net of an additional fixed term post to explore and deliver opportunities.	CSE	35	-35	0	0	0	0	Committee
EN24_SAV_001	This proposal seeks to recover operating cost through the review of Fees and Charges (£500k) by ensuring Haringey remains in line with other Authorities. Review of Parking Services (£500k). Optimise deployment to ensure an appropriate level of enforcement in all areas (£300k).	E&N	-1,300	0	0	0	0	-1,300	Climate and Community

Ref	Description	Directorate	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total	Panel
EN24_SAV_002	The continuation of the schools streets programme expansion is anticipated to generate an additional net income of £170k as a by-product of the enforcement activity associated with the scheme. Enforcement income can not be used as a revenue raiser and is ring-fenced for specified spend in the Traffic Management Act 2004.	E&N	-170	0	0	0	0	-170	Climate and Community
EN24_SAV_003	Enhance our enforcement on environmental crime (ie flytipping, littering and waste licensing) by reconfiguring the team and deploying additional resources to meet residents demand for a cleaner borough.	E&N	-100					-100	Committee
EN24_SAV_004	The New River Sports Centre has an operational subsidy of £170,000 (Total subsidy of £225k - £54k central recharges). This proposal seeks to realise savings by : Reviewing concessionary discounts; Reducing enery usage through technological improvements;Increase customer base through equipment upgrades and additional activities.	E&N	-53	-40	-34	-26	-17	-170	Committee
EN24_SAV_005	Breaches to the Housing Act 2004 such as unlicenced premises can be charged a Civil Penalty Notice of up to £30k and in addition, Improvement Notices can be served on the person in control of the property and a Charge made for that Improvement Notice.	E&N	-13	-13	-13	-13	0	-52	Housing
Total			-8,119	-2,606	-1,196	-763	-1,237	-13,921	

Acronyms	Area	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total
Adults, Health and Communities (includes TA)	AHC	-4890	-782	0	0	0	-5672
Culture, Strategy and Engagement	CSE	-920	-619	-372	0	0	-1911
Placemaking and Housing	P&H	0	0	0	0	0	0
Environment and Neighbourhoods	E&N	-1636	-53	-47	-39	-17	-1792
Children's Services	CYP	-673	-1152	-777	-724	-1220	-4546
Total		-8119	-2606	-1196	-763	-1237	-13921

APPENDIX 4: 2024/25 - 28/29 DRAFT CAPITAL PROGRAMME

Key for Source of Funding	
H	Haringey Borrowing
S	Haringey Borrowing Self-Financing
E	External

			Source of Funding	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2024/25 - 28/29 Total
SCHEME REF	SCHEME NAME	BRIEF DESCRIPTION		£,000	£,000	£,000	£,000	£,000	£,000
101	Primary Sch - repairs & maintenance	Grant funded through the school condition allocation - used for boiler replacement, window replacement, roof replacement etc.	E	4,500	4,500	4,500	4,500	0	18,000
102	Primary Sch - Major Capital Works (Existing MTFS)	Haringey borrowing to fund major renewal and replacement works.	H	11,000	4,000	0	0	0	15,000
110	Devolved Sch Capital	A grant that is passed through to schools	E	531	531	531	531	0	2,124
114	Secondary Sch - Major Capital Works (Existing MTFS)	Haringey borrowing to fund major renewal and replacement works.	H	270	270	0	0	0	539
124	In-Borough Residential Care Facility	Self-financing borrowing scheme to fund in borough/council run facility to replace high cost out of borough placements.	S	3,000	2,900	0	0	0	5,900
125	Safety Valve	Grant funded by DfE to support creation of additional SEND places. Being used as part of the Safety Valve programme.	E	3,350	8,561	0	0	0	11,911
102 (New Bid)	Primary Sch - Major Capital Works (New Bid)	Further investment in Primary Sch - Major Capital Works (New Bid)	H	0	1,527	0	0	0	1,527
114 (New Bid)	Secondary Sch - Major Capital Works (New Bid)	Further investment in Secondary Sch - Major Capital Works (New Bid)	H	3,713	531	0	0	0	4,244
121 (New Bid)	Pendarren House	Furter investment in Pendarren House so that more Haringey children can experience a stay there.	H	1,059	450	350	312	300	2,471
126 (New Bid)	EYES and Social Care developments to the LiquidLogic System	Haringey borrowing to fund further development & expansion of Children Social Care IT system	H	1,250	1,250	0	0	0	2,500
Children's Services				28,673	24,520	5,381	5,343	300	64,216
201	Aids, Adap's & Assistive Tech -Home Owners (DFG)	Grant funded through the Disabled Facilities Grant to enable people to stay in their homes rather than other settings.	E	2,193	2,200	2,200	2,200	0	8,793
209	Assistive Technology	Grant funded through the Disabled Facilities Grant to enable people to stay in their homes rather than other settings.	S	300	0	0	0	0	300
211	Community Alarm Service	Grant funded through the Disabled Facilities Grant to enable people to stay in their homes rather than other settings.	H	177	177	177	177	0	708

			Source of Funding	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2024/25 - 28/29 Total
SCHEME REF	SCHEME NAME	BRIEF DESCRIPTION		£,000	£,000	£,000	£,000	£,000	£,000
214	Osborne Grove Nursing Home	Self-financing borrowing scheme to convert create a 70 bed nursing facility, progression of the scheme is subject to a successful business case.	S	700	1,000	5,000	10,000	28,341	45,041
222	Wood Green Integrated Care Hub	Haringey borrowing to make a contribution to the Wood Green Integrated Care Hub.	H	1,000	0	0	0	0	1,000
225	Locality Hub	Haringey borrowing to support the localities strategy.	H	1,500	674	0	0	0	2,174
Adults, Health & Communities				5,870	4,051	7,377	12,377	28,341	58,016
119	School Streets	This scheme is funded utilising SCIL & external funding	E	325	325	325	325	325	1,625
301	Street Lighting	Haringey borrowing to fund renewal of the street lighting infrastructure.	H	1,000	1,000	1,000	1,000	0	4,000
302	Borough Roads	Haringey Borrowing to improve infrastructure.	H	6,924	6,924	3,873	0	0	17,721
304	Flood Water Management	Mixed funded scheme but predominately Haringey Borrowing to improve infrastructure.	H	710	0	0	0	0	710
305	Borough Parking Plan	Haringey borrowing to fund renewal of the parking infrastructure.	H	250	0	0	0	0	250
309	Local Implementation Plan(LIP)	Transport for London grant for improvement works to elements of the highways infrastructure.	E	1,000	1,000	1,000	1,000	0	4,000
310	Developer S106 / S278	Contributions from developers to mitigate the effect of their developments on the Council's infrastructure.	E	250	250	250	250	0	1,000
311	Parks Asset Management: (Existing MTFS)	Mixed funded scheme to improve the Council's park assets but predominately Haringey Borrowing.	H	300	300	300	300	0	1,200
313	Active Life in Parks: (Existing MTFS)	Mixed funded scheme to improve the Council's park assets but predominately Haringey Borrowing.	H	230	230	230	230	0	920
314	Parkland Walk Bridges	Haringey borrowing to fund remediation works on the parkland walk bridges.	H	3,350	350	2,500	350	2,500	9,050
322	Finsbury Park	This expenditure is funded through the Finsbury park account.	E	500	500	500	500	0	2,000
325	Parks Vehicles	Self-financing Haringey borrowing to move to electric vehicles.	S	360	0	0	0	0	360
328	Street & Greenspace Greening Programme	Haringey borrowing to fund the scheme of greening the borough.	H	178	75	75	0	0	328
332	Disabled Bay/Blue Badge	Haringey borrowing to fund improved/increased blue badge parking.	H	150	0	0	0	0	150
334	Parks Depot Reconfiguration	Haringey borrowing to fund improvements to various parks depots.	H	100	0	0	0	0	100

			Source of Funding	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2024/25 - 28/29 Total
SCHEME REF	SCHEME NAME	BRIEF DESCRIPTION		£,000	£,000	£,000	£,000	£,000	£,000
336	New River Sports & Fitness	Self-financing Haringey borrowing projects to improve New River to attract new customers.	S	533	533	533	0	0	1,599
338	Road Casualty Reduction (Externally Funded)	This scheme is funded utilising SCIL & external funding	H	950	950	950	950	950	4,749
302 (New Bid)	Borough Roads (LBH Funded)	This is a continuation of the investment in Borough roads	H	(191)	(191)	2,860	6,733	6,733	15,944
311 (New Bid)	Parks Asset Management: (New Bid)	This is an increase in Active Life in Parks Budget	H	200	200	200	200	0	800
313 (New Bid)	Active Life in Parks: (New Bid)	This is an increase in Park Asset Management Budget	H	230	230	230	230	0	920
341 (New Bid)	Leisure Services	This is to fund a range of investment in the Council's Leisure Services which will increase usage of the facilities and also reduce emissions through changes to boilers and other reduction measures	H	3,660	825	825	1,063	1,063	7,436
342 (New Bid)	Public Protection - To replace life expired IT system	This investment will enable Public Protection to replace life expired IT system and enhance the users experience	H	300	50	0	0	0	350
Environment & Resident Experience				21,309	13,551	15,651	13,131	11,571	75,212
401	Tottenham Hale Green Space	A mixed funded scheme using Haringey Borrowing, grants and S106 to fund the programme of green space improvements	H	922	2,958	0	0	0	3,880
402	Tottenham Hale Streets	A mixed funded scheme using Haringey Borrowing, grants and S106 to fund the programme of public realm improvements	E	4,468	500	0	0	0	4,968
408	Down Lane Park	Creation of Down Lane Park Scheme	E	5,000	2,591	0	0	0	7,591
421	HRW Acquisition	Externally funded to fund the acquisition of properties to deliver the HRW scheme.	E	12,200	4,600	112,600	0	0	129,400
430	Wards Corner Development	Self-financing Haringey borrowing to develop the site.	S	1,000	2,937	1,400	1,200	0	6,537
457	Future High Street Project	A mixed funded scheme 45:55 external grant: Haringey borrowing. The overall project has a range of interventions to improve the infrastructure of the borough. Largely concentrated in the Gourley Triangle development.	H	3,206	875	0	0	0	4,081
459	Wood Green Regen Sites	A mixed funded scheme to regenerate Wood Green sites	E	1,053	4,204	5,040	0	0	10,297

			Source of Funding	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2024/25 - 28/29 Total
SCHEME REF	SCHEME NAME	BRIEF DESCRIPTION		£,000	£,000	£,000	£,000	£,000	£,000
465	District Energy Network (DEN)	A mixed funded scheme with government grant, loaned at low interest rates and self-financing Haringey borrowing. The scheme to deliver low carbon energy in the borough is subject to a full business case being agreed by Cabinet in approximately Q1 Of 2024.	E	1,000	3,250	2,250	1,000	2,813	10,313
480	Wood Green Regen (2)	A mixed funded scheme to regenerate Wood Green	H	3,494	1,223	3,568	0	0	8,285
4007	Tottenham Hale Decentralised Energy Network (DEN)	A mixed funded scheme with government grant, loaned at low interest rates and self-financing Haringey borrowing. The scheme to deliver low carbon energy in the borough is subject to a full business case being agreed by Cabinet in approximately Q1 Of 2024.	E	2,500	4,223	7,000	7,500	7,500	28,723
4008	Wood Green Decentralised Energy Network (DEN)	A mixed funded scheme with government grant, loaned at low interest rates and self-financing Haringey borrowing. The scheme to deliver low carbon energy in the borough is subject to a full business case being agreed by Cabinet in approximately Q1 Of 2024.	H	1,800	2,853	7,500	7,500	7,500	27,153
4010	Selby Urban Village Project	Mixed grant and self-financing Haringey borrowing project to create the village. Successful application for levelling up funding of £20m. Report on forward plan to reposition the scheme in the light of current developments, such as interest rate rises, construction cost inflation etc.	E	6,000	21,416	6,665	0	0	34,081
4011	Commercial Property Remediation	The scheme is to invest in our commercial portfolio to retain tenants a increase the rents that can be charged. The first year is funded by Haringey borrowing with latter years subject to successful business case(s).	H	7,214	1,000	3,000	3,000	0	14,214
316	Asset Management of Council Buildings	Haringey borrowing to fund essential works to council buildings. Includes provision for the accommodation strategy spend on offices in Station Road as described in the cabinet report in April.	H	7,500	8,500	2,000	0	0	18,000
4012	Energy Performance Certificate improvements	The scheme is to invest in our commercial portfolio to ensure that the buildings are compliant with the ePC regime and thus retain tenants. First year is Haringey borrowing with later years subject to successful business case(s).	H	750	750	500	500	0	2,500

			Source of Funding	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2024/25 - 28/29 Total
SCHEME REF	SCHEME NAME	BRIEF DESCRIPTION		£,000	£,000	£,000	£,000	£,000	£,000
4013	Clean Air School Zones	Haringey borrowing in the first year and external funding assumed for later years. Scheme is to fund works to improve air quality where a school street is not possible.	H	400	400	400	400	0	1,600
4014	Walking and Cycling Action Plan (WCAP) LTN delivery	Haringey borrowing in the first year and external funding assumed for later years.	E	708	708	708	708	708	3,540
4015	Walking and Cycling Action Plan (WCAP) Strategic cycle route delivery	Haringey borrowing in the first year and external funding assumed for later years.	E	1,033	1,033	1,033	1,033	1,033	5,163
4016	Walking and Cycling Action Plan (WCAP) Cycle Parking (Hangers) delivery	Haringey borrowing in the first year and external funding assumed for later years.	E	118	118	118	118	118	590
Placemaking & Housing				60,365	64,138	153,782	22,959	19,672	320,915
330	Civic Centre Works	Self-financing Haringey borrowing to provide a new Civic Centre as per Cabinet April 2023.	S	31,234	26,097	3,584	0	0	60,915
602	Corporate IT Board	Haringey borrowing to fund ICT improvements and developments	H	500	0	0	0	0	500
604	Continuous Improvement	Haringey borrowing to fund mobile ICT assets (laptops) renewal.	H	1,300	950	662	0	0	2,912
447	Alexandra Palace - Maintenance	Haringey borrowing to fund capital works at the Palace.	H	470	470	470	470	0	1,880
655	Data Centre Move	Haringey borrowing to fund the relocation of the data centre from River Park House as part of the accommodation strategy.	H	500	450	0	0	0	950
656	BT Big Switch Off	Haringey borrowing to fund new digital lines as BT are switching off all analogue lines. This budget is an estimate to cover the IT element of the switch off. If there are physical works required then these will be met from scheme 316.	H	1,000	0	0	0	0	1,000
657	Corporate Laptop Refresh	Haringey borrowing to fund mobile ICT assets (laptops) renewal.	H	400	400	400	400	0	1,600
625 (New Bid)	CCTV Move and Replacement of end of Life Infrastructure	CCTV move and replacement of end of life infrastructure	H	733	733	733	0	0	2,200
626 (New Bid)	Corporate Data Platform	This is investment in a Corporate Data Platform to further inform our interactions with residents	H	500	1,500	500	0	0	2,500
627 (New Bid)	Hybrid AV between now and Civic Centre coming on line	This investment is required to support Hybrid AV working between now and Civic Centre coming on line	H	500	750	0	0	0	1,250
628 (New Bid)	Locality Hub ICT	This if fund ICT in Locality Hubs to enable users to access a range of services and experiences	H	400	600	0	0	0	1,000
629 (New Bid)	Leisure Insourcing ICT	This is fund the ICT element of the proposed Leisure insourcing	H	433	0	0	0	0	433
630 (New Bid)	Libraries IT and Buildings upgrade	Libraries Hub ICT (Public Access)	H	600	350	0	0	0	950

			Source of Funding	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2024/25 - 28/29 Total
SCHEME REF	SCHEME NAME	BRIEF DESCRIPTION		£,000	£,000	£,000	£,000	£,000	£,000
464 (New Bid)	Bruce Castle (Condition Works)	This investment is to supplement existing works at Bruce Castle Museum Condition Works	H	450	450	0	0	0	900
631 (New Bid)	Ally Pally - Counter Terrorism	The investment is to allow the Alexandra Palace Trust to implement measures statutory measures to counter terrorism	H	496	182	363	0	0	1,041
632 (New Bid)	Ally Pally - Health & Safety Works	The investment is to undertake health & safety works at Alexandra Palace	H	798	286	293	0	0	1,377
633 (New Bid)	Ally Pally - Compliance works	This investment is to fund compliance works at the Alexandra Palace	H	815	1,194	2,546	0	0	4,555
634 (New Bid)	Ally Pally - Invest to Earn	This investment is to allow Alexandra Palace to undertake investment to generate additional income. This will take the form of a loan to Alexandra Palace and will be subject to a satisfactory business case	S	1,437	1,628	1,128	0	0	4,193
635 (New Bid)	Mobile Replacement (Smart Phones / Devices)	This investment is to support the replacement of mobile devices that in turn supports mobile working	H	250	200	200	0	0	650
636 (New Bid)	Replacing Desktop AV / Screens in Offices	This investment is to replace various ICT elements such as desktop AV and Screens in Offices	H	200	100	150	0	0	450
657 (New Bid)	Corporate Laptop Refresh	Laptop Replacement	H	500	500	500	500	500	2,500
Culture, Strategy & Engagement				43,515	36,841	11,529	1,370	500	93,756
TOTAL GF CAPITAL PROGRAMME				159,732	143,101	193,719	55,179	60,383	612,115