NOTICE OF MEETING

OVERVIEW AND SCRUTINY COMMITTEE

Monday, 20th January, 2025, 6.30 pm - Woodside Room - George Meehan House, 294 High Road, N22 8JZ (watch the live meeting here, watch the recording here)

Councillors: Matt White (Chair), Alexandra Worrell, Pippa Connor (Vice-Chair), Makbule Gunes and Lester Buxton

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.

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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. MINUTES (PAGES 1 - 28)

To agree the minutes of the previous meetings held on 25th November and 12th December as a correct record.

7. MINUTES OF SCRUTINY PANEL MEETINGS (PAGES 29 - 76)

To receive and note the minutes of the following Scrutiny Panels and to approve any recommendations contained within:

- Adults and Health Scrutiny Panel – 14 November 2024
- Climate, Community Safety & Environment Panel – 14 November 2024
- Children & Young People's Scrutiny Panel – 19th November 2024
- Housing, Development & Planning Scrutiny Panel – 21st November 2024

8. TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26 (PAGES 77 - 106)

To receive and make comments on the Treasury Management Strategy Statement 2025/26.

9. SCRUTINY OF THE 2025/26 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2025/2030 (PAGES 107 - 162)

To ratify the recommendations arising from the Scrutiny Panels in relation to the 2025/26 Draft Budget and MTFS 2025/30.

Please note that Appendices 1 to 4 were previously published in November 2024 and are provided for reference. Appendix 5 was unavailable at the time of publication on 10th January 2025 and will be published shortly afterwards as part of a supplementary agenda pack.

Appendix 1 – Forecast Budget Pressures
Appendix 2 – Summary of new proposed savings and management actions
Appendix 3 – Summary of proposed changes to the Capital Programme
Appendix 4 – Report to Nov 2024 Cabinet – Draft 2025-26 Budget and 2025/30 Medium Term Financial Strategy
Appendix 5 – List of Comments and Recommendations from Budget Scrutiny Process
Document A – Scrutiny Role

10. UPDATE ON THE LOCAL GOVERNMENT SETTLEMENT FOR 2025/26

Verbal Update from the Director of Finance.

11. NEW ITEMS OF URGENT BUSINESS

12. FUTURE MEETINGS

30th January (Budget Scrutiny)
27th March 2025

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

Friday, 10 January 2025

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MINUTES OF THE MEETING

Overview and Scrutiny Committee HELD ON Monday, 25 November, 2024, 7.00 pm

PRESENT: Councillors: Matt White (Chair), Alexandra Worrell, Pippa Connor (Vice-Chair) and Makbule Gunes

ALSO ATTENDING:

Cllr Seema Chandwani – Cabinet Member for Resident Services & Tackling Inequality, Elaine Prado – Head of Customer Experience, Kirsten Webb - Feedback & Resolutions Manager, Claire McCartney – AD for Strategy, Communications & Collaboration, Kari Manovitch – AD for Customer Services, Ann Graham – Director of Children's Services, Tracy Park – Business Manager, Adult Social Services, Jahedur Rahman – Operational Director for Housing Services & Building Safety, Cllr Emily Arkell – Cabinet Member for Culture & Leisure, Barry Francis – Director of Environment & Resident Experience (Parks Leisure complains benefits), Jess Crowe – Director of Culture, Strategy & Engagement, Cllr Dana Carlin - Cabinet Member for Finance & Corporate Services, Taryn Eves – Director of Finance, John O'Keefe – Head of Finance (Capital, Place & Economy), Frances Palopoli – Head of Finance (Strategy & Your Council), Josephine Lyseight – AD for Finance, Simon Farrow – Head of Parks and Leisure, Zoe Robertson – Head of Place, Dominic O'Brien – Principal Scrutiny Officer, Chris Liasi – Committees and Governance Officer.

1. **FILMING AT MEETINGS**

   The Chair referred Members present to item 1 as shown on the agenda and ran through requirements. Members noted the information contained therein.

2. **APOLOGIES FOR ABSENCE**

   There were apologies for lateness from Councillor Gunes.

   Apologies for absence were also received from Councillor Gordon.

3. **URGENT BUSINESS**

   None.

4. **DECLARATIONS OF INTEREST**

   None

5. **DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS**

None

6. MINUTES

RESOLVED:

That the minutes of the meeting on 14th October 2024 were agreed as a correct record.

7. MATTERS ARISING FROM HOUSING, PLANNING & DEVELOPMENT SCRUTINY PANEL

A discussion was held at one of the panels regarding new policies related to housing demand and allocations. During the discussion, the panel recommended a review of the housing register, as it had not been refreshed or people's circumstances checked for several years. It was suggested that the review be part of the allocations policy update. The panel also proposed offering in-person support for rebranding to assist those who found the online process challenging. The panel then sought support from the main OSC to forward this recommendation to the Cabinet. The recommendation was for the Cabinet to consider contacting everyone on the housing register and reviewing the register to ensure the information was current and to assess if housing needs had changed over time.

RESOLVED:

A review of the housing register to be forwarded as a recommendation to cabinet.

8. **ANNUAL FEEDBACK AND RESOLUTIONS REPORT 2023-2024**

It was reviewed how feedback had been used to improve processes and policies. However, there was some uncertainty about the specific mechanisms linking feedback to policy changes. One concern was whether there were systematic processes in place across all services to ensure feedback could lead to service improvements.

The response clarified that improvements and changes were often specific to individual complaints, with feedback driving some smaller, local changes or larger adjustments within services. The process of using feedback to drive change was described as more cultural, with an emphasis on listening to complaints and using them to identify improvements. Although there was no formal, unified feedback strategy yet, plans were in place to develop a more systematic approach, including new software to manage casework and capture learning.

Further discussion focused on how individual complaints were handled. For example, a complaint about poor communication with adult social care suppliers highlighted an issue that, while initially affecting one resident, pointed to a broader problem. This led to action being taken to prevent similar complaints in the future. The goal was to address the root cause, not just the individual issue.

The discussion also covered the top reasons for complaints, particularly poor service standards and failure to provide services. It was noted that these issues were particularly prevalent in housing services. Questions were raised about how the council would address these concerns and ensure improvements for residents. It was stated the approach was initially prescriptive, suggesting a rigid response to complaints, requiring triage, assessments, and extensive meetings. However, the aim was to shift the mindset so that complaints were not met with defensiveness but with active listening. In some cases, complaints were from a single resident, while others were issues that had been affecting multiple residents but hadn't been formally reported. When these complaints reached management, it was often unclear whether they were isolated incidents or symptoms of a larger problem.

As the issue was investigated further, it became clear that the problem could be addressed locally, without needing an extensive review process. This approach emphasized the importance of not dismissing complaints or thinking that solving the loudest complaint was sufficient. It was crucial to ensure that similar issues weren't affecting other residents, and proactive measures were put in place to prevent further complaints. Additionally, there was a recognition that if the adult social care team did nothing, more complaints would arise, creating a repetitive cycle. It was essential to continue advocating for residents and not be intimidated by the potential impact of addressing their concerns.

Proactive updates from directors or cabinet members were suggested, as communication gaps often left councillors in the dark about ongoing issues. Councillors had expressed frustration about a lack of response or acknowledgment regarding member inquiries, only to later learn that the problem was due to understaffing or resource limitations. Understanding these situations helped councillors convey the issues to residents, even if the situation was still frustrating.

Concerns were also raised about analysing trends and whether the Council had the necessary budget for data analysts to track complaints effectively. A new position was being created to focus on data analysis and identifying trends, particularly for complaints. It was acknowledged that the current system required manual effort, but there were plans to introduce new software in the upcoming financial year to automate data collection and analysis. In response to the question about non-complaint contacts, it was noted that many residents initially contacted the Council with service requests, which were often addressed quickly. However, it was recognized that some of these requests eventually escalated into formal complaints. The goal was to resolve issues as service requests before they became formal complaints. A new system was expected to help differentiate between complaints and service requests, allowing for quicker resolutions.

RESOLVED:

Recommendation to officers to provide breakdowns in greater detail.

9. **SCRUTINY OF THE 2025/26 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2025/2030**

The Chair stated that, according to Haringey Council's constitution, anything related to scrutinizing the annual budget needed to be chaired by a member of the opposition group. The chairing of the meeting was handed over to the Vice Chair, Councillor Connor.

The Chair referred to Appendix One on page 85, which outlined the 2025-2026 forecast budget pressures, focusing on overspending. It was noted that The Director of Finance had kindly agreed to skip straight to the appendices. The Chair then indicated that the discussion would focus on sections related to culture, strategy, engagement, and overview and scrutiny, with an exception for a specific item under environmental resident experience, which would be addressed later. The discussion began with Appendix 1.

Digital Services:

The digital services budget had shown an overspend of £454,000. There had also been additional budget impacts related to digital services throughout the budget discussion. The digital transformation had included planned savings of £200,000 for 2025-2026, followed by £2 million in 2026-2027. Additionally, there had been a capital allocation of £1.9 million for memory-related costs. The Chair had sought clarification on how these various budget items aligned with the overall digital services strategy and had looked to Jess for further explanation. It was explained the digital services team had been working to modernize and transform the department over the past year, with a focus on making it more structured and efficient. The aim had been to move from a service primarily managing contracts to one that could develop in-house systems and programs. This transformation was necessary because previous efforts had failed to fully analyse the service, leading to redundant packages being procured across different departments.

The budget pressure for digital services was forecasted at £545,000, with the need for savings amounting to £2 million in 2026-27. In 2025-26, the target savings were set at £200,000. Despite this, an overspend was already anticipated. Jess, the Director of Culture, Strategy, and Engagement, explained that the pressures were mainly due to a major restructuring in digital services, including redundancy costs. Additional challenges stemmed from the incomplete digital transformation, which had yet to be fully implemented due to a lack of in-house expertise. However, the team had begun addressing these issues by hiring the necessary personnel and establishing systems to better track savings.

A roadmap was being developed to outline future savings targets, including potential reductions in staffing and savings on printing and postage. Individual roadmaps for different services, such as digital access for adults and children, and further automation in various services, were also being worked on. Additionally, ongoing investments were required to maintain essential IT infrastructure, particularly in cybersecurity and licensing, which presented a pressure for the next year. These infrastructure investments were necessary to ensure the council remained secure while continuing its digital transformation. The complexities of the digital service strategy were reflected in various sections of the budget.

Concerns were raised about ongoing pressures related to technological updates, particularly cybersecurity, and the potential for new pressures in the following years. Questions were asked regarding the realism of the savings targets, with £200,000 for the next year and £2 million for the year after, considering the need for continual technological investments.
In response, it was acknowledged that while these were significant changes, there was confidence in achieving the savings. Key factors contributing to this confidence included the completion of work on building the council’s infrastructure and understanding how all systems interacted. This allowed for identifying areas where unnecessary systems could be eliminated, such as reducing the need for separate cybersecurity protection systems by utilizing existing core systems like Microsoft.

Additionally, the council had built an internal team of developers with the flexibility to improve the entire system architecture, which would support long-term savings. The fact that other councils had successfully undergone similar digital transformations, despite facing even more challenging savings targets, further supported confidence in achieving the targets.It was emphasized that strong governance and careful decision-making were crucial in avoiding unnecessary system purchases. By sticking to core platforms and making informed decisions through boards like the Enterprise Architecture Board and the Technical Design Authority, the council would be able to track and control its technology investments effectively. The overall progress and plans would be shared with members in the new year.

Recommendation: to be referred to cabinet as an area of concern.

Human Resources:

The next item under discussion was human resources, specifically the additional cost of Disclosure and Barring Service (DBS) checks, which resulted in a full cost budget pressure of £74,000. There were no questions regarding this issue.

Environment and Resident Experience:

The discussion focused on a significant pressure of £3.5 million related to housing benefits, which fell under the portfolio of Councillor Chandwani. She explained that the council administers housing benefits on behalf of the government. In most cases, the council reimburses landlords for the exact amount paid to tenants. However, in cases of supported exempt accommodation provided by non-residential social landlords, such as companies or charities, the council only recovers 60% of the cost and must cover the remaining 40%. This created a budget pressure, especially since the cost for supported exempt accommodation can range from £500 to £700 per week per person. The pressure arose from the number of tenants in such accommodation, which was not provided by residential social landlords.

The £3.5 million pressure on housing benefits was attributed to a specific case currently under investigation. The issue arose because the Department for Work and Pensions (DWP) believed the council may have wrongfully paid someone. If this is confirmed, the council would not receive the 60% reimbursement for supported exempt accommodation from the DWP. The £3.5 million housing benefit pressure was attributed to several factors. It was stated the significant portion, approximately £1.6 to £1.7 million, stemmed

from cases where charities or Community Interest Companies (CICs) were involved, as the DWP only reimbursed 60% of the costs. There was also a projected 10% annual growth in cases, with around 3,650 live cases being processed.
Additionally, the council had undertaken a detailed review of claims to eliminate improper or potentially fraudulent claims. While stopping fraud was positive, it worsened the financial position as the DWP would not reimburse fraudulent claims.

Other contributors included overpayments that exceeded the DWP's coverage threshold, for which the council was liable. The pressure also accounted for bad debt provisions, especially as individuals transitioned from housing benefit to Universal Credit, impacting the recovery of overpayments. These four factors combined to create the £3.5 million pressure.

Recommendation: to receive the report in greater detail.

Cross Council Savings:

The initial focus was on the first four savings areas: the enabling services review, procurement and contract management, staffing efficiencies, and income generation. Together, these savings total £13 million of the £19 million proposed across the council. These savings are crucial for building a balanced budget for the year. Given that responsibility for these savings falls across all cabinet members and senior leadership, the question was raised about how to ensure these savings are effectively delivered and who would take responsibility for them.

Enabling Services Review:

The savings were substantial because they impact significant budgets. For instance, staffing proposals affect a £116 million staffing budget, making the savings targets reasonable. The enabling services review focused on identifying staffing needs within the corporate centre, while a 5% reduction in staffing will be managed by directorates, allowing flexibility in how savings are achieved (e.g., holding vacancies, reducing agency costs). In procurement and contract management, there is confidence that savings can be found, and further details were to be provided by relevant officers. The importance of strengthening the delivery and tracking of savings moving forward was emphasised, beyond what is currently reported in the quarterly monitoring. The goal was to enhance future reporting. These cross-cutting savings were presented collectively in the report.

Staffing Efficiencies:

It was acknowledged that there wasn't a robust plan in place at the time for delivering the £250,000 savings target, which led to questions about how the £3 million savings could be achieved. It was stated the Council were committed to finding ways to mitigate the £250,000 shortfall in the current year and reassured that efforts for the £3 million target were still on track.

Regarding the general fund, a budget of £600 million was presented, with over £400 million allocated to third-party spending and contracts. The proposed savings represented less than 1% of this expenditure. A more detailed review of contracts, including renewals, would be conducted, based on a newly established contract register.

Rather than making speculative assumptions, the approach would focus on concrete evidence, and a pipeline of upcoming projects would be developed. This would involve scrutinizing existing contracts for duplication and managing this through a new procurement board. The speaker assured that by January, a more solid plan would be in place to support the savings, with progress to be monitored ahead of the balanced budget recommendation to Cabinet in February.

Enabling Services Review:

It was queried whether the detailed savings plan, which was being sent to directors for delivery in 5% increments, would be subject to scrutiny by the overview and scrutiny panel and individual panels. There was a concern about ensuring that staffing changes, such as reducing agency staff or vacancies, would not negatively impact service delivery or staff morale. The importance of scrutinizing these changes, especially regarding the potential impact on team workloads and job satisfaction, was emphasized.

In response, it was clarified that while the savings included management actions such as reducing agency spend, any potential negative impact on service delivery would be reported to the scrutiny panel. Each directorate had specific savings targets, with a combination of management actions and savings to be tracked. If the changes affected service delivery, it would be raised for scrutiny, while management actions like agency cost reductions would not necessarily require scrutiny unless they directly impacted services.

Human Resources:

Further assurance was provided regarding the processes for delivering these savings, particularly in HR, which would support any necessary restructures. Directors were asked to submit their plans for achieving the 5% savings, which HR would use to plan resources and avoid bottlenecks. A session would be organized for senior managers to ensure they understood the restructuring process. In addition to restructures, HR would assist in reviewing staffing budgets, vacancy factors, and potential savings from staffing levels, ensuring that these adjustments would be genuine savings and not just budget cushions.
Lastly, HR would provide guidance on optimizing management structures and workload distribution to ensure the right balance across teams. This comprehensive approach aimed to manage changes effectively while minimizing disruption and ensuring that all savings were delivered.

Income Generation:

It was asked whether any income generation efforts could help address the financial pressures, and examples of such efforts would be useful. A specific question was raised regarding the projected savings of £13.5 million for 2025/26 and £4.4 million for 2026/27. It was wondered if these figures were realistic or if they were rough estimates, with more detailed proposals expected later.

In response, it was acknowledged that while the focus had primarily been on achieving a balanced budget for 2025/26, future years, especially after 2026/27, would face additional funding changes that needed to be considered. Although some savings had been documented with reasonable assurance, it was expected that additional savings, particularly across various departments, would emerge in future years. However, the work to quantify savings for 2026/27 had not yet been completed, which meant the figures for that year were not fully reliable at this point.

Regarding income generation, half a million pounds had been identified with evidence of work underway to explore further income opportunities across services. More potential income generation was anticipated in the future, but no specific figures were included in the budget at this stage until further work was done. An updated figure might be available in January, or it could be included as part of the 2026/27 budget if further analysis was required.

Recommendation: to receive the report in greater detail in January and balanced budget was one of the major areas of concern.

Appendix 2:

Contract Management:

The savings initiative was set to impact various departments, with the project being divided into two workstreams. The first workstream focused on reviewing existing contracts to assess whether they provided value for money. The review included both external contracts, such as those for housing repairs and other service-related contracts, as well as contracts for more specialized services, like those supporting women fleeing domestic violence or children with disabilities. These specialized services often required more resources to deliver.

The approach aimed to examine all procurement activities, addressing issues like long-standing contracts with organizations, where the original signatories were no longer with the council, and the terms of these contracts were unclear. In some cases, there were duplications, where multiple organizations provided similar services under separate contracts. Given the council's financial situation, it was crucial to review all contracts, even smaller ones, which had often not received the same level of scrutiny as larger contracts. This thorough examination was intended to identify inefficiencies, duplications, and opportunities for cost-saving

The council was not necessarily losing substantial amounts of money over the years, but the focus was on identifying inefficiencies and duplication in procurement. The goal was to ensure that contracts were not being unnecessarily duplicated, which could be streamlined for cost savings. The issue was not about money leaking due to lax management, but rather about closely examining every contract to assess whether it was still necessary and whether costs could be reduced.

Regarding the proposed savings, the question arose about whether additional personnel would be needed to scrutinize contracts and implement improvements, as this was expected to be a complex and technical process requiring expertise. The need for more staff to carry out this work was raised, along with a request for further details in January.

Digital Transformation:

It was questioned whether it was feasible to deliver an effective digital service for less than a third of the current cost. The response clarified that the proposal involved savings of £2 million next year and £2 million in future years, but these savings came from the total digital spend across the council, not just the £6 million held by digital services. The core digital systems were

part of that £6 million, but other services across the council also had separate digital budgets.
It was suggested that a note or a clearer breakdown of the figures would have been helpful for better understanding. No further questions were raised on digital transformation.

Culture Review:

A question was raised about the proposed £25,000 savings for the culture budget, which appeared to be related to libraries. The response clarified that the savings were aimed at discretionary budgets used to fund Jackson's Lane, Alexandra Palace, and the Bernie Grant Arts Centre, which received grants to cover their core costs. Due to financial challenges, the council was unable to continue funding these grants at the same level and was in active negotiations with the three centres to help them secure alternative funding sources.

It was requested that, in the future, any specific funding allocated to organisations be itemised. This would help clarify which funds would be applied earlier or later, allowing for a better understanding of the proposals.

New Local Membership:

A £20,000 allocation was proposed for a new local think tank. The think tank was a membership organisation with various local authorities and other groups as members, providing access to policy advice. The policy team is small, so this resource was considered useful but not essential. The entire funding for this was ultimately removed.

Resident Survey:

It was raised whether the resident survey is conducted annually. In response to the query, it was stated the resident survey was not conducted annually, but every three years. The cost was roughly £70,000 to £75,000, with an annual provision of £25,000 saved up over the years to fund it. The proposal was to remove this budget, meaning that if the Council wished to conduct another survey in three years, it would need to submit a one-off growth bid for the funding, rather than having an annual provision in place. The survey was scheduled for this year, but future surveys would require a decision from the members.

The council previously used a proprietary VPN for security but planned to transition to a Microsoft VPN. There were concerns about whether the new system would be as secure. Nathan explained that both systems were effective, with the Microsoft VPN now bundled into the Microsoft package and used by several London boroughs. The change was driven by the expiration of the current contract and the cost-effectiveness of the Microsoft option. The Committee was provided with assurance that proper assessments would be conducted to ensure it met cybersecurity needs and confirmed that they were consulting other boroughs, including Waltham Forest, which had already adopted the system.

Registrars:

There was uncertainty about why the proposed savings were listed in relation to the increased fees. It was clarified that this was not a savings initiative, but rather an income increase. The increase in fees for registrars was due to a raised fee level, and no additional action was required. The forecast was based on the current level of business, with the expectation that the fee increase would result in a boost in income.

Reduction in housing benefit accommodation costs:

A savings proposal of £200,000 was discussed for 2025-26, with a focus on developing a new team. Mr. Warren expressed concern that the measures might result in more people rough sleeping. He highlighted the risk that with fewer people being deemed eligible for support and accommodation, there could be an increase in rough sleeping, especially for those who previously had access to emergency accommodation. While he acknowledged the need to make savings, he remained concerned about the potential impact on vulnerable individuals.

The discussion focused on concerns over the current accommodation arrangements, where a property was being charged £500 per week for rooms that should only cost £150. The providers claimed to be offering support to vulnerable residents, such as assistance with cooking and literacy, but were unable to provide evidence of such services. This was considered fraudulent behaviour, and it was emphasized that vulnerable people were being exploited. Additionally, some residents were unknowingly claiming supported accommodation, thinking they were just receiving housing benefits.

The focus was on ensuring that people were not being exploited, even while the council worked to save money. The importance of protecting the public purse was highlighted, with the savings expected to result in long-term financial benefits for the council. However, it was stressed that this action was about addressing fraud, not simply saving money, and it would ultimately help find appropriate housing for those in need.

Leisure Service:

The means testing for leisure services was introduced, with a proposed £200,000 savings. The new system would replace blanket discounts for customers aged 65 and over, offering discounts to disabled young people and those on low incomes instead. Further clarification was sought on how means testing would work in practice.

The implementation of means testing for leisure service discounts was discussed, with the opportunity to review the borough's concessions now that leisure services were brought in-house on October 1st. It was noted that these concessions had not been reviewed for 17 years, and there was a need to make the system fairer and simpler. The process would involve engaging with residents to understand what concessions should be offered, as well as benchmarking with other boroughs, both those with in-house services and those using private providers.

The plan was to begin this engagement in the new year, focusing on identifying groups that would benefit most from the concessions. These included children and young people, as well as residents who had previously left the services, likely due to poor service under the previous provider. Additionally, a commitment was made to prioritize vulnerable residents and ensure that those with long-term health conditions received adequate support through partnerships with the NHS and social prescribing.

Concerns were raised about the complexity of means testing, particularly regarding the documentation required, and the challenge of ensuring that vulnerable people would still engage with the process. There was also a request for further clarification on the target groups for discounts and the financial backing for the proposed £200,000 savings. It was suggested that further details on the strategy, co-design process, and the means testing system would be helpful as the project progressed.

The broader health and well-being strategy was also discussed, aligning with the council’s efforts to reduce health inequalities and promote physical activity. It was highlighted that the engagement process would involve reaching out to established user groups and those who had previously expressed interest in participating, ensuring a wide range of feedback for the new system.

The discussion highlighted concerns over the complexity of pricing at leisure centres, specifically regarding varying prices for different groups. It was suggested that the pricing system needed simplification, ensuring that a junior swim, for example, was offered at one price for all juniors, rather than being categorized into multiple subgroups. The aim was to make the system fairer and simpler.

There were estimates made for budget savings, but the specifics of the savings, particularly for the year 2025/26, were not yet finalized. The co-design process with residents was emphasized as a key factor in determining how the discounts would be structured. It was acknowledged that some groups, like asylum seekers, might need support but wouldn't necessarily qualify for traditional means-tested benefits. A careful engagement process would be essential to ensure all relevant groups were included in the plan.

Regarding the timeline, concerns were raised about achieving the proposed savings while consultations were still underway. It was noted that the savings would likely be spread over three years, not just one, as indicated in an earlier document error. The budget savings for 2025/26 would be around £50,000, with further profiling dependent on the results of the engagement process. The process would involve working with affected individuals, especially those potentially losing concessions, to ensure a fair and smooth transition.

The committee acknowledged the proposed adjustments to the budget and the ongoing consultation with residents, noting that clearer details on the discounts and eligible groups would be provided in the future.

Range of Management actions from the main overview and scrutiny and Climate Committee Safety and environment panel:

The review of the Council Tax Reduction Scheme (CTRS) aimed at identifying potential savings of £2,000,000 was discussed. A consultancy company, Policy and Practice, was hired to assist with the review. They had experience working with several London boroughs and others outside the city. The goal was to make the scheme more flexible, as it was previously very rigid, with eligibility based strictly on means-testing. The review aimed to ensure support for those in the greatest financial need, regardless of their category. Another key objective was to protect individuals who were unable to work, while also addressing those who were working but still receiving CTRS benefits.

The process was acknowledged to be challenging, as it involved potentially making cuts to welfare benefits. However, it was noted that there were individuals in the borough who were still being charged 20% of their council tax, despite not having sufficient income. Some households, despite having additional income sources, still received 100% CTRS due to previous decisions. One example given was the current exemption for anyone classified as low-income. The review was necessary to reassess and potentially adjust these provisions.

The proposal for the Council Tax Reduction Scheme (CTRS) was the same as the one put forward last year and was already included in the medium-term financial strategy. It reflected work done this year as part of a review to prepare for the policy and practice review, which resulted in an in-year saving of £2,000,000. This saving was achieved through a range of measures, including identifying individuals who were receiving council tax support when they shouldn't have been, as well as identifying other opportunities for recovery.

The work that was originally planned for the following year (2026/2027) was still going to take place, but the £2,000,000 saving had already been realized earlier than expected. This was due to the review of the CTRS, which led to a correction of overpayments made to around 1,000 residents who had been receiving more support than they were entitled to. This correction began in April of the current year, resulting in the early delivery of the £2,000,000 saving. Once the cost of the scheme was reduced by this amount, it would remain at that level, with no further accumulations in subsequent years. The savings were not a reprofiling but rather an outcome of a separate review of the CTRS.

The £2,000,000 savings achieved in the current year were not reflected in the 2024/2025 budget. Therefore, the £2,000,000 savings for 2025/2026 were essentially a continuation of the early savings made in 2024/2025, as the budget had not been adjusted for them. The additional savings from the policy and practice work will be realized in 2026/2027, but these figures were not included in the current paper as the policy and practice review is still pending.

As part of the information provided to scrutiny, reassurance was requested regarding individuals affected by the changes, ensuring they wouldn't fall into further debt or arrears during the process. This information was not needed immediately but should be included in the response back to the Overview and Scrutiny Committee (OSC).

The proposed reductions to Alexandra Palace, amounting to just over £1.5 million, were set for implementation in 2026/27. A question was raised about whether this decision had been made solely by the Council or in collaboration with the Trust. It was clarified that the reduction resulted from negotiations with Alexandra Palace regarding the profiling of capital work, and it was a joint decision, not unilateral.

The committee requested additional information from Alexandra Palace about their plans, as well as more details on the £1.9 million digital capital programme.
Next, a budget saving of £236,000 was noted for a one-off reduction related to the move of Boardwalk to Farm Leisure refurbishment to the HRA. It was explained that this was an accounting adjustment, reducing the general fund capital programme and increasing the HRA capital programme, but with no overall impact on the total council budget.

A budget reduction of £75,000 was proposed, raising questions about what it specifically entailed, particularly regarding festival and Christmas tree lighting. It was clarified that the £75,000 usually formed part of the capital programme for street lighting, which totals around £1 million. The plan was to seek external funding to cover this £75,000.

A proposal was made for a £300,000 investment in replacing parks and housing machinery over five years, starting in 2025-26. The program aimed to replace aging equipment, including tractors and blowers, which were causing increased downtime and higher repair costs. The plan also included transitioning smaller equipment to battery-powered versions, which would reduce noise, pollution, and vibration, benefiting both performance and staff well-being.

This initiative was part of an ongoing strategy to reduce equipment hire costs, with a pre-existing saving already built into the medium-term financial strategy. The new budget proposal focused specifically on purchasing machinery rather than continuing to hire it.

It was also noted that the capital programme had shifted to a more consistent, rolling approach, with the recognition that machinery replacement would always be an ongoing need, thus requiring long-term budgeting rather than one-time annual allocations.

It was suggested that a motion needed to be carried to decide whether item 10 could be addressed after 10:00 or deferred to the December meeting. The decision was to defer, but it was important to agree that the current item could continue, and that discretion would be allowed regarding whether to address the next agenda item which was agreed by the Committee.

Reassurance was sought that officers would be present at the December meeting, including directors, services, and possibly cabinet members, as the discussions would involve specific areas. A commitment was requested from all parties to attend the meeting, with the understanding that if that couldn't be guaranteed, it would be necessary to ensure the right people were present to provide the required information.

RESOLVED: Appendix 3 and Items 10,11 and 12 had been deferred to the next meeting.

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MINUTES OF THE MEETING Overview and Scrutiny Committee HELD ON Thursday, 12th December, 2024, 7:00 – 10:00pm

PRESENT:

Councillors: Matt White (Chair), Alexandra Worrell, Pippa Connor (Vice-Chair), Makbule Gunes and Lester Buxton

ALSO ATTENDING: Kodi Sprott, Principal Committee Coordinator, Dominic O'Brien, Scrutiny Officer, Taryn Eves, Director of Finance, Jess Crowe, Director of Culture, Strategy and Engagement, Haydee De Souza, Head of Legal, Zoe Robertson, Head of Place

1. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. URGENT BUSINESS

There were no items of urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

There were no deputations, petitions, presentations or questions.

6. MINUTES OF SCRUTINY PANEL MEETINGS

To receive and note the minutes of the following Scrutiny Panels and to approve any recommendations contained within:

- Adults & Health – 19th September 2024
- Climate, Community Safety & Environment – 12th September 2024
- Children & Young People – 9th September 2024
- Housing, Planning & Development – 26th September 2024 and 5th November 2024.

Haringey LONDON

RESOLVED

Noted and approved.

7. FINANCE UPDATE QUARTER 2

The Finance Update for Quarter 2 provided a comprehensive overview of the council's financial position as of the end of September. Taryn Eves, Head of Finance and Councillor Carlin introduced the report for this item. Below are key points in regard to this:

The council was experiencing increasing financial pressures, particularly in adult social care and temporary accommodation. These pressures were consistent with trends observed in other London boroughs and across the country. The

projected overspend had risen significantly, with service pressures increasing from £18 million to approximately £29.5 million. Additionally, non-deliverable savings have increased from £2 million to £7.5 million, contributing to the overall budget gap. While adult social care was under significant pressure, children's services had remained relatively stable, which was a positive aspect of the financial update. The council had implemented initiatives to support residents, such as providing grants to low-income households previously entitled to winter fuel payments.

The capital program had experienced a high level of slippage, meaning that not all planned projects were progressing as expected. The council aimed to improve this situation by avoiding including projects in the capital program that could not be delivered. The report highlighted concerns about the trajectory of financial pressures and the need for careful monitoring. The council was committed to ongoing monthly monitoring of high-risk budgets and would use this information to inform future budget-setting processes. The report indicated a significant budget gap projected for future years, emphasizing the need for strategic planning and potential adjustments to services and spending.

The following was noted in response to questions from the committee:

- The council was conducting monthly monitoring of high-risk budgets and was working to tighten financial controls. There was a focus on accurate forecasting and identifying any potential risks early to mitigate overspending.

- The non-delivery of savings would increase the budget gap on a pound-for-pound basis. The council was actively reviewing savings proposals and was committed to ensuring that any savings that cannot be delivered are accounted for in future budget planning.

- While it was difficult to guarantee absolute accuracy, the council had worked to ensure that the forecasts were based on tangible assumptions and data. The focus was on realistic projections, and the council would continue to monitor the situation closely.

- The council was taking into account various external factors, including inflation and market conditions, which could affect service delivery costs. These factors were included in the financial planning process to ensure that the budget reflects the current economic environment.

- The Audit Committee discussed the challenges related to the council's historical audits and the need for transparency in financial reporting. There was a disclaimer on previous accounts due to the lack of audits, but the focus is now on ensuring that future audits are completed in a timely manner.

- The council had set aside contingency reserves to manage unexpected financial pressures. Additionally, there were ongoing reviews of spending to identify areas where costs can be reduced without compromising service delivery.

- The council was developing a medium-term financial strategy that included identifying new savings, enhancing income generation, and exploring “invest to save” opportunities. The aim was to create a sustainable financial plan that addressed both current and future challenges.

The plan for finance in Quarter 2 focused on several key areas to address the council’s financial challenges and ensure effective management of resources.

The council committed to conducting monthly monitoring of high-risk budgets to track spending and identify any potential overspending early. This proactive approach aimed to ensure that any financial issues could be addressed promptly. Efforts were made to identify and implement savings across various departments. This included reviewing existing budgets, contracts, and operational efficiencies to find areas where costs could be reduced without compromising service delivery. The council planned to consider external factors such as inflation and rising costs in its financial planning. This included assessing how these factors could impact service delivery and budget requirements. The council intended to engage with the community to gather feedback on proposed budget reductions and savings. This was part of a transparent approach to decision-making and aimed to ensure that residents’ voices were heard. The council aimed to develop a medium-term financial strategy that would outline its financial framework for the coming years. This strategy was intended to provide a roadmap for achieving financial sustainability and addressing the projected budget gaps. The plan included a careful assessment of reserves to ensure that they were used effectively to manage short-term financial pressures while maintaining a prudent level of reserves for future needs.

Concerns were raised regarding the number of voids within the borough. It was explained that properties could become void for various reasons, including tenant turnover, property repairs, or renovations. In some cases, properties may be left vacant due to issues such as damage or the need for significant repairs. High levels of voids could significantly impact a housing authority’s or landlord’s finances. Each vacant unit represented lost rental income, which could affect overall budget and cash flow. Effective void management strategies were essential to minimize the duration that properties remain vacant. This could include:

- **Regular Maintenance**: Ensuring properties are well-maintained to attract tenants quickly.
- **Marketing**: Actively promoting available units to potential tenants.
- **Streamlined Processes**: Reducing the time it takes to prepare a property for new tenants after a previous tenant vacates.

Housing authorities often tracked voids closely to identify trends and address issues that could lead to prolonged vacancies. Regular reporting on void levels could help in making informed decisions about property management. Understanding the financial implications of voids was important for budgeting and financial planning. Authorities may need to account for potential losses in their financial forecasts.

During the discussion about contingent liabilities in the Finance Update, the following key points were made. The council had some property-related contingent liabilities, which were associated with its commercial portfolio and operational estate. These liabilities may arise from leases or other agreements where the council could be responsible for repairs or other costs. The report highlighted that contingent liabilities represented a risk to the council's financial position. If the likelihood of these liabilities materializing increased, they may need to be accounted for as provisions in the budget, which would require setting aside funds to cover potential costs. The council was committed to monitoring these contingent liabilities closely. The aim was to ensure that any significant risks are identified early and that appropriate measures are taken to manage them effectively. The presence of contingent liabilities could impact the council's budgeting process. If certain liabilities become more likely to materialize, it could lead to increased costs and affect the overall financial stability of the council.

Actions from discussion:

- Officers to bring back examples of capital projects that had finished and demonstrate whether it was self-financing.
- On the capital forecast, members used to get tables that would tell us how much of the capital spend impacted on the revenue account, the committee would like figures on that.
- in the report housing benefit overspend in housing benefit administration, what has caused this?

8. SCRUTINY OF THE 2025/26 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2025/2030 - SAVINGS TRACKER

Jess Crowe discussed the Savings Tracker and digital transformation during the meeting. She explained that the savings related to digital transformation had been reprofiled and allocated to individual directorates to encourage engagement and ownership of the savings targets. Specifically, she mentioned a saving of £145,000 related to the replacement of the Respond system, which is used to manage member inquiries, complaints, and Freedom of Information requests.

She noted that the current Respond system which was used to manage member inquiries, complaints, and Freedom of Information requests was outdated and inefficient. The plan was to replace it with a new system that is not only cheaper but also offers better automation for various processes. She acknowledged that the implementation of this saving had slipped but expressed confidence that it would be delivered in the subsequent financial year, thanks to mitigations being identified in other systems used by her directorate. Overall, she emphasized the importance of a structured approach to digital transformation, which includes developing a roadmap for each directorate to ensure that savings are achievable and that there is accountability for delivering those savings. There would be an all-member briefing organized to discuss the digital transformation and changes within the digital service. This briefing would provide an opportunity for all councillors to ask questions and learn more about the new approach to digital services, including the plans for replacing the Respond system.
The briefing aimed to ensure that members were informed about the digital transformation efforts and the improvements being made to enhance service delivery and efficiency. Jess emphasized the importance of this communication to keep all members updated and engaged in the digital transformation process.

Contracts review –

During the discussion on the contracts review, it was noted that there was a target of £250,000 in savings, but this was marked as a red risk in the savings tracker. Taryn explained that this saving was initially included in the budget without a clear plan for how it would be delivered. As a result, it was determined that the saving would not be achieved this year.

Taryn indicated that the approach taken for this saving was similar to that of the digital transformation savings, where the responsibility for delivering the savings was expected to be passed on to various directorates based on their contract spending. However, since the directorates were already struggling to meet their own savings targets, Taryn decided to look for alternative savings within her own directorate instead.

The discussion highlighted the need for a more structured approach to managing contracts and identifying savings, as well as the importance of ensuring that any savings targets set are realistic and achievable. The red status indicated that the saving was unlikely to be delivered, and Taryn planned to incorporate this shortfall into the overall budget gap for the upcoming year.

Open banking –

The discussion on open banking being marked as a red risk indicated that the projected saving of £300,000 related to open banking was deemed unachievable. Taryn explained that this saving was based on the expectation of reducing bank charges by shifting to open banking methods for payments, which would not incur the same fees as traditional card payments. However, after reviewing the current situation, it was found that the level of bank charges was not as high as anticipated when the saving was initially proposed. As a result, Taryn stated that the saving could not be realized in its current form. She emphasized the importance of being honest about this situation rather than continuing to carry it forward as a target that could not be met.

Taryn mentioned that she would need to find alternative savings to offset the £300,000 shortfall created by this unachievable saving. The discussion highlighted the need for realistic assessments of savings proposals and the importance of identifying viable alternatives to ensure the budget remains balanced.

Recommendation – the committee acknowledged and noted that this would not be achievable.

Additional commercial advertising opportunities and covert static advertising to digital –

During the discussion on advertising target savings, it was noted that there were two specific savings targets related to advertising: one for additional commercial advertising opportunities and another for moving advertising to digital platforms. Both of these targets were marked as red risks.

The initial savings targets were considered optimistic and had not been met. The advertising income from these initiatives had not materialized as expected, primarily due to challenges in identifying viable opportunities and generating the anticipated revenue. To address this, the team had commissioned a piece of work to look at income generation across the council in a more coordinated manner. Instead of individual services working in isolation to meet their advertising income targets, the plan was to consolidate efforts and explore advertising opportunities across various departments and assets of the council.

The discussion emphasized the need for a more strategic approach to advertising income generation, recognizing that simply expanding existing advertising arrangements might not be sufficient. The aim was to develop a comprehensive strategy that would allow for better utilization of council assets for advertising purposes, ultimately leading to more sustainable income generation in the future. One specific example raised was that to improve income generation for libraries, it was necessary to improve the booking system.

The mitigations that the team were trying to put in place to manage the overspend was looking at staffing and reducing the number of agency staff.

Recommendation – mitigations in the term of trying to find the money from that position rather than the actual savings that have been identified in the report.

CE SNR savings –

This referred to the restructure that the Chief Executive had been carrying out, there had been a consultation to make permanent savings and changes to senior management. That consultation is now closed, and the restructure would go ahead as proposed.

Recommendation – The committee understood that this would be reprofiled, there would be different descriptions of the savings and that would be around the different posts. An Iteration of this would be done for the next tracker.

Application and infrastructure review –

The team had been doing a piece of work with an organisation called Gartner, who provided advice on benchmarking and looked at contracts. The team were confident that they would meet that savings target. This was projected to be delivered but hadn't been realised yet.

Recommendation - Note that it is amber and heard the plans are in place for this to materialise.

Reduce library opening hours –

During the discussion on reducing library opening hours, it was noted that there was a target saving of £675,000 associated with this proposal. However, the projection indicated that only £175,000 would be delivered, resulting in a shortfall of £500,000. Jess explained that the saving was intended to come from reducing the hours that libraries were open, which would subsequently lower staffing costs. However, the implementation of this saving had faced delays due to the need for staff consultations and the restructuring process.

Despite the shortfall, it was mentioned that the library service had been able to mitigate some of the financial pressure by holding vacancies and managing staffing levels more effectively. The representative expressed confidence that the restructuring would allow for the delivery of the full savings in the following financial year. Additionally, it was highlighted that the decision to reduce opening hours was part of a broader strategy to ensure the sustainability of library services while still providing access to the community. The conversation emphasized the importance of balancing cost savings with the need to maintain service quality and accessibility for library users.

Replace 3 PO3 team leader posts with two PO5 posts –

During the discussion on reducing PO3 roles, it was mentioned that this was part of a broader effort to achieve savings within the organization. The representative explained that the reduction of these roles was linked to the restructuring process aimed at streamlining operations and improving efficiency.

The conversation highlighted that the decision to reduce PO3 roles was made in the context of needing to manage budget constraints while still ensuring that essential services could be delivered effectively. It was emphasized that the restructuring would involve careful consideration of how to maintain service levels despite the reduction in staffing. Jess also noted that the impact of these reductions would be monitored closely to ensure that any potential negative effects on service delivery were addressed promptly. Overall, the focus was on achieving necessary savings while still prioritizing the quality of services provided to the community.

Events income increases –

During the discussion on events income increases, it was noted that there was an effort to generate additional income from events held in the parks, particularly outside of Finsbury Park. The goal was to diversify the types of events and activities offered in various parks to attract more visitors and generate revenue. It was mentioned that a new Parks Events Officer had been recruited to help facilitate this initiative and to develop a program of events that could be held in the parks. The focus was on creating smaller community events that would not only enhance the use of the parks but also provide opportunities for local engagement.

Officers acknowledged that Finsbury Park had been the primary focus for events due to its popularity and transport links, but there was a desire to promote other parks as well. The strategy included working with local community groups and the Friends of the Parks to ensure that events were well-received and aligned with community interests. Overall, the discussion highlighted the importance of increasing events income as a way to support the parks financially while also enhancing community involvement and enjoyment of the green spaces

Finsbury Park Income –

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Customer service and library service review –

During the discussion on the customer service and library service review, it was noted that this was a historic saving that had been included in the budget for a couple of years. The savings were related to a small team that supported service improvement work in customer services and were intended to be achieved through a minor management restructure. Officers explained that the library service had successfully delivered its part of the savings by integrating the home library service into the main library management structure, which streamlined operations and reduced costs. However, the customer service aspect of the savings had not yet been fully realized.

It was indicated that the two savings targets were somewhat intertwined because they were originally part of the same directorate. The representative acknowledged that while the library savings were on track, the customer service savings were still pending and would require further updates from the customer services team. Overall, the discussion highlighted the need for ongoing monitoring and management of these savings to ensure that both the library and customer service areas could meet their financial targets while continuing to provide quality services to the community.

Additional library income opportunities –

During the discussion on additional library income opportunities, it was noted that the library service was exploring various ways to generate more revenue. The focus was on leveraging the improvements made to library facilities and services to attract more users and increase income. The library service had identified potential income streams, such as renting out spaces for events or activities, offering paid workshops, and enhancing the marketing of existing services. The aim was to maximize the use of library resources and facilities to create additional income without compromising the accessibility and quality of services provided to the community.

It was also highlighted that the library service had been proactive in holding discussions with staff and stakeholders to gather ideas and feedback on how to effectively implement these income-generating strategies. The representative expressed optimism about the potential for increased income through these initiatives, which would help support the library's operational costs and contribute to its sustainability. Overall, the conversation underscored the importance of innovation and community engagement in identifying and capitalizing on additional income opportunities within the library service.

New river –

During the discussion on New River Sports and Leisure, officers mentioned that there had been a focus on generating income through various initiatives at the facility. The conversation highlighted that the centre had been successful in increasing participation and diversifying its offerings, which contributed to a net cost reduction of £53,000.

Officers explained that part of the income generation strategy included improvements in energy efficiency, such as switching to LED lighting, which would help reduce operational costs. Additionally, they emphasized the importance of maximizing the use of the facility to attract more visitors and events. The overall message was one of optimism regarding the potential for continued income generation at New River Sports and Leisure, with plans to further enhance the facility's offerings and improve its financial performance in the coming years. Officers expressed confidence that these efforts would contribute positively to the budget and help meet the council's financial targets.

9. UPDATE FROM THE DIRECTOR OF FINANCE

Taryn Eves, Head of Finance provided a comprehensive overview of the financial situation and budget planning for the council. Below is a summary of her update.

Taryn emphasized the importance of the MTFS, which outlines the financial framework for the next five years. The intention is to present this strategy earlier in the year (in July) to set the foundation for the budget-setting process. The Director reported that the budget gap for the upcoming year (2025-26) had increased significantly. Initially projected at £14 million, it was now estimated to be around £50 million due to rising pressures in adult social care, children's services, and housing. The council was actively working on identifying savings proposals to address the budget gap. A total of £18.8 million in proposals had been put forward for public consultation, which would close on January 5. The feedback from this consultation would be reviewed in January.

She acknowledged that the financial landscape was challenging, with low reserves and significant pressures on services and highlighted that the council's reserves are currently at low levels, which posed a challenge for financial sustainability. This situation limited the council's ability to use reserves as a buffer against financial pressures. She mentioned that there were different types of reserves, including committed reserves and risk reserves. Committed reserves were those that had been earmarked for specific purposes, while risk reserves were set aside to manage uncertainties and potential financial risks.

She indicated that there would be a review of the reserves to determine if any of the committed reserves could be utilized to help address the current budget challenges. This review aims to assess whether some of the older reserves, which may no longer be relevant or needed, could be released for use. She stressed the necessity of maintaining a prudent level of reserves to ensure the council can respond to unexpected financial challenges in the future. Exhausting reserves completely would undermine the council's financial stability and ability to operate effectively.

The conversation about reserves was tied to the broader theme of long-term financial planning. She emphasized that while it might be tempting to use reserves to cover immediate budget gaps, it is crucial to plan for the future and ensure that reserves are available for unforeseen circumstances. The need for careful monitoring and management of budgets was emphasized, particularly in light of the risks associated with delivering the proposed savings.

She mentioned that the government had announced additional funding for local authorities, but it was uncertain how much of this would benefit Haringey specifically. The provisional local government finance settlement was expected to be published soon, which would provide more clarity on funding allocations. She highlighted the importance of long-term planning and the need to address not just the immediate budget gap but also the projected cumulative budget gap of £132 million by 2029-30. This required a focus on sustainable financial management and exploring invest-to-save opportunities.

She expressed a commitment to engaging with stakeholders and ensuring transparency in the budgeting process. This included working closely with various departments to identify savings and improve financial performance. She highlighted that simply cutting costs would not be sufficient to address the budget gap. There was a need to explore invest-to-save opportunities that could help reduce future demand pressures, particularly in areas like adult social care and children's services.

The discussion underscored the idea that investing in certain services or programs could yield significant savings over time. For example, initiatives aimed at preventing homelessness or supporting individuals to live independently could reduce the costs associated with emergency services and long-term care. She mentioned that the council was actively looking at potential invest-to-save projects and how these could be integrated into the budget planning process. This involved assessing the feasibility and potential return on investment for various proposals. There was an emphasis on the need for collaboration between different departments to identify opportunities for invest-to-save initiatives. By working together, the council could leverage resources and expertise to maximize the impact of these investments. She stressed the importance of monitoring the outcomes of invest-to-save initiatives to ensure that they deliver the expected benefits. Establishing clear metrics for success would be crucial in evaluating the effectiveness of these projects.

10. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

11. FUTURE MEETINGS

The date of the next meeting is 20th January 2025.

CHAIR: Councillor Matt White

Signed by Chair ………………………………..

Date …………………………………

MINUTES OF THE MEETING OF THE ADULTS & HEALTH SCRUTINY PANEL HELD ON THURSDAY 14TH NOVEMBER 2024, 6.30 - 10.00pm

PRESENT:

Councillors: Pippa Connor (Chair), Cathy Brennan, Thayahlan Iyngkaran, Mary Mason, Sean O'Donovan & Felicia Opoku

Co-opted Members: Helena Kania

24. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'.

25. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Sheila Peacock.

26. ITEMS OF URGENT BUSINESS

None.

27. DECLARATIONS OF INTEREST

Cllr Pippa Connor declared an interest by virtue of her membership of the Royal College of Nursing.

Cllr Pippa Connor declared an interest by virtue of her sister working as a GP in Tottenham.

Cllr Thayahlan Iyngkaran declared an interest as a consultant radiologist and a deputy medical director.

Helena Kania declared an interest as a co-Chair of the Joint Partnership Board.

28. DEPUTATIONS/PETITIONS/ PRESENTATIONS/ QUESTIONS

None.

29. MINUTES

The minutes of the previous meeting were approved as an accurate record.

RESOLVED – That the minutes of the meeting held on 19th September 2024 be approved as an accurate record.

30. ACTION TRACKER

Cllr Connor noted that she had requested further information regarding the response to action point 4 on Continuing Healthcare (CHC), specifically on why the CHC funding for patients in Haringey appeared to vary from other areas of the country. A response on this had not yet been received.

31. APPOINTMENT OF NON-VOTING CO-OPTED MEMBER

Dominic O'Brien, Scrutiny Officer, updated the Panel that, following further conversations with the proposed new non-voting Co-opted member, the current intention was to bring the report on the appointment to the next meeting of the Panel on 17th December 2024.

32. SCRUTINY OF THE 2025/26 DRAFT BUDGET / 5-YEAR MEDIUM TERM FINANCIAL STRATEGY (2025/26 - 2029/30)

An introduction to the reports for this item was provided by Neil Sinclair, Head of Finance (People). Referring to the report for the Cabinet meeting earlier in the week, Neil Sinclair explained that:

- The opening position for the planning of the revised Medium Term Financial Strategy (MTFS) was a budget gap of around £14m.
- In addition to this, the increased pressures for 2025/26, mainly in Adults and Children's services and housing demand, totalled around £39.6m of which around £15.1m was in Adult Social Services (see Table 1 in the Cabinet report).
- New savings and management actions had been identified to reduce the budget gap, but the revised budget gap was now £32.1m (see Table 5) and so further work was required across all services to be able to deliver a balanced budget.
- It was noted that the pressures on demand-led services were not fixed and had changed since the assumptions that were made in setting the 2024/25 budget the previous year. Demand for services and market prices were constantly moving (particularly due to inflation uplifts) and there were significant challenges in estimating future demand and costs.
- Based on current estimates, the cumulative total budget gap would be £132.8m by 2029/30 (see Table 6).
- Some headline figures on additional funding for local government had been provided by the Government at the Budget in October 2024 but information about the detailed financial settlement for Haringey was not yet available.

- A number of changes had been made to the Council's capital programme to reflect reduced affordability (see Table 7). This impacted on some schemes related to Adults & Health.

The Panel then asked questions about the budget gap and the impact of the budget pressures which were set out in Appendix 1:

- Cllr Connor asked how the risks of the budget gap could be mitigated and how the pressures in Adult Social Care could be addressed. Neil Sinclair said that, from a finance point of view, there was a recognition that the pressures were not steady or stable and so they had improved the modelling for this to provide the best estimate possible to support decision making by the service. Beverley Tarka, Director of Adults, Health & Communities, responded that the pressures in high-demand services were an area for the whole Council to address. The overall approach was therefore to interrogate every line of spend for the Council, establish improved efficiencies and ways of working and also transformational work which could take some time to bed in.
- Asked by Cllr Iyngkaran how demand was predicted and what the current trends were, Beverley Tarka explained that there had been a significant increase in recent years for over-65s, both in terms of number of cases and also the complexity of care needs, which was similar to national trends. The forecasting in the previous year had not taken account of the Council's significant waiting list for Care Act assessments and there had been a concerted effort recently to reduce the backlog leading to a spike in cases. Forecasting accuracy had since been improved. In relation to younger adults with statutory needs, she said that there was a positive picture with people living longer. People were coming into the service, usually at the age of 18, and required services for a significant period of time which was a challenge. Some areas could also be a niche market which meant that providers could aim to negotiate at a high cost and so, by the five North Central London (NCL) boroughs coming together, it helped to manage the pricing. Neil Sinclair added that data sets, including those produced by the Office for National Statistics, were examined to understand population trends and complexity needs.
- Cllr Connor asked what confidence the Panel could have with the future projections. Beverley Tarka said that a benchmarking exercise of statistical neighbours was carried out on unit costs of care, in which Haringey performed well. This was based on the previous year, so increasing costs then had to be factored in. One provider in particular had increased its charges by 36% when their contract came to an end, which the Council was not in a position to pay, so there were commissioning challenges in terms of the reaction of the market to higher overall costs. The NCL arrangements were helping to manage the market challenges. There had also been conversations with housing colleagues about addressing accommodation supply for younger people with support needs as this was an area that could drive up costs.
- Cllr Mason raised the issue of early intervention and prevention and about the Housing teams working together with Children's and Adult Social Care. Cllr Lucia das Neves, Cabinet Member for Health, Social Care & Wellbeing, noted that there had been significant recent structural changes in the Council to

improve this and to reduce silos and miscommunication. She added that every area of the Council was under pressure and so, as fast as the Council could build, it was still not enough and so this was a core challenge which required a focus on improving living conditions for people with the highest need. Beverley Tarka added that there were some excellent examples of early intervention and prevention in Haringey but reiterated that currently the adult social care budget was not sufficient to meet statutory obligations and so it was extremely challenging to fund this kind of work.

- Cllr O'Donovan noted that £600m of additional funding for adult social care had been earmarked by the Government in the recent Budget and queried how this was likely to be used. Cllr das Neves responded that, while any additional funding would be not be difficult to allocate given the existing shortage of funds for statutory services, the Budget had also created additional pressures for service providers with the increase in employers' National Insurance and the increase to the National Minimum Wage which was likely to be a factor when contracts were renewed. She added that some additional funding had been earmarked for the NHS and so she was interested in how this could be used collaboratively at a local level.
- Cllr O'Donovan requested details about funding for co-production work and for services to support people, particularly in times of crisis. Cllr das Neves responded that there were some important initiatives ongoing which were not very expensive including warm spaces, Reach & Connect, befriending support, the Council Tax reduction scheme and the use of the Household Support Fund for pensioners in need of winter fuel support. These were all important in terms of keeping people well and out of hospital. She added that some resources had been allocated to looking at how co-production could be improved and that there was a commissioning co-production group which would be involved in ideas for how to make savings and to deliver services in different ways.
- Cllr Connor referred to Table 1 in the Cabinet report (page 155 of the agenda pack) which stated that the additional forecast service pressures for 2025/26 were £15.1m, but that in 2026/27 this dropped to just £930k before rising significantly again in subsequent years. Neil Sinclair explained that the £15.1m addressed the budget gap for 2025/26 but then there was a new baseline for 2026/27 with funding of £6.57m built into the MTFS for that year. This meant that only £930k of additional funding was required for 2026/27 based on the current modelling. Thereafter, other increases in costs and inflation factors were built into the modelling which accounted for the further pressures. Cllr Connor queried whether the 2026/27 figures were realistic, noting that drawdown of reserves had been required in previous years when pressures had been higher than originally forecast. Neil Sinclair reiterated that they were aiming to address the budget gap based on the modelling being undertaken to ensure that the right budget envelope was used as the starting point. Cllr Connor acknowledged this but expressed concerns that the current forecast for 2025/26 represented a risk. **(RECOMMENDATION)**
- Cllr Connor referred to Table 2 in the Cabinet report (page 158 of the agenda pack) which showed significantly different levels of savings in different years. Neil Sinclair responded that the savings total reflected the profile of individual

savings which came on stream with different timings and speeds of delivery. The individual savings were set out in full in Appendix 2. Beverley Tarka added that this exercise was carried out every year based on the best information available but that the savings could change if circumstances also changed.

- Cllr Connor queried the current situation with “invest to save” projects that may be in progress. Beverley Tarka explained that the case had been made for the establishment of a Change Board which had a programme management team to support the analysis, delivery and monitoring of progress associated with “Category A” projects.
- Cllr Iyngkaran referred to paragraph 8.14 of the Cabinet report (page 168 of the agenda pack) which stated that the focus was to identify efficiencies that improved processes with no impact on outcomes for residents and queried whether this was realistic. Beverley Tarka responded that this related to the cross-cutting efficiencies and also the process of looking at all spending line-by-line. Service reductions related only to non-statutory services as statutory services were essential. Cllr das Neves reiterated that the delivery of statutory services was a whole Council responsibility so it was necessary for all parts of the Council to consider how things could be done in a more effective and efficient way.
- Cllr Mason queried the knock-on impact to Council services of budget pressures in the NHS. Beverley Tarka observed that hospital discharge was the dominant narrative but that there also needed to be a significant emphasis on admissions avoidance through early intervention and prevention and that this was a national discussion. Another important area was Continuing Healthcare and the challenges of working in partnership to ensure that residents with high health needs got a fair outcome despite the budget pressures. She also noted that there had been a statement from the Government about funding flows and that it was important to work in partnership to enable funding to flow from the NHS to the community and also to grow the evidence base for preventive work from enables admissions avoidance. She also confirmed that this was relevant to mental health, noting that mental health social workers now worked under the local authority.
- Cllr Mason asked about the communications strategy with service user groups regarding the proposed savings. Cllr das Neves agreed with the importance of this and reported that an information campaign had recently started to explain where the Council spends money and that this would develop further as the consultation was published. It was also important to continue to talk about the positive impact of adult social care on people’s lives.
- Cllr Brennan spoke about more people remaining in their own homes rather than in care homes and queried whether this could be causing people to be more likely to be eligible for social care funding rather than NHS funding. Beverley Tarka responded that there were strict criteria for Continuing Healthcare assessments but that this would not be dependent on where people reside. Cllr das Neves added that it could be difficult for individuals and their families to know what eligibility they had for NHS funding.
- Cllr Brennan highlighted the importance of carers coffee mornings and Beverley Tarka concurred, noting that it was a high-value, low cost activity, that

the Council had been funding these for many years and would continue to do so.

The Panel then asked questions about the Cross-Council savings which affected all Departments as set out in Appendix 2:

Staffing Efficiencies (page 177 of agenda pack)

- Cllr Connor noted that this saving involved a 5% reduction in staffing budgets across all Directorates and queried whether this would put greater pressure on service delivery in adult social care. Beverley Tarka said that Adult Social Care had high levels of agency staff which could be less cost efficiency than permanent staff. There had therefore been a drive to reduce the number of agency staff to achieve savings, though there were challenges in the market to do this. There was also a programme of apprenticeships and social work training to enable career progression for people as permanent staff from an early stage. Jo Baty, Interim Director of Operations, added that there had been some analysis of staffing which had found that some agency staff were in business critical roles and it was hoped that they could be moved onto temporary contracts where appropriate. In addition, the implementation of the localities model was about making services more efficient and effective at grassroots level so the intention was to protect roles there because that would bring more efficiencies further down the line.
- Helena Kania queried why the reductions were set at 5% across the board as the potential to do this could vary in different services, particularly when the delivery of statutory services needed to be protected. Beverley Tarka said that this had been a personal suggestion from herself based on detailed information about the cost of agency staff, the spans of control of managerial staff and vacancy factors so she was confident that this would not have an impact on service delivery.
- Cllr Iyngkaran requested further details of the strategy to convert agency staff to non-agency staff as this was particularly challenging to achieve. Beverley Tarka responded that this had been an ongoing area of work for some time and that agency staff represented over 25% of the workforce in this area. She acknowledged that some staff were ‘career agency staff’ who would not want to become permanent staff, some of whom had already left. However, others wanted to convert to permanent contracts but that did take some time to achieve due to the need for assessments and HR processes. She was confident that this process, combined with the apprenticeships/training and wider recruitment, would lead to a higher proportion of permanent staff. Cllr das Neves added that there were various reasons why people would want to work in Haringey and were positive about the vision and values of Haringey. Cllr Iyngkaran suggested that the Panel should monitor progress in this area including the number of agency staff that moved over to permanent contracts. **(RECOMMENDATION)**

<u>Digital Transformation (page 178 of agenda pack – under Culture, Strategy & Engagement savings)</u>

- Asked by Helena Kania about the impact of savings related to the digital transformation budget on adult social care. Sara Sutton, Assistant Director, Partnerships & Communities clarified that this was about a transformation programme to improve the front door offer and to improve efficiency of services with Adult Social Care which would deliver savings rather than being about cuts. In terms of the impact on residents, the Council would focus on a partnership and collaborative approach across Directorates and partners in the voluntary and community sector to focus on digital inclusion for residents who may face barriers to digital access.

<u>Leisure Services Means Tested Discounting (page 182 of agenda pack – under Environment & Resident Services savings)</u>

- Cllr O'Donovan noted that this proposal involved means-testing discounting for leisure services membership rather than a blanket discount for customers aged over 65 and highlighted the benefits to health of gym membership, particular for over-65s, in view of the previous conversations about prevention. He suggested that there could be joint scrutiny work in future about how the health and well-being service could have an input into the promotion of leisure services. Cllr Connor noted that this could be added to the Panel's work programme. **(ACTION)**

The Panel then asked questions about the savings specific to Adults, Health & Communities as set out in Appendix 2:

<u>Connected Care Review (page 181 of agenda pack)</u>

- Asked by Cllr Connor for further details about how this saving would be achieved, Beverley Tarka explained that Connected Care was a 24-hour emergency service provided by the Council for older, vulnerable people. There were three aspects to the service:
    - Assistive technologies (which was in the process of moving from analogue to digital).
    - The installation of equipment in people's homes.
    - A monitoring and response service.

  Beverley Tarka reported that the service had been operating at a loss of around £800k per year and that, based on benchmarking of practice in other Boroughs, there were other delivery models that could be more efficient and cost effective. This review was therefore intended to deliver these savings through an improved model. Cllr Connor queried why the existing budget was highlighted as £200k. Neil Sinclair clarified that this figure represented the current revenue budget available for the service but that, as it was running at a loss of £800k, this was a pressure on the wider Adult Social Care budget.

- Cllr Connor suggested that the Panel should be provided with details of the implementation of this project at a later date as there was a risk that moving to a different model would not fully reverse the loss-making position. **(RECOMMENDATION)**

Day Opportunities Commissioning Review (page 181 of agenda pack)

- Asked by Cllr Connor for further details on what services would be impacted by this saving, Beverley Tarka explained that this proposal was at an early stage but that it was for a commissioning review of existing learning disability and mental health day services to examine how to deliver a more cost-effective, high quality offer in an area that currently involved a spend of around £7.5m. However, this did not involve a reduction in the day opportunities offer. On the figures, Neil Sinclair said that this involved some broad assumptions about how the service could be delivered at a lower cost.
- Asked by Cllr Connor about the implications for Clarendon Recovery College, Beverley Tarka explained that the service was expected to move to Canning Crescent in the future and so this would be an ideal opportunity to develop a new business model for the service. The service involved support such as therapeutic sessions and a cleaning/hoarding service.
- Cllr O'Donovan queried how the review would be funded given that there was a zero figure in the table for 2025/26. Beverley Tarka clarified that no savings were anticipated in 2025/26 but that there would be a co-produced approach to this, involving the Commissioning Co-Production Board that was already in place.
- Cllr Mason proposed that the Panel should have sight of the outcomes of the Review. **(RECOMMENDATION)**

Integrating Connected Communities (page 181 of agenda pack)

- Asked by Cllr Connor for further details on this saving, Cllr das Neves said that the Connected Communities programme had been interrupted and changed by the need to respond to the Covid-19 pandemic and the proposal was to look at how the service was being delivered now, particularly in relation to prevention and other issues discussed earlier in the meeting. Sara Sutton added that, with the localities approach, there was an opportunity to look at fully integrating the Connected Communities model into the Adult Social Care structures. The work delivered through the localities model was supporting those most at risk of needing care and support so was a way of targeting early intervention and prevention. She added that the team collaborated with voluntary and community sector organisations, some of which were commissioned by the Council. There was therefore an opportunity within these arrangements to refocus some of the work to ensure the right funding flows from the NHS to support early intervention and prevention in the community.
- Cllr Mason noted that the existing budget for this service was £750k, but that the saving for 2025/26 was listed as £700k. Sara Sutton explained that Connected Communities was funded from various sources such as the Better

Care Fund, so the saving quoted could be realised and repurposed elsewhere. Cllr Connor queried what percentage of the overall budget the £750k represented. Neil Sinclair confirmed that the £750k represented the General Fund contributions but there were other sources of funding in addition to this. Sara Sutton explained that some elements of the funding were agreed on an annual cycle and some of this was not yet known for 2025/26, but the overall budget for 2024/25 was £1.2m. This included funding for the financial support team currently based within Connected Communities which would be retained but in a different part of the organisation.

- Cllr Opoku requested clarification on whether the funding from additional sources would continue after the transfer. Sara Sutton confirmed that it would continue with the funding being repurposed for use within adult social care.
- Asked by Cllr Connor whether the transfer would involve staffing reductions, Sara Sutton confirmed that it would and that part of this involved the adjustment to management spans of control as previously mentioned. Mitigations included that some individuals were taking up social work apprenticeships and that some were on fixed term contracts which would end.
- Cllr Connor queried how this information would be presented in the public consultation. Beverley Tarka said that this was in development and acknowledged that the details of this proposal would need to be broken down and made more accessible. **(RECOMMENDATION)**
- Asked by Cllr Mason for further details of where the savings would be made, Sara Sutton said that the resources would be integrated into the adult social care structure which wouldn’t mean further reductions, but that the opportunity the savings were about the management spans of control.
- Asked by Cllr Mason how the model would be co-produced, Jo Baty said that there were two main avenues for this. One of these was the existing stakeholder and residents/service user groups represented through the Joint Partnership Board and then the localities model also provided an opportunity to talk to people in geographical settings. Sara Sutton added that there was now alignment in terms of primary care to locality and some community services so there were conversations about what integrated neighbourhood teams would look like and how it would support co-production and achieve better outcomes. Cllr Mason suggested that local Councillors should be consulted on this approach in specific areas as they knew their neighbourhoods and would be able to put the teams in touch with different groups. Ashe also recommended that details of developments in this area should be brought to the Panel at a later date. **(RECOMMENDATION)**
- Cllr O’Donovan emphasised the importance of keeping the best of the things that Connected Communities provided, for example referring people to specialist advisers on employment/education or helping with mediation on housing and other issues. He also noted that there were informal community organisations that did great work but were not necessarily in contact with the Council and should be spoken to as part of the co-production approach. Beverley Tarka highlighted that the repurposed version of Connected Communities would not have the full range of tasks that it did in the past such as on housing advice as the focus would be on prevention to help with reducing

pressure on Adult Social Care. Cllr O'Donovan therefore suggested that, as this would represent a loss in terms of the advice sector and the support available in certain areas, the local community and voluntary sector needed to be made aware of this as there could be extra pressure on their services as a consequence. **(RECOMMENDATION)**

- Cllr Connor highlighted a risk of the savings not being achieved in 2025/26 given that co-production work was required as part of this and could take some time. Beverley Tarka responded that this was a straightforward reduction from the General Fund and did not involve a commissioning exercise with a co-produced outcome. The co-production work would be a focus on the preventative activities that would impact on the bottom line for Adult Social Care.

Cllr Connor commented that there was very limited information available in the papers on what the savings proposals actually involved and that this led to the need for additional discussion at the meeting in order to understand them. She recommended that there should be more detailed explanations in the budget scrutiny papers in future years. **(RECOMMENDATION)**

The Panel then asked questions about reductions to the Capital Budget as set out in Appendix 3:

<u>Osborne Grove Nursing Home (page 185 of agenda pack)</u>

- Cllr O'Donovan observed that the Panel had previously emphasised the importance of keeping the co-production group informed and was pleased that details of the financial position had been provided to them in writing by the Interim Director of Operations. He also asked whether a meeting would be held with them. Jo Baty acknowledged that it would be important to meet and communicate with them and anticipated that this could take place early in the New Year. This was welcomed by the Panel which emphasised that this dialogue should continue. **(RECOMMENDATION)**
- Cllr O'Donovan asked about the future of the Osborne Grove site, noting that it was currently being used as a homeless shelter. Cllr das Neves acknowledged that the cut in the capital funding for the project was painful, not least because the current Leader of the Council had initiated the project in a previous role as Cabinet Member for Adult Social Care. This decision had resulted from a stringent look at the budget. The current financial position meant that projects such as this needed to be removed from the budget for the MTFS period. This did not mean that the idea for the project had gone away altogether but the current financial circumstances were very challenging. She added that very few Boroughs in the whole country were running a nursing home and that this was about the structures of how social care and nursing care was delivered nationally. The current use of the site as a homeless shelter was a positive one and would continue until around 2026 but no decisions had been made about the site after then.

Wood Green Integrated Care Hub (page 185 of agenda pack)

The Panel noted that the Hub was an NHS-led project and that, as the NHS had decided not to proceed with the scheme, the Council contribution would no longer be required. Cllr Connor informed the Panel that she had asked a question about this at a recent meeting of the Joint Health Overview & Scrutiny Committee and was expecting to receive a written reply.

There were no questions raised by the Panel on this item.

Locality Hub (page 185 of agenda pack)

- Cllr Connor requested that further details be provided on why the cost of the scheme had been lower than expected. Sara Sutton said that this related to the Neighbourhood Resource Centre. The capital budget originally allowed for consideration of what other hubs may be required and what capital works would be needed to deliver that. However, the current financial position meant that this would be removed from the budget at this point.
- The Panel expressed concerns that this had been a key plank of the initiative to provide integrated Council services and improve the experience of residents but would now not be progressing. The Panel queried how residents would be able to access the new localities approach with no hubs in the centre and west of the Borough.
- Following further discussion, the Panel recommended that further efforts be made to join up services across the Borough and to include the existing locality hub in this while not increasing the capital spend through the development of additional new locality hubs. **(RECOMMENDATION)**

Savings Tracker 2024/25 (page 193 of agenda pack)

The Panel then asked questions about the Savings Tracker for 2024/25 as set out in Document B, Part 1:

- Cllr Connor noted that many of the RAG indicators were rated as Amber and asked what level of confidence there was that the savings would be achieved in full. Beverley Tarka explained that the Change Board regularly monitored and reviewed these savings and mitigated them where performance was below expected rates. The targets were challenging but all efforts were being made to mitigate the shortfalls on the tracker.
- Asked by Cllr Brennan what impact any failure to achieve savings would have on the budget shortfall, Beverley Tarka explained that it wouldn't have an impact because the current projections assumed that all savings would be achieved. Where there were shortfalls, mitigations were being put forward as alternative ways of meeting them.
- Asked by Cllr Brennan when these savings were expected to be achieved, Beverley Tarka said that these savings were regularly monitored and there was still confidence that they would be achieved by the end of the financial year due to this work and the mitigations. However, this could not be 100% guaranteed because the figures were regularly changing. Cllr das Neves added that some

areas might underperform and others overperform and that this might form part of the mitigations.

- Cllr Iyngkaran expressed concern about the apparent approximation of some of the projected figures with several displayed as being achieved at a rate of exactly 50%. Neil Sinclair acknowledged that, in some cases, the expectation was that only half of the savings would be achieved. Beverley Tarka commented that she was more familiar with more detailed figures rather than these approximations. Cllr Iyngkaran said that the Panel needed to see more accurate figures. Cllr Mason added that it was also unclear what date the savings achieved so far were measured from. Cllr Connor proposed that an updated version of the savings tracker should be brought to the next meeting of the Panel which would be held on 17th December 2024. This was agreed by the Panel. **(RECOMMENDATION)**

Savings Tracker 2025/26 to 2028/29 (page 197 of agenda pack)

Asked to clarify the savings table, Neil Sinclair explained that this set out the multi-year savings during the MTFS period that had been previously approved at the setting of the Budget in March 2024 for the 2024/25 budget.

Cllr Connor commented that the lack of explanatory text for each savings in either Part 1 or Part 2 of the savings tracker presented difficulties for the Panel in scrutinising the individual items. She requested that further details be provided when the revised documents were brought to the Scrutiny Panel meeting on 17th December. Dominic O'Brien, Scrutiny Officer, suggested that this information could be provided from the reports/minutes from the previous meetings when these savings had originally been scrutinised. Cllr Opoku suggested that any overlap/impact between savings agreed in a previous year and savings proposed this year should also be made clear.

Recommendations

Cllr Connor summarised the recommendations of the Panel on the draft budget:

General – pressures and savings

- The Panel highlighted the risk from the high level of additional pressures to the Council budget, particularly in relation to the extra £15.1m of pressures in the Adult Social Services budget.
- The Panel highlighted the forecast pressures in Adult Social Services for 2026/27 as this was only £930k (Table 1 of the Cabinet report) compared with much higher levels in the other years of the MTFS. The Panel considered that there was some risk of the pressures being revised upwards at the Budget setting process next year, thereby increasing the budget gap at that time.
- The Panel expressed concerns about the higher level of proposed new savings in 2026/27 (Table 2 of the Cabinet report) compared to other years of the MTFS and the potential risk of this impacting on the services that residents received.
- The Panel expressed concerns about the details received about some service providers attempting to raise the cost of services commissioned by the Council at rates that were considerably higher than inflation. The Panel recommended that the Council should be robust in its approach to the procurement from

service providers and vigilant against the risk of being overcharged for services, particularly when compared to the cost of services provided in similar neighbouring boroughs.

General – format of budget scrutiny papers

- The Panel expressed concerns that there was very limited information available in the budget scrutiny papers on what the specific savings proposals actually involved and that this led to the need for additional discussion at the meeting in order to understand them. The Panel recommended that there should be more detailed explanations in the budget scrutiny papers in future years.

Savings – Cross-Council

- In relation to staffing efficiencies, the Panel recommended that it should monitor progress on the numbers of agency staff that were moved over to permanent Adult Social Services contracts and an overall reduction in the proportion of agency staff used by Adult Social Services.

Savings – Adults, Health & Communities

- Connected Care Review: The Panel requested that it should be provided with details of the implementation of this project at a later date as there was a risk that moving to a different model would not fully reverse the loss-making position.
- Day Opportunities – Commissioning Review: The Panel requested that it should be provided with details of the outcomes of the review.
- Integrated Connected Communities: The Panel requested that local Councillors be consulted on the approach to integrated neighbourhood teams, in particular about local groups that could be linked into the teams.
- Integrated Connected Communities: The Panel recommended that relevant organisations in local community and voluntary sector should be made aware of the reduction in scope of the Connected Communities work (in areas such as employment, education and housing advice) as this could add further pressure to organisations that provided advice and support to residents.
- Integrated Connected Communities: The Panel recommended that the details of this proposal be broken down and made more accessible when presented as part of the forthcoming public consultation on the Budget.

Capital Programme

- Osborne Grove Nursing Home: The Panel sought reassurance that the Council would continue to engage and communicate with the co-production group for Osborne Grove including through a meeting with them which was anticipated to take place in the New Year.
- Locality Hubs - Given the limitations on the capital budget which meant that the development of additional new locality hubs could not go ahead, the Panel recommended that further efforts be made to join up services across the Borough and to include the existing locality hub in this.

Savings Tracker 2024/25

- The Panel requested that an updated version of the savings tracker should be brought to the next meeting of the Panel which would be held on 17th December 2024. Consideration should be given to what further supporting data could be added, including any figures used by the Change Board to monitor and review the savings.

33. WORK PROGRAMME UPDATE

Dominic O'Brien, Scrutiny Officer, informed the Panel of changes to the agenda for the next meeting on 17th December 2024, after officers from Adults, Health & Communities had advised that the report on the CQC inspection was not yet expected to be available. The item on Quality Assurance would go ahead as planned and the Savings Tracker for 2024/25 would also now be added after having been deferred earlier in the evening. One additional item would need to be added to the agenda. In addition to these items, it may also be possible to consult the Panel on the second round of budget savings proposals but the timescales for this were not yet clear.

Cllr Brennan suggested that, in addition to the Savings Tracker, it would be useful to review what proportion of proposed savings from previous year had actually been achieved. Cllr Connor noted that information on this was provided to the Panel on a year-by-year basis and that unachieved savings had typically been mitigated in the past, including through the use of reserves. However, a more detailed study of this could be considered as a potential area of future work. **(ACTION)**

Cllr O’Donovan highlighted the difficulties in scrutinising multi-year savings that had been agreed in previous years and were still ongoing as part of the MTFS. Dominic O’Brien agreed that there was insufficient detail on these in the agenda pack for the meeting but noted that the additional narrative text on each of these would be available in the agenda papers from previous years, so could possibly be referred to when the Savings Tracker was considered at the next meeting on 17th December 2024. Cllr Connor added that the format of the Savings Tracker had been clearer in previous years. **(ACTION)**

Cllr Mason highlighted the need to consider the impact on services of further overspends this year on next year’s budget. In addition, she was not satisfied that the level of cuts that had been proposed in this year’s budget would not have a direct impact on service delivery. It was agreed that this could be added as a recommendation and/or put to officers as a question when the second round of savings were proposed later in the budget-setting process. **(ACTION)**

Cllr O’Donovan highlighted the need for further discussions about the cuts to leisure services, perhaps on a joint basis across Panels. Cllr Connor noted that Cllr Buxton may be taking this forward as a future agenda item at the Overview & Scrutiny Committee so would check the next steps for this and report back. **(ACTION)**

Cllr Connor noted that it had recently been agreed by the Panel that an update should be requested on the progress of previous recommendations from the Scrutiny Review on Sheltered Housing. This was ahead of a proposed new Working Group of the Panel which would be visiting a number of sheltered housing blocks in the Borough to ascertain the current issues and concerns. **(ACTION)**

34. DATES OF FUTURE MEETINGS

- 17th Dec 2024 (6.30pm)
- 10th Feb 2025 (6.30pm)

CHAIR: Councillor Pippa Connor

Signed by Chair ………………………………..

Date …………………………………

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Climate, Community Safety and Environment Scrutiny Panel Meeting – Budgetary Recommendations HELD on 14th November at Westbury Room, George Meehan House, 294 High Road, London N22 8JZ, 7:00pm – 9:30pm.

Attendees:

Councillors Lester Buxton (Chair), Gina Adamou, Luke Cawley – Harrison, George Dunstall, Liam Carroll, Ibrahim Ali.

Also attending:

- Cllr Seema Chandwani: Cabinet Member for Resident Services and Tackling Inequality.
- Cllr Mike Hakata: Cabinet Member for Climate Action, Environment and Transport.
- Cllr Ajda Ovat: Cabinet Member for Communities.
- Cllr Dana Carlin: Cabinet Member for Finance and Corporate Services.
- Mark Stevens: Assistant Director of Resident Experience.
- Barry Francis: Director of Environment and Resident Experience.
- John O'Keefe: Head of Finance Capital, Place and Economy.
- Eubert Malcolm: Assistant Director of Environment.
- Ayshe Simsek: Democratic Services Manager.
- Serena Shani: Interim Principal Panels Coordinator.

1. FILMING AT MEETINGS

The Chair referred to the filming of meetings and this information was noted by all present.

2. APOLOGIES FOR ABSENCE

The Chair noted that Cllr Ibrahim Ali had sent apologies for lateness. The Non-Voting Co-optee Mr Ian Sygrave and Cllr Eldridge Culverwell sent apologies for absence.

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. ITEMS OF URGENT BUSINESS

There were no items of urgent business.

3. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

There were no deputations.

4. MINUTES

RESOLVED

The Panel approved the minutes of the previous meeting.

5. SCRUTINY OF THE 2025/26 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY (MTFS) 2025/2030.

The Head of Finance introduced the report. A summary is as below.

The importance of oversight of the action of the Executive was highlighted to all present. The Head of Finance stated that the budget was not balanced. The Panel needed to question whether the needs of residents were being met against the priorities as set out in the budget. He asked the Panel to consider whether the estimates and the assumptions the budget was based on had been robust enough.

Appendix one – The Forecast of Budgetary Pressures.

The Head of Finance framed the forecasts within a national context. He stated that there would be a 3.2% increase in funding from central government – however this was still to be allocated. Cllr Carlin stated that she expected that her team would have the details of allocation by 19th December. She noted that central government would be changing their methodology of distribution. Extra funding from central government for special educational needs would go to schools directly. There would also be a three-year spending review in Spring 2025.

The Head of Finance continued that information listed was the Q1 results, and also the first update of the 5-year MTFS. It was stated that at first, it was thought that the budget gap would be £10m however it became clear that additional budget pressures would add an extra £39m to the total. These pressures were due to increases in Adult Social Care and Housing unit cost. In addition, inflation was not included in the budget. He stated that the cost increases for Adult Social Care was around 10% in addition to increases in National Insurance costs. These additional costs would be passed down the supply chain. With this included, the budget gap was closer to £50m.

It was clarified that the gap of anticipated costs and expenditure was for the Council overall. However, the three directorates of the Panel had reported that there were *no* budgetary pressures facing them for the coming years ahead.

The Chair invited questions from the Panel on Appendix 1 and the following was noted:

In response to questioning the Cabinet Member for Finance and Corporate Services stated that funding from central government would be almost neutral to the funding gap. The anticipated amount Haringey would receive would not close the budget gap. This was primarily because of the situation of the escalating costs of temporary accommodation.

Recommendation1 : To better facilitate the scrutiny of the budget, that future reports on the budget pressures listed in the tables of the report also list pressures for the previous financial year.

In addition, clarity was sought as to why there was a projected drop off in 2027 of the cost pressures. The Head of Finance responded that these were best estimates. There was also substantial prevention work being done currently to ensure that demand to services be controlled. The Cabinet Member for Finance and Corporate Services added that these pressures should only be seen this year and not in the coming years, hence the drop off in 2027.

A question was raised as to why overall (and in Children's Services notably), there had not been accurate prediction of the budgetary pressures over the years. The Cabinet Member for Finance and Corporate Services responded that last year there had been a number of high-cost children's placements (in the region of £10k per week) that had come in the end of year budget and costs had been carried over this year. Overall, the Cabinet Member for Finance and Corporate Services indicated despite this the Children Services budget was relatively stable, and her team had not seen an increase in the trends.

Appendix 2: Proposed Savings and Management Actions.

The Head of Finance gave a brief introduction to the report.

i- Cross Council Savings

The Chair invited questions from Panel members and a summary of discussions is as below.

A question was raised by the Panel about the cross-Council priority of achieving 5% efficiencies and how this would affect front line staff and revenue implications. The Director of Environment and Resident Experience stated that vacancies were being put on hold. He was also looking at reducing agency spend as a possible way to achieve staff savings. He stated that he was putting in place a two-tiered approach to cuts across the directorate focusing on more senior roles - and also reducing overtime.

In response to a question as to whether there may be job losses the Director of Environment and Resident Experience stated that this was a possibility. He stated these pressures would have an impact on job roles and staff levels. Front-line staff and those roles which generated income would be protected as much as possible. In response to a direct question around numbers of agency workers, the Director replied that there were 36 agency workers across the directorate. He added that there had been four voluntary redundancies so far which had added to the savings. Returning to the subject of agency workers, the Director added that last year agency staff had been reduced by adding them to a fixed term contract and he would be considering the same this year in places of need.

The Chair then asked about the prioritisation of the income generating roles – he asked whether enforcement would be protected at the expense of services such as waste collection. The Director of Environment and Resident Experience responded that this would not be the case as front line service roles would be protected as much as possible.

In response to a question about contract management, the Cabinet Member for Finance and Corporate Services replied that every contract was under review. She clarified that Council policy would not automatically roll over contracts, but lower prices and value for money should be looked for. The Director also clarified that the renegotiation of Veolia's contract would expect to bring in a saving.

(Councillor Ali entered the room – 7.26pm).

The Chair raised a question regarding whether the purchasing of waste vehicles before the renegotiation of the waste contracts would produce savings in this financial year on top of the savings achieved in the last financial year. The Director of Environment and Resident Experience responded that by replacing the fleet of vehicles outright there would be a change in contract, and it would give the Council the best possible commercial advantage. Savings would be brought by the lower cost of the contract itself in this financial year.

A question was raised about the types of waste vehicles that the Council would purchase. The Director responded that the type of vehicle, the methodology, as well as the frequency of collection would all affect the value of the contract. He also stated that there was a change in legislation that would also have to be accounted for. Population modelling was being used to predict rises in demand. He stated that a third-party specialist would be engaged to help with this.

The Director of Environment and Resident Experience responded to questions regarding the expertise of councils to maximise commercial interests and income generation opportunities. He stated that the Council had in-house expertise that made very good use of commercial opportunities – the Property Team especially had particularly good knowledge and expertise.

A question was raised as to whether there was a role for data analysts and those with a specific skill set to help with income generation and forecasting demand . The Director replied that it would be ideal to have staff with this skill set working in the directorate - however with the current financial situation this was not a current priority. He stated that the service had a wider engagement model to ensure that they had information to support with income generation and need for responding to broader or local changes. However, this more intelligent data may be something they considered in the future.

ii- Service-Specific Savings

It was commented that there was very little detail regarding this, and the Cabinet Member for Resident Services and Tackling Inequality was asked to talk through the report. This was summarised below.

The Cabinet Member stated that the savings listed in the report could be achieved because:

- Parking fees and charges were compared with other boroughs on a regular basis.
- The team had been able to deploy civil enforcement officers (CEOs) more effectively as some parking was enforced by camera. ANPR cameras were used more where this was possible – especially for areas of high need.
- There were higher levels of enforcement where need was identifiable.
- Street lighting was converted to LEDs and her team were able to adjust the level of brightness to match lighting levels of previous light types, making savings.
- The move from paper based to digital visitors parking permits had created savings in printing and storage.

The Chair invited questions from The Panel and the following was discussed:

The Cabinet Member responded to a question raised about special dispensation for event day parking. She stated that special dispensation could be investigated for event days however she pointed out that it was highly likely that event goers were able to book online - as indeed event tickets themselves were often online only. However, there could not be a situation when the Council was offering an expensive paper-based version of permits to residents who could book online (and thus initiate savings)

The subject of street lighting was raised. It was asked whether brighter street lighting levels had been considered for certain areas where higher levels were needed. The Cabinet Member stated that as LEDs had been installed the lighting was now naturally brighter. The Street Lighting Team had simply returned the lighting levels back to how they originally had been pre-LED.

Civil enforcement officers (CEOs) and the rate of enforcement was then discussed. The Cabinet Member responded that CEOs had a responsibility to inspect parking permits and controlled parking zones (CPZ) - however a significant part of their role was also spent dealing with traffic flow issues, ensuring that disabled bays were kept clear for Blue Badge owners - and ensuring that traffic could flow smoothly across the borough. She stated that CEOs will deal with traffic flow obstructions primarily. She pointed out that in some cases it was more advantageous to income, to send CEOs to CPZs at the end of a controlled period - as per Green Lanes.

Storage space savings for parking was then discussed and it was clarified that this saving related to staffing, printing costs, storage and security. More clarity was requested as to how such a large amount of savings could be achieved. The Cabinet Member responded that it would be investigated further.

Information Request Possibly Leading to a Recommendation: A further detailed breakdown of visitor voucher savings that would provide £300k in savings listed at page 58 under Further Management Actions.

A question was then raised about whether the income from vouchers had decreased due to the move online and the fact that customers would be less likely to buy in bulk as they had done for paper vouchers. The Cabinet Member for Resident Services and Tackling Inequality pointed out that there was a balance between the need for Council income and legitimacy and that it was imperative that commerciality needs did not undermine the controlled parking process. The current digital model allowed customers to activate only two vouchers at one time, so there had been a drop off.

Another question as to whether this drop off had been factored into the potential savings was raised. The Cabinet Member indicated that this was the first phase of a digital shift. There were a further 20% of customers that could be encouraged to use the online system. Work was already underway to support this move. The Assistant Director of Resident Experience added that the Taranto system (the online system for visitor vouchers) had allowed savings and less reliance on the Customer Services team. The Director of Environment and Resident Experience also explained that there were advantages to customers not being able to buy in bulk, as his team would more accurately be able to predict and forecast.

(Cllr Adamou left the meeting at 8.08pm)

Another question was raised around parking prediction and drop off rates and whether the reasons for this could be ascertained from data compared with COVID pandemic data. The Cabinet Member for Resident Services and Tackling Inequality responded that it was hard to predict this from factors that were movable. For example, more CPZs had been activated by the Council and more people were now commuting to the office than there were previously. She stated that there were quite a few variables - however they had not seen a major drop in income. The Director interjected and stated that lawfully parking could not be used to drive profit. The set fees should cover costs, but any income made from parking would finance a whole range of transport services – such as the Freedom Pass for senior citizens thus making these schemes self-financed.

Discussion turned to the Community Safety Strategy and its cross-cutting nature. The Chair asked whether there had been an assessment of any budget savings including the pots of funding from other departments and its impact on the delivery on the Community Safety Strategy. The Cabinet Member for Communities responded that funding for the Community Safety Strategy came from outside sources namely the Home Office and local crime prevention funds. She stated that she was confident that they would be renewed.

It was then asked about anticipated growth in demand - especially with regards to the growth of ASB in certain areas - and adjusting the need for resources accordingly. The Assistant Director of Environment replied that there was work underway to map outcomes and overall objectives in relation to funding streams. The Assistant Director of Environment also stated his team would be working with partners to improve outcomes through public space protection orders and prevention projects.

<u>Appendix 3: Changes to the Capital Programme</u>

The Head of Finance introduced the report. Main points summarised below.

- This was a revised approach to the Capital programme and the third set of revisions.
- It was outlined that the Council was obliged to invest in infrastructure assets and fulfil statutory requirements and policy imperatives.
- The Head of Finance stated there had been a change in how the Capital Programme had been constructed by the team. This now included new categories of 'in delivery' and 'planned delivery' schemes.
- The Head of Finance pointed the Panel's attention to page 63 where the Panel's remit lay.

The Chair invited questions from the Panel

The Chair asked why the festive lighting category had been reduced in 25/26 and not before. Cabinet Member for Finance and Corporate Services clarified that once a saving had been made in the budget it could not be put back in. The Cabinet Member for Resident Services and Tackling Inequality raised that this fell under the remit of the Cabinet Member for Placemaking and the Local Economy and was not the remit of this Panel.

A question was raised by the Panel about whether the schedule of works for flood water management had been costed. The Cabinet Member for Resident Services and Tackling Inequality responded that some costs were one-offs such as rainwater garden installations, however others such as the cleaning of gullies were regular costs. She stated that the majority of money for SuDs were from external sources, and the money requested from the Capital fund was to pay for the initial outlay of design work, testing and modelling, to put into the bid. She stated that she would be going to Cabinet with the Flood Water Management Investment Plan, and this would detail and agree the schedule of works for the year ahead.

The Cabinet Member for Resident Services and Tackling Inequality then responded to a question on the responsibility for the maintenance of rainwater gardens. She stated that rainwater garden maintenance was the remit of a few departments. She would also be considering this as part of the contract to be renegotiated with Veolia. Eventually maintenance would be adopted under the Highways and then Waste Services.

A question was then raised about the Decentralised Energy Networks (DEN)s and the impact that shelving this project would have on the Council's climate aspirations. The Cabinet Member for Climate Action, Environment and Transport explained that the framework business case had been approved by Cabinet in 2021 for two Decentralised Energy Networks, and funding had been successfully bid for, largely in the form of borrowing. However, a feasibility study had identified a number of issues with the project. It was proposed that the Council would create more risk and cost if it was run as a wholly owned company. However, he emphasised that central government had highlighted that DENs were a major part of their decarbonisation programmes, so a way forward had to be found. The Director added that there was a strong commitment to decarbonisation, however it was not possible to carry out the plan without borrowing further. Given the current financial situation, this was deemed unfeasible. A third-party organisation could be enlisted to help the directorate with a possible solution but this was still subject to ongoing review and subject to Cabinet approval. The Cabinet Member for Climate Action, Environment and Transport also added that the situation would be reviewed on an annual basis. There was an interest cost to the capital budget in keeping this funding allocation from the government and this issue would be considered as part of the wider strategic review of how the Council deal with capital funding.

Another question was raised about the amount of £1.25m for the reduction in planned maintenance of borough roads and whether there was a risk that although this was a low amount – that costs would increase on reactive maintenance. It was agreed that this was a risk as the funds received from the Capital fund in previous years only came up to 40% of what the team needed to upkeep the infrastructure.

The Assistant Director of Resident Experience added that, for every £1m that was not spent on capital maintenance, £32k would be spent on reactive maintenance. So, a £1.25m capital reduction would result in a £40k reactive maintenance increase. However, he clarified that, for last and this financial year, the Council had benefitted by £176k from the former Government's Network North Funding Stream. If the £500m extra funding being invested by the new Labour Government is allocated in the same way, Haringey would benefit by around £580k, thereby almost halving the current planned net overall reduction in spend.

A question was then raised about overall why there were no revenue savings on the Capital Programme. The Head of Finance clarified that revenue savings had been made; however, they had not been listed in the report.

It was then asked as to whether there were revenue implications to the proposal to change to a private partnership model of the DEN, and whether this had been accounted for in the budget. The Head of Finance stated that the DEN was cost neutral in the budget - however the project wouldn't make a profit for 25 years under the current ESCO business model. However, it was re- stated that his model was being reviewed.

Another question was asked as to whether parking reviews and the policy of frequent consultations had a revenue implication. The Cabinet Member for Resident Services and Tackling Inequality stated that currently a review happened every 5 years and she felt that it was right that residents be given an opportunity to input into the plans. She stated that the £250K figure listed was not just for CPZs but also included loading bays and double yellow lines. Also, in terms of capital funding, the Cabinet Member clarified that this was money that the Council was asking to borrow in public loans, and funding from the VFT and other government sources. She added that certain funding had conditions attached to it. For example, 'Safer Streets' funding could only be used for cyclist and pedestrian safety. It was confirmed that money from the VFT was ringfenced and mandated for a Section 151 Officer. In addition, she stated that TfL funding for maintenance of its highways had not been successful.

<u>Appendix 4: The Savings Tracker.</u>

The Director of Environment and Resident Experience introduced the report. Main points summarised below.

- A discussion was been held regarding the corporate management of fleet. The Panel was assured that savings were being considered for maintenance.
- The team was in negotiation with Spurs FC and other organisations regarding the additional clean-up costs of major events.
- The Director emphasised that new CPZs or changes to the timing of existing CPZs had to be agreed by residents, including changing from two-hour restrictions to all day. The Panel was asked to note that reviews were largely received positively by residents.
- Making pay-to-park on-street a one-hour minimum period had been shelved as feedback from the public consultation strongly suggested it would be detrimental to the local economy.
- Enforceable restrictions would be utilised.
- The Director emphasised that there were good mitigation plans in place.

- The Cabinet Member for Resident Services and Tackling Inequality also highlighted that savings proposals were fluid and would be subject to consultation.

The Chair then further invited questions from the Panel on this information and the following was noted:

A question was raised about the mitigation of services. It was clarified by the Director that mitigation occurred when a project could not be treated as a saving because it could not be progressed.

Another question was raised around the criteria for RAG ratings, as it was pointed out that those rated green had more budget gaps than those rated red.

Information Request Possibly Leading to a Recommendation: More information was requested by the Panel on how services were mitigated and the criteria of RAG.

Discussion turned to consultations. A question was asked about ‘push back’ on parking consultations, as it was asserted that often businesses over inflated their perceptions of how restrictions affected their business. It was asserted that the data would be in conflict with the perceptions of impact. It was asked whether the sales of one-hour permits would be reconsidered, and figures were asked for what proportion of people were using pay and display for under one hour.

The Cabinet Member for Resident Services and Tackling Inequality replied that they had already considered how many were using pay and display for under one hour. She also asserted that the organisation had to listen to residents and businesses. Throughout COVID, businesses had struggled. She emphasised that one of the key priorities of the Council was that it had to listen to residents. The Director added that visitor permits had not reduced, and parking income was in a positive position.

Information Request Possibly Leading to a Recommendation: More information was requested by the Panel on the sales of parking permits of under one hour.

Recommendation: It was proposed that the question about co-production and whether this was an over representative process would be raised to the Overview and Scrutiny Panel, as this was under its remit.

Another question was asked as to whether the directorate would consider the policy of a free period of parking as an incentive and whether parking enforcement could target areas of high footfall for HGV and box junctions to maximise income. The Director pointed out that legislation dictated that parking could not be used as a revenue raiser. He also added that targeting areas with a large number of box junctions or HGV restrictions could not be enforced everywhere as businesses would struggle. He added that behaviour change should be considered. More targeting also meant changes in drivers’ behaviour. This would affect income. The Director also asserted that Haringey had a very high enforcement rate being the 2nd highest issuer in London.

A question was raised about the drop off in the trend in night-time enforcement figures. The Cabinet Member for Resident Services and Tackling Inequality asserted that behaviour change was again a major factor here. She stated that although locations were expanding, an increase in income would not be sustained as compliance would occur.

Document B - Savings Tracker 2024-25

Discussion then turned to LTNs and whether additional cameras were offset in new traffic schemes. The Cabinet Member for Resident Services and Tackling Inequality stated that this was less so for LTNs - but more so for Streets for Schools. The Assistant Director clarified that there was no current programme to push forward any more LTNs but there may be other traffic restrictions that would require more cameras.

Information Request Possibly Leading to a Recommendation: More information and clarification was requested by the Panel on how RAG ratings in the tracker are arrived at and what the rationale is - in particular for past savings that have been rolled over and potentially may not need to be kept on the tracker if they have not been met and mitigated with other savings made as a result of income. It will also be important to flag to the Panel if the RAG rating will change as a result of data compiled for the imminent Q2 budget update.

Discussion then turned to commercial waste violations income. It was raised that the customer base had increased however there were fluctuations in income from enforcement. The Cabinet Member for Resident Services and Tackling Inequality replied that there had been many businesses that had closed over the pandemic period, and this would have had an effect on the commercial waste violation income. Her team would also be looking at outsourcing this when the contract was up for renewal.

A discussion about the work programme commenced and it was agreed that the draft work programme would be sent round for consideration. **ACTION.**

The meeting concluded at 9:30pm.

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MINUTES OF THE MEETING Children and Young People's Scrutiny Panel HELD ON Tuesday, 19th November, 2024, 7.00 pm

PRESENT:

Councillors: Makbule Gunes (Chair), Anna Abela, Mark Grosskopf, Anna Lawton and Pippa Connor

ALSO ATTENDING:

80. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'.

81. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Dunstall. Apologies for absence were also received from Cllr Isilar-Gosling. Cllr Connor was in attendance as a substitute for Cllr Isilar-Gosling.

Apologies for lateness were received from Cllr Connor and Abela.

82. ITEMS OF URGENT BUSINESS

There were no items of Urgent Business.

83. DECLARATIONS OF INTEREST

None

84. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None.

85. MINUTES

Clerk's Note – Cllr Connor arrived at 19:10 and Cllr Abela at 19:11

RESOLVED

That the minutes of the meeting on 9th September were agreed as a correct record.

86. HARINGEY SAFEGUARDING CHILDREN PARTNERSHIP ANNUAL REPORT: APRIL 2023 - MARCH 2024

The Panel considered the Haringey Safeguarding Children Partnership (HSCP) Annual Report 2023-2024, along with an accompanying presentation that summarised some of the key points relating to the structure, activities and achievements of the partnership. The presentation was introduced by David Archibald, Independent Chair of the HSCP as set out in the agenda pack at pages 14-80. The Director of Children's services was present for this item, along with the Cabinet Member for Children, Schools and Families. The AD for Safeguarding & Social Care was also present, along with the AD for Early Help, Prevention & SEND. The following arose as part of the discussion of this item:

a. The Chair welcomed the report and highlighted the good work being done by the partnership.
b. The Panel sought clarification from the Independent Chair about what were the areas of most concern highlighted in the report. In response, Mr Archibald set out that it was necessary for a Children's Safeguarding Partnership to ensure that all areas of safeguarding were being managed and addressed to a high standard. Some of the key areas where partnerships had to be effective were around the ability to learn lessons, and put those lessons in to practice, as well as information sharing, which was always highlighted in high-profile reviews as something that went wrong. Mr Archibald advised that the two areas that the partnership would like to do better on were Think Family and Transitional Safeguarding. The Children's Safeguarding Partnership were working closely with the Adults Safeguarding Board to make improvements in safeguarding for those transitioning from childhood to adulthood, which was identified two or three years ago as an area that the partnerships would like to make early progress on. Child Sexual Exploitation was an area that councils across the country were focused on. It was noted that Haringey was making good progress in this area. It was also commented that the partnership would continue to focus on children and young people with a higher level of need, represented by those on a child protection plan.
c. The Panel referred to the fact that there were 184 children subject to a child protection plan as of 31st March 2024 and that this was a decrease of 23% since 2023. The Panel questioned whether there were any concerns about a failure to identify children who should be on a child protection plan. In response, Mr Archibald advised that the number of children on a child protection plan would vary over time and that was normal. The important thing to be assured of was not the overall number, but whether the children who needed to be on a child protection plan were on a plan. The Panel noted that the average time a child spend on a plan was two years and that they would receive targeted support from professionals as a result. Fluctuations in the numbers were monitored closely. Haringey was in-line with it statistical neighbours for the number of children on a child protection plan.
d. The Panel referred to information sharing with GPs highlighted in the report and asked whether this information sharing was happening in a joined-up way. In response, Mr Archibald clarified that the report was referring to the need for other agencies improve their feedback mechanisms to GPs following that GP having made a safeguarding referral.

e. The Panel enquired about what would help to make the partnership more effective. In response, officers advised that the partnership worked well and that partners were determined to help keep children and young people as safe as possible and to improve how safeguarding was delivered. It was commented that every chair in the country would probably say that resources were key and that turnover of key staff across different agencies could be difficult. Embedding, inducting and training new staff was key. The importance of an effective training programme for staff was emphasised.
f. In relation to a question about the housing sub-group, Mr Archibald advised that about a year ago it was decided that it would be helpful to have a sub-group working across both partnerships that specialised in housing related safeguarding issues in Haringey. It was noted that the sub-group was working effectively.
g. In response to a question, Mr Archibald advised that a Child Death Overview Panel was separate to the structures of the child safeguarding partnership, but that it was a means of reviewing the circumstances of when a child died in a way that wasn't anticipated and to identify any remedial actions that could be taken to reduce the chances of it happening again.

RESOLVED

That the Haringey Safeguarding Children Partnership Annual Report 2023/24 was noted.

87. SCRUTINY OF THE 2025/26 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2025/2030

The Panel received a report which set out the draft 2025/26 budget and 2025-2030 Medium Term Financial Strategy. The report set out the budget setting process for 2025/26 to date and also set out the further steps that would be taken prior to its final sign-off by Full Council in March. The report was introduced by Neil Sinclair, Head of Finance (People) as set out in the agenda pack at pages 82-141. The Cabinet Member for Children, schools and Families was present for this part of this agenda item, along with a number of officers from Children's Services; the Director of Children & Young People's Services, the Assistant Director of Safeguarding & Social Care, and the AD Early Help, Prevention and SEND. Cllr Dana Carlin, Cabinet Member for Finance and Corporate Services was also present for this item.

The Chair advised that the Panel would be taking sections of the report in turn. The Panel would start with a discussion on the overall budget and its wider financial context (cover report and appended Cabinet report), then they would go through the relevant budget pressures (Appendix 1), then the new savings proposals (Appendix 1a), followed by amendments to the capital budget relevant to Children & Young People's Services (Appendix 1b), and they would then look at the pre-agreed savings tracker (Appendix 1c). The following arose during the discussion of this agenda item:

a. The Chair sought assurances around how the service was responding to the pressures arising around staff capacity. In response, the Director advised that she monitored the data in Children's very closely. Sometimes the data points came down, such as child protection plans and sometimes the data points went up such as EHCPs. The Director assured Members that she scrutinised the data forensically in order to make sure there was sufficient capacity in the team. An example given was around the fact that there was a pressure around EHCPs identified in the service and that, following conversations with the Cabinet Member and Director of Finance, a growth bid was submitted as it was recognised that this would have an impact on the deliverability of the service. The Director also set out that she worked closely with her management team to look at how they could address the demand where possible. The Director suggested that she suspected the additional support put into Early Year's provision was having a positive impact on the number of child protection plans.

b. The Panel commented on a report by the Competition Markets Authority and a subsequent recent statement by the Secretary of State around providers making excess profits from social care placements and queried whether the action proposed by the government around capping care placements would ease the pressure on local authorities. In response, the Director advised that this was something that she recognised and that the problem had been getting worse for some time. The Director advised that in the past she had been asked to approve £18,600 per week placement for one child. The Director commented that she welcomed any action taken to try and offset the pressures in high-cost placements. The Cabinet Member advised that she was hopeful that the proposals put forward in Parliament would curtail the market but cautioned that there would also have to be a degree of investment from government. The Cabinet Member suggested that Council's would have to start talking to each other and looking at developing consortia for insourced provision. The Director commented that one of the drivers on the cost of placements was lack of capacity, and that there was a degree of concern that the changes might result in providers exiting the market quickly, before the sector has time to adjust.
c. The Chair raised concerns about recent articles in the press about local authorities placing vulnerable children in unsafe housing as part of care placements. In response, the Director advised that the report she had seen was around children being placed in campervans and Airbnb accommodation. The Director provided assurances that this did not happen in Haringey, however it was acknowledged that finding suitable placements could be a difficult and stressful process. Fundamentally there just weren't enough placements. The AD Safeguarding and Social Care advised that the service worked hard to find and monitor suitable placements for children.
d. The Panel sought assurances around the fact that the forecast budget pressures in the report were projected to reduce over the five year term of the draft MTFS and queried the extent to which this was a robust assumption. In response, Corporate Finance advised that the additional investment to offset the budget pressures around ECHPs and the education psychology service were only in Year 1, rather than being recurring. That explained why the pressures reduced in the table that was being referred to. The Cabinet Member explained that once money had been put into the base budget that it stayed there, it just that there was no further increases projected in Years 2 onwards. Overall, the MTFS represented over £14m worth of revenue investment in Children's Services.

e. As a follow-up, the Panel sought assurances about the forecast budget pressures around EHCPs and School Transport and whether the investment was sufficient to meet demand, and whether it should be anticipated that demand would increase further by Q4. In response, officers advise that the projections were based on very robust financial modelling that had been done, based on the staffing investments needed to meet the projected demand over the five year period. Assurances were given that the forecasting was as robust as it could be and that officers were as confident as they could be that the projections were accurate. In relation to EHCPs it was noted that the service had seen an increase in the number of requests for a plan rise by 100 over the previous year.
f. The Chair sought clarification around what impact austerity had on the service's budget since 2010. In response, officers advised that it was around a 40% reduction overall but that they would provide a written response on the specific impact on the Children and Young People's Service. **(Action: Ann Graham).**
g. The Chair sought further assurances around what the main budget pressures were in the service and how these would be managed going forward. In response, the Director advised that the report identified four key areas of demand pressures, including high placement costs which had already been discussed. The other three included the education psychology service, which was a pressure as it was previously funded through the DSG but due to a technical change it would now need to be funded through the General Fund. There was also a £475k staffing pressure around Education Health and Care Plans (EHCP) and additional cost pressures in school transport, including a 30-40% increase in demand for home to school transport. The Director advised that there was always a general pressure around capacity and sufficiency in the service but that was managed by the Director and her management team.
h. The Panel sought assurances about whether the Council was looking at a joined up approach for social care placements across London. In response, officers acknowledged that this was a difficult area and that the Council had undertaken the Hazelmere scheme itself. The Director advised that there would always be bumps along the way as working with 33 London boroughs had its challenges, as per the work that the 33 London boroughs were doing with the DfE to establish welfare residential provision. It was noted that there was also work being done with health colleagues to look at residential placements for children with mental health needs. The Director cautioned that the timescale for this was years.
i. In response to a question about the impact of possible additional funding announced in the Autumn Statement, the Cabinet Member advised that there was £3.2b announced going into the schools budget, including £1b for SEND provision. However, it was not yet known how this funding would be allocated or what Haringey's share might be. In addition, the government announced £6b for school buildings. Cllr Brabazon clarified that the smoke signals from government was that there was some additional money for school revenue budgets, SEND and capital funding. There was also money for some breakfast clubs and additional childcare funding for nursery pilots. However, the childcare worked out to around £150k per authority. The AD Early Years, Prevention and SEND cautioned that Haringey was in the Safety Valve programme and that

any additional funding would likely be used to offset its existing deficit within that programme. Further details of the figures and how they would be allocated were expected in late December.

j. The Chair invited the Panel members to ask questions on the new savings proposals at Appendix 1b. There was only one saving put forward in Children's Services and that was additional income generation of £25k through Pendarren, which would make the site self-financing. Members asked whether the site was operating at full capacity and whether there was more that could be done to attract other external users of the facilities, particularly ensuring that there was self-catering facilities available. In response, the Director advised that there were looking to advertise the site externally, to groups that would be vetted before booking. This was being done along with looking at updating the booking site and the website.
k. The Panel commented that without self-catering facilities in the main house, certain sections of the community would not be able to use it due to their dietary requirements and the risk of cross-contamination. Officers agreed to come back with a written response about whether there were self-catering facilities available in the main house and/or whether there were separate kitchen facilities for Kosher dietary requirements in the main house. **(Action: Jane Edwards).**
l. The Panel sought assurances from the Cabinet Member for Finance around whether it was anticipated that further savings would need to be found from the Children's service budget in order to close the existing budget gap. In response, the Cabinet Member advised that all directorate budgets were being looked at on a line-by-line basis, and that this included savings being delivered this year but agreed in previous years. Corporate Finance were also looked at reducing spend on things like; procurement, contracts, payment cards and agency staff. It was suggested that after years of increasing un-funded pressures that there was a limit to the savings that could be made. The Cabinet Member set out that Haringey was in a similar position to the other outer-London authorities and that they needed more support from central government to become financially sustainable.
m. The Panel considered the Capital programme as attached at appendix 1c. It was noted that there were no changes proposed to the capital budget in Children & Young People's Services, under these draft budget proposals.
n. The Panel sought assurances around what would happen to youth services and other non-statutory services in light of ongoing budgetary pressures. In response, officers advised that the Corporate Delivery Plan set out what the priorities of the Council were and the purpose of setting a budget was to provide a financial framework to deliver those priorities, even if the financial picture was difficult. Assurances were given by the Cabinet Member that the administration knew the impact of cutting youth services and that the Council needed to protect the core of its services, in order to be able to build them up again when there was money available. Officers set out that government announced additional funding for youth services in the Autumn Statement, but how this would be apportioned across local government was not yet clear.
o. In relation to the previously agreed savings tracker, it was noted that there were two savings that were amber. The first was a £99k saving from changes in

staffing costs at Pendarren. It was noted that this was expected to be implemented in full, but that there may be a degree of re-profiling the saving. The second was a £119k saving in accommodation for local care leavers. The Director advised that work was continuing to find accommodation through the Housing Allocations process and that it was expected that the savings for this year would be delivered in part, if not in full.

The following requests for information and recommendations were agreed by the Panel:

1. Clarification was requested about Pendarren and whether there was facility for outside groups to use the main house on a self-catering basis, particularly in relation to groups with specific dietary requirements.
2. The Panel sought assurances from Cabinet around the modelling used to calculate the forecast pressures in Children's. The Panel would like assurances that the forecasts will continue to be reassessed going forward, including in reference to updated in-year budget monitoring figures for Quarter 2 2024/25. Also, assurances were sought about whether the forecasts be affected by additional funding announced in the Autumn Statement.
3. In reference to the residual budget gap of around £32m, the Panel requested assurances from Cabinet that they would seek to minimise the impact of further savings on children and young people in the borough.
4. The Panel request that Cabinet provide a response on what their plans are for income generation, rather than savings, to close the overall residual budget gap. The Panel also seek assurances from Cabinet that they have explored every opportunity for income generation.
5. The Panel requested that Cabinet give assurances around the fact that they will monitor the costs of children's social care placements closely going forwards(given the budget pressure in this area), and also give assurances around how the Council will ensure that none of our providers use unsuitable placements, such as caravans and Airbnb sublets. Further assurances were requested about how we will monitor providers charging excessive rates for high-cost placements.
6. Savings Tracker (£200k saving). The Panel requested further information about what mechanisms are being used to effectively manage the market? Are there lessons that could be rolled out more widely.
7. The Panel request clarification about what the 'Digital Savings' saving relates to on the Savings Tracker. The Panel also request clarification about why there is no RAG rating. It is presumed this should be red, as it is listed as a £232k shortfall. If this saving is undeliverable, how will the £232k saving be mitigated?

RESOLVED

That the Panel scrutinised the proposals presented in the report
And its appendices and provide recommendations on the Budget proposals
to the Overview and Scrutiny Committee (OSC) Committee on 20 January
2025.

88. WORK PROGRAMME UPDATE

RESOLVED

That the outcomes from the Scrutiny Survey and Scrutiny Café were noted

That the Work Programme for 2024-26 was agreed.

89. NEW ITEMS OF URGENT BUSINESS

N/A

90. DATES OF FUTURE MEETINGS

- 13 January 2025
- 13 February 2025

CHAIR: Councillor Makbule Gunes

Signed by Chair ………………………………..

Date …………………………………

MINUTES OF THE MEETING Housing, Planning and Development Scrutiny Panel HELD ON Thursday, 21st November, 2024, 18:30.

PRESENT:

Councillors: Alexandra Worrell (Chair), Khaled Moyeed, John Bevan, Isidoros Diakides and Luke Cawley-Harrison

204. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'.

205. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Hymas. Apologies for lateness were received from Cllr Moyeed.

206. URGENT BUSINESS

There were no items of urgent business.

207. DECLARATIONS OF INTEREST

There were no declarations of interest.

208. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None.

209. SCRUTINY OF THE 2025/26 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2025/2030

The Panel received a report which set out the draft 2025/26 budget and 2025-2030 Medium Term Financial Strategy. The report set out the budget setting process for 2025/26 to date and also set out the further steps that would be taken prior to its final sign-off by Full Council in March. The report was introduced by John O'Keefe, Head of Finance (Capital, Place & Economy) as set out in the agenda pack at pages 9-65. The Cabinet Member for Housing and Planning was present for this item, along with a number of officers from the Housing service, including the Interim Director of Placemaking and Housing. The Interim Assistant Director of Housing Demand, Sara Sutton, was also present for this item. Kaycee Ikegwu, Head of Finance (Housing &

Chief Accountant), was present for this item, along with Cllr Dana Carlin, Cabinet Member for Finance and Corporate Services.

The Chair advised that the Panel would be taking sections of the report in turn. The Panel would start with a discussion on the overall budget and its wider financial context (cover report and appended Cabinet report), then they would go through the relevant budget pressures (Appendix 1), then the new savings proposals (Appendix 2), followed by amendments to the capital budget relevant to housing and placemaking (Appendix 3), and they would then look at the pre-agreed savings tracker (Appendix 4). The following arose during the discussion of this agenda item:

a. The Panel enquired about how much of the stated £32m residual budget gap would be management actions and to what extent were staffing cuts expected. The Panel also sought clarification as to how the subsequent proposals would be adequately scrutinised, if the budget had already gone out to consultation. In response, the Cabinet Member for Finance advised that officers were in the process of going through the budget line-by-line in order to identify further savings and efficiencies. The Cabinet Member acknowledged that identifying areas of savings was difficult in a context were local council's had made savings year on year since 2010. It was commented that Haringey faced a particular disadvantage following the changes to the local government funding formula in 2015. In relation to further scrutiny, the Cabinet Member advised that any further savings proposals would be considered by the Overview & Scrutiny Committee in January. It was also commented that the budget consultation process was open until January and so there was a window for further public consultation to take place.
b. The Panel sought clarification about whether there would be an opportunity to scrutinise further savings that arose after the meeting of OSC on 20th January. In response, the Cabinet Member advised that an additional meeting of OSC could be arranged if that was required.
c. The Chair commented that finding £32m of additional savings in light of the amounts that had been found in previous years was a fairly scary prospect. In response the Cabinet Member suggested that it wasn't just a case of finding savings for next year, they also needed to look at the projections of spend in future years and see what could be done to reduce demand and reduce the pressures that they expected to see in future years. Adult social care and temporary accommodation were identified as the biggest areas of projected overspend and that a lot of work was being done to understand and where possible mitigate these pressures.
d. The Panel queried the line in the capital programme that related to moving Broadwater Farm leisure refurb to the HRA and whether this was just putting the costs on to housing tenants. In response, officers advised that there was a leisure facility on BWF and this budget was to make good the lack of funding investment from Fusion. The Cabinet Member set out that it was a HRA building and the works were going towards things like mending a leaky roof and defective guttering. It was suggested that the cost would likely be split, but they had not got to the position of deciding the relationship between the HRA and leisure provision yet.
e. The Chair sought assurances about the projected inflation rate increase in Housing Demand contracts of 10%, the extent to which that was a robust assumption, and whether the rate could actually go higher. In response, officers

advised that they had done a lot of work to review the modelling approach and tracking uplifts in this sector, but it was acknowledged that the market remained volatile. Officers advised that the costs were tracking much more in line with the forecasts over the last quarter. It was also commented that there was also a range of mitigations in place to try and bring down the spend, including the acquisition of 150 properties for the HCBS using government funding.

f. The Panel sought clarification about the use of reserves in previous years and whether that was about £20m. In response, officers advised that was correct in broad terms. Some of that money was made up from a contingency budget which was in place in the revenue budget.
g. In response to a follow-up, the Cabinet Member for Finance set out that using reserves to close the budget gap for next year was not an option. The Council did not have sufficient reserves to do so, and it was important to be clear that the Council did not have that option this time.
h. In response to a question about rising demand levels, officers advised that the budget pressure in Housing Demand factored in a 15% increase for next year.
i. By way of introduction the Interim Director of Placemaking & Housing advised that the £2.2m pressure in Assets -operational estate related to the Corporate Property model being introduced and that it identified gaps in funding that Council's operational estate. The additional funding was to bring those properties up to standard. The pressure consisted of £0.4m in operational FM overspends, £1.5m in revenue shortfall and business rates shortfall of £0.3m. The £1.5m pressure related to Strategic Asset Management was because the service had been funded for 3 years through flexible use of capital receipts and that funding arrangement was ending. The £1.5m was the cost of funding that service going forward.
j. The Chair south clarification around operational estate pressure, and whether this was basically a reflection that the buildings were in a worse condition that was expected. In response, officers advised that this was more reflected in the capital costs later in the document. Instead, this was more general repair costs, such as regular maintenance of gutters. Officers clarified that during the period of austerity budgets had been cut and maintenance suffered. The costs was a reflection of how much it was expected to maintain the current level of stock to an acceptable standard.
k. The Panel sought clarification about the extent to which the Council had an accurate list of all of the properties it owned and that it also had detailed information about occupancy levels in each. In response officers advised that there was an accurate list and that the identification of the £2.2m pressure was as a direct result of developing the business case for developing the Strategic Property model, which led a better understanding of where those builds were and the maintenance and business rate pressures involved. It was noted that the Commercial list was commercially sensitive but that officers had circulated some further details of the operational estate to Members prior to the meeting.
l. The Panel queried how the Council could owe business rate debt on its own properties. Officers advised that this was to do with reviews of properties coming in and these highlighting increases in business rates.
m. In relation to a question about what the Strategic Asset Management team did and what the impact of a reduction or reconfiguration of that service might look like, officers advised that the team was responsible for the delivery of the Strategic Asset Management Property Improvement Plan, which was a review

of the Council’s operational estate and looked at the long term future of schools and other operational sites. Officers agreed to provide a written response on what impact a reduction/reconfiguration of the strategic Asset Management team would have on the Council. **(Action: Jonathan Kirby).**

n. The Director of Housing Demand gave an introduction to the £10.797m budget pressure set out in the report in relation to Housing Demand. The key elements of this were identified as demand pressures, lack of supply, delays in moving on, and the market rates of nightly paid accommodation. The pressure included a 15% increase in demand for nightly paid B&B accommodation. Officers advised that they had external validation carried out on the modelling framework that had been undertaken to ensure the underlying modelling assumptions were robust. The Panel was advised that the government announced £233m for local council’s for homelessness and rough sleeping, but that Haringey’s allocation of this funding was not yet know.

o. The Chair sought clarification about the extent to which the undeliverable savings in the 2024-25 savings tracker around Housing Demand contributed to the pressure, and how much this was exacerbated by a failure to turn around voids for use as TA. Officers acknowledged that there was a financial impact from not being able to turn around voids, which had been factored into the modelling. However this was not a significant proportion of the overall pressure. Officers estimated that the worst case scenario was this cost would be about £50k a month, but it was probably half that cost. It was commented that some degree of voids was to be expected due to people moving through the system. By way of context, officers advised that a significant proportion of local authority overspend was caused by the gap in benefit versus subsidy. Haringey’s calculation of its own deficit was £10.2m because of the subsidy gap. The Cabinet Member for Housing advised that Haringey had the third highest level of demand in England.

p. **(Action: Sara Sutton).**

q. The Panel sought clarification about where the 15% additional demand was coming from and how far ahead they were able to predict this demand. In response, officers advised that the key reasons were; end of tenancy, domestic violence, changes to arrangements with family, and changes to homes office rules. There was also significant work taking place to bring down demand at the reduce/relief stage. Officers advised that there were projecting 18 months ahead at present due to the volatility in the market.

r. In response to a question around rates, officers advised that there had been agreement around inter-borough arrangements in the past but that there had been significant breaches, to the point that the system had broken down. It was suggested that there was a need for a wider sub-regional arrangement to be put in place. Officers advised that they were focusing on a nightly paid retention strategy to look at the longer term pressures in this area.

s. The Panel sought assurances about what was being done to work with private social landlords and encouraging them to come back to the market. In response, officers advised that they knew they had work to do in this area, and that part of this was developing a strengthened retention strategy, to run alongside building improved relationships. Work was underway with the Cabinet Member to look at how to improve the Landlord Forum.

t. In relation to a clarification on voids, officers set out that the voids in question related specifically to Temporary Accommodation properties only, not general needs housing. As a follow-up, the Panel sought clarification about the impact on TA of bringing voids in general needs housing back into use. Officers advised that there was a correlation between general needs and TA, but that only a proportion of those voids would be available to house homeless families due to the housing register and allocations policy. Officers advised that there was no exact calculation, but that there were projections set out in the lettings plan. **(Action: Sara/Kaycee).**

u. The Panel enquired whether there were targets in place for numbers of private social landlords. Officers advised that there were targets, but that these were under review. There was a target for 150 acquisitions, but cautioned that this would increase the number of void properties before they were turned around and transferred to the HCBS.

v. The Chair sought assurances about what was being done to improve the move-on from Temporary Accommodation. In response officers advised that the rate at which the Council was able to move people on from TA had improved significantly in the last couple of years, it was just that the rate of improvements had been outstripped by the corresponding increase in demand over the same period. Officers advised that the outflow in August 2024 was 76, compared to 51 in August 2023 and 30 in August 30. Between April 2023 and October 2024, 519 households had been moved on from bed and breakfast, but the overall demand had increased at a significantly higher rate.

w. In response to a follow up question, officers advise that of those 519 people moved on from B&Bs, 195 of them was because the Council had ended its duty, 14 were transferred to another local authority, 88 either left or their eligibility was not accepted, 22 were transferred to TA accommodation. Of the 195 above, this was broken down into 66% were housed privately, 27% social housing, 7% socially rented housing.

x. The Panel commented that there had been a historical problem in Haringey with other borough's discharging their housing duty by placing people in Haringey housing. In response, officers advised that this was an ongoing issue and that Haringey also placed people in different boroughs including hotels in Ilford.

y. The Panel also commented that there seemed to have been a significant drop off in the number of properties that the Council had available for allocation from housing associations. In response, officers advised that 300 lettings took place last year but that they were projecting around 900 for this year.

z. A Panel Member suggested that there was a £20k saving per year for every Council property that was brought back into use. It was queried why the Council did not do more to boost the numbers of Council homes, given the savings involved. In response, officers advised that there were revenue implications to capital borrowing and that the Council had to find a balance.

aa. In relation to local agreements with other authorities, officers advised there was very little that could be done for breeches of these agreements.

bb. The Interim Director of Placemaking & Housing gave an introduction to the proposed saving of £350k in Asset Management for 2025/26 (with further savings in subsequent years). The Panel was advised that this was part of the wider review of the commercial portfolio and included turning around empty properties as well as achieving increased rental income levels from its commercial buildings, some of which had not had a rent increase for some time. The Director added that they had achieved a good level of compliance with rent increases in the current year, and that gave them confidence about achieving this saving.

cc. The Chair enquired about what the relationship was between this saving and the budget pressure in Asset Management, and the extent to which the budget pressure reflected the impact of this saving. The Director advised that until a building was disposed of the Council had a responsibility (as landlord) for statutory compliance and health and safety. As a pipeline of work improvements, locations increased, and utilisation across the operational estate came online, the Council should achieve reductions in those pressures. It was clarified that the forecast pressures reflected what was in place now, in order to forecast utility costs and look after statutory compliance costs.

dd. The Chair sought assurances about the impact on community groups and VCOs that use Council buildings of significant rent rises. The Director advised that the process looked at a range of criteria, outside of rental returns, including what the social value of the building was. The Director advised that the VCS elements of the commercial portfolio were fairly small in number. There was a report to Cabinet in March about support to the VCS and this involved an element of co-production. The Panel were given assurances that if there was a wider societal value or merit to the lease of a building that would be taken into account, as part of the wider property governance structures. However, it was acknowledged that there would inevitably have to be some decisions made that reflected the Council's worsening budget position.

ee. The Panel enquired about the ongoing existence of peppercorn rents. In response, officers advised that there were historically leases given at peppercorn rents and that these would continue until the expiry of their term.

ff. In relation to a question about rental levels, officers advised that the starting position was that everyone would pay something and that where appropriate the starting position would be what a market rent is, notwithstanding the previous point around societal value. It was commented that having a clearly set out policy in relation to rental incomes allowed that Council to better calculate societal value and support VCOs.

gg. Officers agreed to come back with a figure on what the current level of bad debt provision was, and agreed to break this down into general debts, those debts on a payment plan, and those debts which were written off as non-reclaimable. **(Action: Jonathan Kirby).**

hh. In relation to bad debt provision, officers advised that the service was working closely with colleagues in Legal and Finance and was having some success in terms of securing repayment plans and, where needed, taking those sites back.

ii. In relation to a question about a consistent approach to rents in a particular block or building, officers advise that they were prepared to have those difficult conversations about where people may have got very advantageous deals in the past. Consistency would be the norm going forward.

jj. Officers advised that in general the levels of due diligence on its commercial tenants were good and that the key thing was to have levers in place in the contracts in order to allow the organisation to exit the contract if they got into trouble. The Council was pushing strongly for all of its tenants to provide a tenancy deposit.

kk. In relation to the proposed saving of £412k around Housing Related Support Contracts, the Acting AD for Housing Demand advised that the Council had a range of contracts in this area, many of which were commissioned services.

The saving related to working with those providers to find back office efficiencies from those contracts, such as accommodation costs or energy savings. The Panel was advised that the service would also be looking at savings from consolidating floating support contracts, seeking external funding in some cases, and focusing on targeted prevention to ensure that contracts were delivering value for money.

ll. The Char sought clarification about where alternative sources of funding might come from and whether these were statutory services. In response, officers advised that most support in this area was non-statutory and that there were a range of charities and not-for-profits that operated in this field. Seeking external funding for these services was also an element of the saving proposal.

mm. The Chair asked for clarification about the impact of this saving on residents would be. In response, officers set out that that they would seek to protect frontline provision as much as possible and that was why they were targeting back-office provision. Officers emphasised that some of these reductions would be around vacant posts rather than reducing services. The Cabinet Member emphasised that there were a lot of contracts in this area, across a range of providers including health. Not all of the contracts were related to homelessness. The Chair requested further details on this saving, once proposals had been firmed up a bit. Particularly around what support these contracts provided and what was potentially being lost. **(Action: Sara Sutton).**

nn. In response to a question, officers advised that the number of vacant buildings had reduced significantly in recent years and provided assurance's that that the service aimed to have rental income for sites whilst the long term plans for redevelopment were being drawn up. Officers advised that they did look at meanwhile use of vacant buildings, particularly for use by other services in the Council, including temporary accommodation. It was acknowledged that vacant sites incurred costs on the Council around maintaining those sites e.g. security and utilities.

oo. In response to a questions around GLA funding, officers advised that the Council did very well in relation to taking up external grant funding and having that relationship with the GLA.

pp. In response to a suggestion that the council needed to be consistent with the terms of leases it offered to different parts of the community, officers acknowledged this point and set out that going forward there would be an open transparent bidding process for buildings, rather than any sort of direct allocation.

qq. The Panel sought assurances around River Park House and whether this could be generating an income, for meanwhile use or being let out on a longer term basis. In response, officers advised that due to the condition of the building and occupancy levels, it was not viable to rent the building out as it would take too much investment to bring it up to the required energy performance standards. Particularly, as the Council's long term plan was to dispose of the site as part of the wider Wood Green work. River Park House was partially used by the Council for storing a data centre and CCTV. It was also generating an income through advertising being placed on the building.

rr. In relation to meanwhile use, officers advised that the costs of bringing it up to standard were not feasible and that the Council could not make a loss on its buildings anymore, it had to protect its financial interests. Officers advised that it's buildings were able to be used by external organisations, provided the building was safe. A list of buildings available to rent was on the website.

ss. The Panel raised concerns that a decision had effectively been made to mothball River Park House, without the proper due diligence. It was suggested that as an alternative the Council should be looking to invest in the building and generate revenue from renting it out. The Panel also sought assurances around what would happen with the building whilst it was being mothballed. In response, officers advised that the work to figure out how long it would take to do the wider Wood Green piece of work was being done now, and so it was not possible to say how long it would be before the site could be disposed of. The site was generating income from advertising in the meantime. Officers set out that the Council would never be able to re-coup the costs needed to invest in the building to bring it up to standard. It was emphasised that the building condition survey identified that River Park House was in the worst condition of any of the buildings.

tt. A Panel Member requested that the Cabinet Member for Finance look again at using River Park House to generate an income and cover the costs of keeping it going. Officers set out that all of the modelling that had been done showed that the Council would not get the level of income required in order to make this viable. It was suggested that the building was not costing the Council any more than was in the budget, and that they were actually reducing the costs by reducing occupancy levels in the building. The Cabinet Member for Finance advised that she had been assured that Wood Green and Station Road were being looked at as matter of urgency. The Cabinet Member set out that the Council was paying over 7% in borrowing costs and that its capital schemes had to have a robust business case.

uu. The Panel requested to see the modelling around River Park House and what it would cost to bring it up to a reasonable standard. Officers advised that the work being done at the minute around Wood Green would provide this assurance. Officers agreed to share this with officers, once it was finished. **(Action: Jonathan Kirby).**

vv. In relation to the Capital investment of £13.247m in Asset Management of Council Buildings, the Panel sought clarification about whether this was a revised budget or additional investment from what had been agreed in previous years. In response, officers advised that this was additional investment into the Council's operational estate. In previous budgets, there was no Investment in the later years of the budget as it was envisaged that the council would be rationalising its estate. The investment would be used to keep the buildings operational and up to compliance standards.

ww. The Panel sought clarification about the capital investment of £5m into the HRA for Housing Demand. In response, officers advised that the Council used a Proval system to assess viability for acquisitions and this worked on a process of determining if the property had a 'positive net value'. However, this model did not work for larger family homes. This investment was for an average of £50k investment per property from the GF to the HRA in order to make those acquisitions viable in the HRA. In return the GF would get additional Temporary Accommodation relief and the Council could house people in proper housing in the HCBS, rather than TA. Each acquisition would be subject to a mini business case and Proval approval. The Cabinet Member added that at present the General Fund was taking all of the costs for TA and that it was in the GF's interests to invest in larger properties that would then be loaned back to the HCBS. It was noted that the scheme also leverages in external government and GLA grant funding.

xx. In response to a question, officers advised that this was a top-up for each individual acquisition, in order to make it viable in the HRA. The Panel queried whether it would be possible to double this investment to £10m, given the inherent savings to the Council from expanding its housing stock and reducing its use of nightly paid accommodation. In response, officers advised that this was a trial, and that it was working with grant funding which was limited. Finance advised that they had secured grant funding from the government for 60 units, but that they would look to expand this if it was possible. It was emphasised that there was a limitation around capacity, and that without the grant funding this scheme would not be viable at all.

yy. The Panel sought clarification about the placemaking schemes in the budget and how the figures in the reduction of these schemes had been arrived at. In response, officers advised that there were some projects within these schemes that were already underway, but that the team were committed to reviewing the viability of projects that the Council was not in contract on, or if there was no financial penalty for not undertaking them. Within the Wood Green Regen line the schemes that were being reconsidered were the enterprise hub at 40 Cumberland Road, and Penstock tunnel, which included public realm works and a lighting programme. Within Tottenham Streets & Spaces, the projects being re-profiled were future phases of work at Down Lane Park (inc. green space improvements, drainage, landscaping and play facilities). The Cabinet Member advised that in the past the capital programme had contained schemes that were struggling to go ahead. But this required the Council to allocate borrowing costs for those schemes, unless they were self-financing. The Cabinet Member also set out that schemes taken out for this reason would go into a pipeline and those projects could be reconsidered as future schemes. The Capital programme would be reconsidered every year at future budget setting events.

zz. The Panel sought assurances around the Wards Corner scheme in the capital budget in relation to its viability challenges and the financial impact on the Council from not building houses on the site if it was not viable. In response, officers advised that the wider scheme was not viable at present and viability was crucially important for any scheme to go ahead. Officers advised that they were working across the Council and with TfL to find a solution and that the Council had made a public commitment to pursue this. In response to a follow-up, officers confirmed that this was an example of a scheme coming out of the capital programme, because it was unviable, but that it would go into a pipeline of schemes that were being looked at in relation to how to deliver them in future.

aaa. The Interim AD for Housing Demand advised that in relation to the line on the savings tracker around modular buildings, they were going out to tender on this and its was progressing but delays had led to a slippage. In relation to the acquisitions programme, it was noted that the service was bringing 46 properties online by January and that this saving would mitigate any under-delivery in Housing Demand.

bbb. The Panel sought clarification around whether to saving around using two bed social housing as TA, referred to HRA TA. In response, officers advised that there was a proportion of HRA properties used as Temporary Accommodation.

ccc. The Panel sought clarification around the saving around proactively undertaking fraud checks for those applying for TA and whether it was possible to fraudulently claim TA. In response, officers advised that this had been an increasing area of concern and that other authorities that had started carrying out checks had seen an increase, particularly in relation to illegal subletting of nightly-paid accommodation or private sector leases.

ddd. The Panel queried the saving around planning application notices, and its desirability given the modest £10k saving involved. In response, officers advised that the modest saving was as a result of the fact that there would be costs involved in implementing this. The proposals was to stop sending any notification letters to local residents and to focus on doing site notices instead. It was noted that this was a proposal that was being considered in light of its feasibility at this stage, rather than something that had been agreed.

eee. The Panel made a plea that the savings tracker be pulled together in a more consistent manner in future. It was commented that the RAG status should reflect whether the saving had been met, partially met of not met. In response, Finance acknowledged that they were changing the way the document was collated.

fff. The Chair sought clarification about the £500k saving in the property data project. In response, officers advised that this saving related to a review of the usage of the Council's operational estate, which had not been progressed as quickly as was initially envisaged. Some of the non-delivery of this saving in-year would be mitigated by over-achieving on rental incomes. In relation to a follow-up, it was noted that Hard FM related to when the Council had to fix things like boilers, and soft FM was around cleaning buildings. The Council was seeking to bring both of these back together under a Corporate Property Model.

ggg. The Panel queried about the increase in Planning Application fees and whether the Council was looking about charging additional fees for a fast-track or premium service, say for a particular category of priority scheme, such as green infrastructure. In response, officers advised that the increase in fees was set by the government. The application fees were statutory and the authority had no power to change them. Officers set out that that they had increased non-statutory fees and had implemented a pre-application advice service that generated income. Officers advised that there was no intention to look at increasing CIL rates as this had been done recently.

RESOLVED

That the Panel scrutinised the proposals presented in the report.

210. WORK PROGRAMME UPDATE

RESOLVED

That the work programme was noted.

211. NEW ITEMS OF URGENT BUSINESS

N/A

212. DATES OF FUTURE MEETINGS

16th December
6th March

CHAIR: Councillor Alexandra Worrell

Signed by Chair ………………………………..

Date …………………………………

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Agenda Item 8

Report for:	Overview & Scrutiny Committee – 20 January 2025
Item number:	**8**
Title:	Treasury Management Strategy Statement 2025/26
Report authorised by:	Josephine Lyseight, Assistant Director of Finance (Deputy S151 Officer)
Lead Officer:	Daniel Lynch, Senior Accountant – Pensions and Treasury Daniel.Lynch@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 2025/26 prior to its presentation to full Council for approval.

3.2. To note that Audit Committee will be considering the draft TMSS at its meeting on 27 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 2025/2026.

Economic Background

6.4. The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

6.5. The economic outlook remains uncertain, and financial markets are expected to experience volatility in the near term. The Bank of England (BoE) anticipates that headline CPI inflation will continue to rise slightly in the near term adding to the risk of inflation persistence. The BoE also suggested future reductions in interest rates were likely to be gradual as it predicted the Autumn Budget would lead to higher inflation and economic growth, taking a year longer to return sustainably to the 2% target. Markets are currently pricing two further bank rate cuts in 2025, although some economists anticipate this may be closer to four.

6.6. The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25 basis point cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

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

6.8. In early January 2025, the Pound lost value relative to other currencies and UK bond yields rose sharply, as investors became concerned about the sustainability of UK spending plans and borrowing; this is a developing story. While market nervousness may abate there is a risk that gilt yields continue to climb and a change in Government policy or intervention in markets is required

Haringey Council's Local Context

6.9. 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.

6.10. The Council's capital plans are the primary driver of the Council's borrowing requirement, and they are set out in section 3 of this report, outlined in the Council's Capital Strategy 2025 to 2030 in the Council's main budget report.

6.11. The Council's underlying need to borrow for capital purposes, referred to as the Capital Financing Requirement (CFR) is also 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.

6.12. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4.00%, and that new-long term loans will be borrowed at an average rate of 5.50%.

6.13. The Council's financial position is challenging. Efforts to reduce costs and identify additional savings continues but as part of contingency planning, Haringey has made an application to the Ministry for Housing, Communities and Local Government for Exceptional Financial Support (EFS) to be made available if it is required during 2025/26. The outcome of the application will not be confirmed until end of February 2025.

6.14. EFS is a necessary response to the Council's financial circumstances and if required, support will be provided through an agreement by Government that the Council can capitalise part of its day to day running costs. In practice this means that the Council has permission to either borrow or use capital receipts from the sale of assets to fund day-to-day expenditure.

6.15. An update on the Council's financial position will be presented to Overview and Scrutiny Committee on 30 January 2025 before the Cabinet consider the final draft budget on 11 February 2025. For planning purposes, this draft TMSS has been prepared on the basis that some support through a capitalisation directive that allows borrowing for some day to day services will be required. This assumption will remain under review over the next few weeks with the expectation that any EFS required to balance the budget will be minimised. Any update will be reflected in the updated TMSS to Audit Committee on 27 January 2025 and the final TMSS presented to Cabinet on 11 February 2025. Therefore, the figures in this TMSS are subject to change over the next few weeks.

6.16. Full details will also be set out in the Chief Finance Officer's Section 25 Statement of the 2025/26 Budget and Medium Term Financial Strategy report going to Cabinet on 11 February 2025. Support through EFS is not a long term sustainable financial strategy and work will continue through 2025/26 to reduce the amount of EFS drawdown and avoid the need for any EFS from 2026/27 onwards.

Borrowing Strategy

6.17. 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.

6.18. 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 31 December 2024. The rates shown include the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

PWLB Maturity	Jan-24	Mar-24	Jun-24	Sep-24	Dec-24
1-year	5.52%	5.56%	5.57%	5.15%	5.39%
5-year	4.76%	4.84%	5.06%	4.76%	5.32%
10-year	4.97%	4.97%	5.19%	5.03%	5.63%
20 year	5.46%	5.39%	5.57%	5.48%	6.05%
50 year	5.28%	5.21%	5.38%	5.33%	5.86%

6.19. 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.

6.20. 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

6.21. 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.

6.22. 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

6.23. 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.

6.24. 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 Legal and Governance, Equalities)

Finance and Procurement

9.1. Finance Comments are included throughout the report.

Head of Legal & Deputy Monitoring Officer

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. The government has agreed to provide a number of local authorities with support via the Exceptional Financial Support framework, following requests from these councils for assistance to manage financial pressures that they considered unmanageable. The support is provided on an exceptional basis, and on the condition that each local authority is subject to an external assurance review.

9.5. 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

9.6. 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

There are no equalities issues arising from this report.

10. Use of Appendices

10.1. Appendix 1 – Treasury Management Strategy Statement 2025/26

11. Background Papers

11.1. None

London Borough of Haringey

Treasury Management Strategy Statement 2025/26

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 impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

UK inflation, interest rates and economic growth outlook

2.2. The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25 basis point cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

2.3. The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

2.4. ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

2.5. The labour market appears to be easing slowly, but the data still require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

Global economic outlook

2.6. The US Federal Reserve has also been cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its November 2024 monetary policy meeting to a range of 4.5%-4.75%. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an annual rate of 3.1% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

2.7. Euro zone inflation rose above the European Central Bank (ECB) 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Despite the rise, the ECB continued its rate cutting cycle and reduced its three key policy rates by 0.25% in December. Inflation is expected to rise further in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

Credit Outlook

2.8. Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

2.9. Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

2.10. Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury adviser.

2.11. Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice 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 2024)

2.12. The Authority's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

2.13. Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue to remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

2.14. A more detailed economic and interest rate forecast provided by Arlingclose is included in this document as Appendix A.

2.15. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4.00%, and that new long-term loans will be borrowed at an average rate of 5.50%.

3. Local Context

Capital Expenditure and Financing

3.1. The Council's capital plans are the primary driver of the Council's borrowing requirement, and they are outlined in the Council's Capital Strategy 2025 to 2030 included in the Council's main budget report and has been considered when producing this report. Table 1 below summaries the Council's expenditure plans, both those previously agreed, and those to be agreed as part of this year's budget/MTFS plan. Members are asked to approve the following expenditure forecasts.

Table 1: Capital Expenditure

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
General Fund Account (GF)	72,858	107,479	142,921	151,198	112,518	67,720	105,711
Commercial Activities & Investments	-	-	-	-	-	-	-
Housing Revenue Account (HRA)	158,783	161,694	256,407	260,804	261,529	225,897	199,968
Exceptional Financial Support (EFS)	-	20,000	20,000	-	-	-	-
Total	**231,641**	**289,173**	**419,327**	**412,002**	**374,047**	**293,617**	**305,679**

3.2. A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in Table 1 above indicate that no such activity is proposed in the future programme.

3.3. The above programme excludes other long-term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements, that already include borrowing instruments

3.4. If approved by MHCLG, the Exceptional Financial Support (see Section 3.16 to 3.19) will allow for certain items of revenue expenditure to be charged to Capital.

3.5. The proposed funding of the capital programme for 2025/26 to 2029/30 is set out in Table 2. Any shortfall of resources results in a borrowing need.

Table 2: Capital Financing

	31.3.24 **Actual** **£m**	**31.3.25** **Estimate** **£m**	**31.3.26** **Forecast** **£m**	**31.3.27** **Forecast** **£m**	**31.3.28** **Forecast** **£m**	**31.3.29** **Forecast** **£m**	**31.3.30** **Forecast** **£m**
Borrowing	-	79,463	76,622	44,963	44,396	11,840	9,130
Borrowing - Self-Funding	-	8,504	33,894	37,203	6,402	4,686	-
Capital Grants	28,349	24,526	23,139	39,875	19,110	8,584	8,231
Capital Receipts	-	-	10,000	-	-	-	-
Capital Reserves	-	1,100	-	-	-	-	-
Community Infrastructure Levy	2,204	4,690	5,879	3,407	2,781	2,781	-
HRA Contributions	-	-	5,000	-	-	-	-
Revenue contributions	210	300	500	500	500	500	500
S106/Developer Contributions	2,775	8,896	7,886	25,250	39,329	39,329	87,850
TOTAL GENERAL FUND (GF) FINANCING	**33,538**	**127,479**	**162,921**	**151,198**	**112,518**	**67,720**	**105,711**
Capital Grants	55,271	20,932	45,820	74,042	35,032	28,616	10,468
Major Repairs Reserve	22,901	22,597	22,729	23,776	25,044	26,181	27,434
Revenue contributions	-	4,365	2,005	6,689	6,703	4,490	5,994
RTB Capital Receipts	7,533	9,758	9,455	9,735	9,795	6,461	6,818
Leaseholder Contributions to Major Works	1,269	8,289	7,144	6,965	7,022	6,936	6,965
Market Sales Receipts	-	4,717	1,348	1,613	1,482	15,450	450
Borrowing	71,809	91,036	167,906	137,984	176,451	137,763	141,840

TOTAL HOUSING REVENUE ACCOUNT (HRA) FINANCING	**158,783**	**161,694**	**256,407**	**260,804**	**261,529**	**225,897**	**199,968**
TOTAL CAPITAL FINANCING	**192,321**	**289,173**	**419,327**	**412,002**	**374,047**	**293,617**	**305,679**

3.6. The Council's capital Strategy and 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).

3.7. On 31 December 2024, the Council held £956.9m of borrowing and £72.6m 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 3 below.

Table 3: Balance Sheet Summary and Forecast (Capital Financing Requirement)

	31.3.24 Actual £m	**31.3.25 Estimate £m**	**31.3.26 Forecast £m**	**31.3.27 Forecast £m**	**31.3.28 Forecast £m**	**31.3.29 Forecast £m**	**31.3.30 Forecast £m**
General Fund CFR	677.3	726.1	828.4	916.0	975.1	1,001.3	1,013.5
HRA CFR	542.9	587.8	733.4	877.4	1,046.1	1,191.6	1,332.6
Total CFR	**1,242.2**	**1,313.9**	**1,561.8**	**1,793.4**	**2,021.2**	**2,192.9**	**2,346.1**
Less: Other debt liabilities*	-22.0	-17.7	-13.2	-10.6	-9.9	-9.2	-8.5
Loans CFR	**1,220.2**	**1,296.2**	**1,548.6**	**1,782.8**	**2,011.3**	**2,183.7**	**2,337.6**
Less: Internal borrowing	-328.3	-261.5	-283.9	-305.6	-324.1	-311.5	-295.4
CFR Funded by External Borrowing	**891.9**	**1,034.7**	**1,264.7**	**1,477.2**	**1,687.2**	**1,872.2**	**2,042.2**
Breakdown of External Borrowing:							
Existing borrowing**	891.9	954.8	864.8	852.3	832.3	792.3	772.3
New borrowing to be raised	-	79.9	399.9	624.9	854.9	1,079.9	1,269.9

* 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

3.8. 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.

3.9. 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 3 shows that the Council expects to comply with this recommendation during the medium-term financial strategy (MTFS) forecast period.

Reporting Requirements

3.10. CIPFA published the revised Treasury Management Code and Prudential Code on 20th December 2021 and has stated that revisions need to be included in the reporting framework from 2023/24 financial year. The Council receives and approves the reports below, which incorporate a variety of strategies and policies, and estimated and actual figures:

- Quarterly Treasury Management Update Reports, including Mid- year update that provides progress and updates members on the capital position, amending Prudential Indicators as necessary, and advises whether any policies require revision
- Annual Treasury Management Report - This is a backward-looking review and provides details of a selection of actual prudential capital and treasury management indicators and of actual treasury operations compared to the estimates
- Treasury Management Strategy - Prudential capital and treasury management indicators and treasury strategy (this report)

3.11. The Council adheres to these Codes of Practice and reporting requirements when it prepares the Treasury Management Strategy Statement and related reports during the financial year, reporting to Audit Committee, Overview and Scrutiny Committee and Full Council as required during the reporting cycle.

Training

3.12. The Treasury Management Code requires a Council officer (the “responsible officer”) to ensure that members with responsibility for treasury management receive adequate training in that function. This especially applies to members responsible for scrutiny. Furthermore, the Code states that all organisations are expected to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

3.13. Training is made available to all Members involved in the monitoring of treasury management performance. Overview and Scrutiny and Audit Committee members receive Treasury Management training for the review, scrutiny and approval of the Treasury Management Strategy Statement annually as part of the budget planning process. The council will regularly assess whether treasury management staff and members have the required knowledge and skills to undertake their roles and ensure these skills are maintained and kept up to date.

Treasury management advisors

3.14. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. Haringey employ the services of Arlingclose Ltd for advice on treasury management. Services cover advice on strategy setting and implementation, regulatory compliance, reporting, investments, counterparty credit worthiness, economic outlook, financial markets, interest rates, debt management, funding, training, and technical accounting support.

3.15. Treasury management decisions is the responsibility of the Council based on, but not solely, on the most up to date information available by external advisors. The Council will continue to ensure that undue reliance is not placed upon the services of Treasury Advisors.

Exceptional Financial Support

3.16. The Council's financial position is challenging. Efforts to reduce costs and identify additional savings continues but as part of contingency planning, Haringey has made an application to the Ministry for Housing, Communities and Local Government for Exceptional Financial Support (EFS) to be made available if it is required during 2025/26.

3.17. The application for EFS is a necessary response to the Council's financial circumstances and if required, support will be provided through an agreement by Government that the Council can capitalise part of its day to day running costs. In practice this means that the Council has permission to either borrow or use capital receipts from the sale of assets to fund day-to-day expenditure.

3.18. An update on the Council's financial position will be presented to Overview and Scrutiny Committee on 30 January 2025 before the Cabinet consider the final draft budget on 11 February 2025. For planning purposes, this draft TMSS has been prepared on the basis that some support through a capitalisation directive that allows borrowing for some day to day services will be required. This assumption will remain under review over the next few weeks with the expectation that any EFS required to balance the budget will be minimised. Any update will be reflected in the updated TMSS to Audit Committee on 27 January 2025 and the final TMSS presented to Cabinet on 11 February 2025. Therefore, the figures in this TMSS are subject to change over the next few weeks. Full details will also be set out in the Chief Finance Officer's Section 25 Statement of the 2025/26 Budget and Medium Term Financial Strategy report going to Cabinet on 11 February 2025.

3.19. Support through EFS is not a long term sustainable financial strategy and work will continue through 2025/26 to reduce the amount of EFS drawdown and avoid the need for any EFS from 2026/27 onwards.

3.20. 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 £1,269.9m over the forecast period 2025/26 to 2029/30 (See Table 3). Table 4 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 4: Year-end Borrowing Position Summary

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
General Fund borrowing	445.0	495.4	580.4	647.9	687.9	727.9	757.9
HRA borrowing	446.9	539.3	684.3	829.3	999.3	1,144.3	1,284.3
Total borrowing	**891.9**	**1,034.7**	**1,264.7**	**1,477.2**	**1,687.2**	**1,872.2**	**2,042.2**

Liability Benchmark

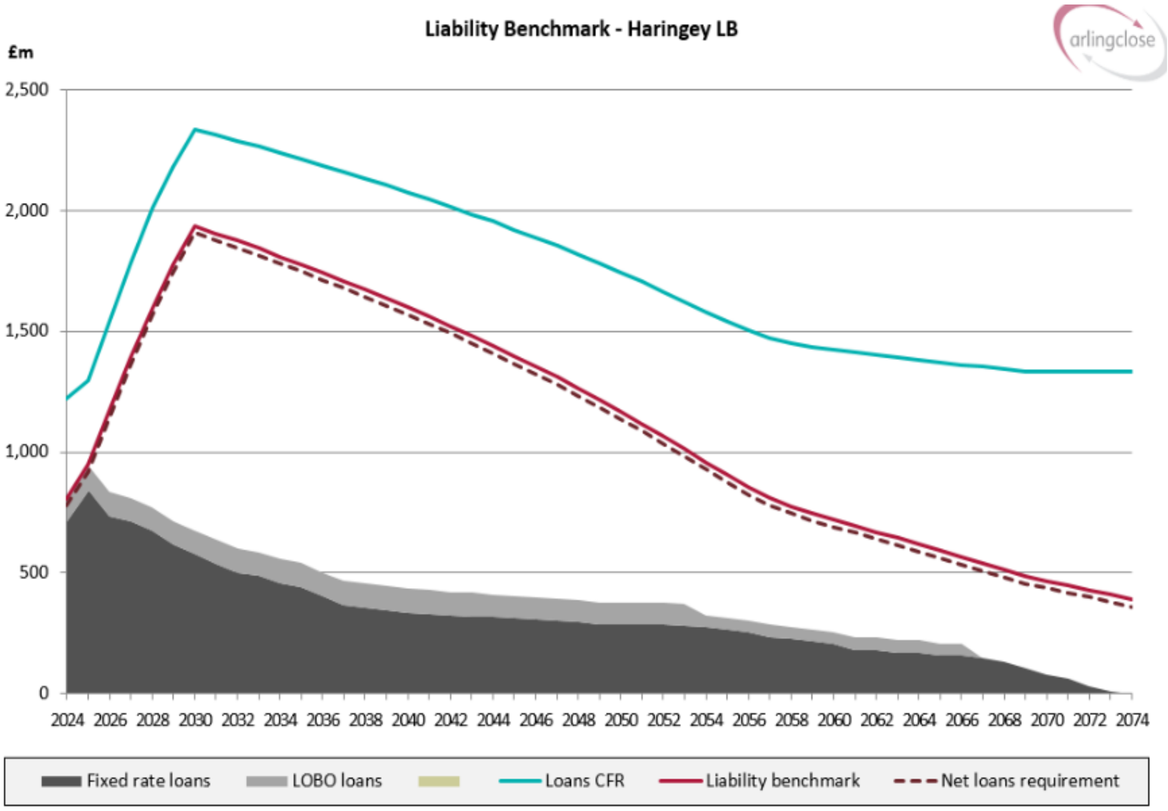
3.21. The liability benchmark has been calculated to compare the Council's actual borrowing against an alternative strategy. The liability benchmark shows the lowest risk level of borrowing. This assumes the same borrowing forecasts as Table 3 above, but that cash and investment balances are kept to a minimum level of £30m at each year-end to maintain sufficient liquidity but minimise credit risk.

3.22. 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 5: Prudential Indicator – Liability Benchmark

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
Loans CFR	1,220.2	1,296.2	1,548.6	1,782.8	2,011.3	2,183.7	2,337.6
Less: Balance Sheet resources	-443.8	-377.0	-399.4	-421.1	-444.7	-439.4	-430.4
Net loans requirement	**776.4**	**919.2**	**1,149.2**	**1,361.7**	**1,566.6**	**1,744.3**	**1,907.2**
Plus: Liquidity allowance	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Liability Benchmark	**806.4**	**949.2**	**1,179.2**	**1,391.7**	**1,596.6**	**1,774.3**	**1,937.2**

3.23. 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 2024, the Council held £956.9m of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 3 shows that the Council expects to increase its borrowing by up to £400m by the end of 2025/26. 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.

4.2. Borrowing can take the form of internal or external borrowing. Internal borrowing is a temporary position where the Council delays the need to borrow externally by temporarily using uses its cash it holds for other purposes. If not used for internal borrowing, these cash balances would be invested in accordance with the Treasury Management Strategy providing the Council with a return on investment.

Objectives

4.3. The Council's main 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

4.4. Given the significant reductions in national 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. 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 2025/26. 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.

4.5. The Council aims to strike a balance between borrowing short-term loans that may be refinanced at a lower cost if rates fall, against the certainty of longer term fixed rate debt that will protect the council if interest rates rise.

4.6. The Council has in recent years raised all its long-term borrowing from the Public Works Loan Board (PWLB) but will continue to 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. The council has struggled to borrow from other sources due to it being perceived as having a higher risk than other local authorities. 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.

4.7. 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.

4.8. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

4.9. The councils Medium Term Financial Strategy includes the provision of a Capitalisation Direction from Government. If agreed, the council has permission to either borrow or use capital receipts from the sale of assets to fund day-to-day expenditure. It is for the Council to decide which of its capital resources eg capital receipts or borrowing to allocate for this purpose at year end. With the previous Government, should a Council choose to borrow from the PWLB to finance a Capitalisation Direction, it was charged at the more disadvantageous rate of PWLB+1% . However, the new Government announced in the Provisional Local Government Finance Settlement (PLGFS) in December 2025 that as part of a framework, that they have put in place to support councils in the most difficult positions, they will not seek to replicate conditions that made borrowing more expensive. It has therefore been assumed in the TMSS that borrowing will be at PWLB rates included in Appendix A and MRP will be required using the asset life method with a proxy 'asset life' of no more than 20 years.

Sources of Borrowing

4.10. 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

4.11. 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

4.12. 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. There are no plans to borrow during 2025/26 from the Municipal Bonds Agency and any decision to borrow from the Agency will therefore be the subject of a separate report to the Audit Committee.

LOBOs

4.13. 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 2025/26, 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.

4.14. 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 and Corporate Services, in line with Haringey's constitution.

4.15. 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

4.16. 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

4.17. 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. A rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Borrowing Limits

4.18. The Council's total borrowing limits are set out in Table 6 below.

4.19. The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e., not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The indicator separately identifies borrowing from other long-term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements.

4.20. The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit. The Operational Boundary and Authorised Limit apply at the total level.

4.21. The Chief Finance Officer has the delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Audit Committee.

Table 6: Borrowing Limits

	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m	2027/28 Limit £m	2028/29 Limit £m
Authorised limit - borrowing	1,208.9	1,465.4	1,702.2	1,931.5	2,104.6	2,259.3

Authorised limit - PFI & Leases	23.3	17.4	13.9	13.0	12.1	11.2
Authorised limit - total external debt	**1,232.2**	**1,482.8**	**1,716.1**	**1,944.5**	**2,116.7**	**2,270.5**
Operational boundary - borrowing	1,158.9	1,415.4	1,652.2	1,881.5	2,054.6	2,209.3
Operational boundary - PFI & Leases	21.2	15.8	12.7	11.8	11.0	10.1
Operational boundary - total external debt	**1,180.1**	**1,431.2**	**1,664.9**	**1,893.3**	**2,065.6**	**2,219.4**

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 £33m and £84m, 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 7, subject to the limits shown.

Table 7: 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. Since 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 2025 and £30 million on 31 March 2026. 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 8: 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% rise in interest rates	£2m
Upper limit on one-year revenue impact of a 1% fall 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	2025/26	2026/27	2027/28
Limit on principal invested beyond year end	£5m	£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 2025/26 is £2.0m based on an average investment portfolio of £50 million at an interest rate of 4.0%.

8.2. The budget for total debt interest paid in 2025/26 is detailed in Table 9 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. This will be reported through the quarterly Treasury Management report to Audit Committee.

8.3. 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). No MRP is required for the HRA. Table 9 sets outs the revenue budgets in both the General Fund and HRA for both interest costs on borrowing and minimum revenue provision (MRP) charges.

8.4. The Council's MRP Policy Statement is included in the Capital Strategy 2025-2030 of the main Budget report going to Cabinet 11 February 2025.

8.5. The Department for Levelling Up, Housing and Communities (DLUHC) now Ministry of Housing, Communities and Local Government (MHCLG), issued statutory guidance (updated 2018) on determining a prudent level of MRP. The Council's Minimum MRP Policy is under review for 2025/26 and any significant updates will be factored into this report for Audit Committee on 27 January 2025.

Table 9: Revenue budget for interest costs and MRP

	2024/25 Budget £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
MRP - pre 2008 expenditure	5.0	5.0	5.0	5.0	5.0	5.0
MRP - post 2008 expenditure	11.7	13.5	15.1	16.3	16.7	17.2
Total MRP	**16.7**	**18.5**	**20.1**	**21.3**	**21.7**	**22.2**
Interest Costs (GF)	14.1	18.5	24.4	27.4	29.6	31.4
Capital Financing Costs (GF)	**30.8**	**37.0**	**44.5**	**48.7**	**51.3**	**53.6**

Offsetting Savings for self-funded schemes	-0.1	-1.1	-2.7	-3.7	-4.2	-5.2
Estimated Capital Financing Budgets	**30.7**	**35.9**	**41.8**	**45.0**	**47.1**	**48.4**
Interest Costs (HRA)	**20.2**	**26.2**	**34.0**	**42.1**	**49.6**	**55.9**

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 and Corporate Services, 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

Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2024

Underlying assumptions:

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.

- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.

- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.

- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.

- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.

- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.

- US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

Forecast:

- In line with our forecast, Bank Rate was held at 4.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

Interest Rate Forecast:

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

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Annex B – Existing Investment & Debt Portfolio Position - December 2024

	Actual portfolio £m	Average rate %
External borrowing:		
Public Works Loan Board	781.9	3.2%
LOBO loans from banks	100.0	4.7%
Local authorities	75.0	5.0%
Total external borrowing	**956.9**	**3.5%**
Treasury investments:		
The UK Government	52.6	4.7%
Money market funds	20.0	4.8%
Total treasury investments	**72.6**	**4.7%**

Report for: Overview and Scrutiny Committee – 20 January 2025

Title: Scrutiny of the 2025/26 Draft Budget/5 Year Medium Term Financial Strategy (2025/26-2029/30) - Recommendations

Report authorised by: Ayshe Simsek, Democratic Services and Scrutiny Manager

Lead Officer: Dominic O'Brien, Principal Scrutiny Officer
Tel: 020 8489 5896 or Email: dominic.obrien@haringey.gov.uk

Ward(s) affected: All

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

1. Describe the issue under consideration

1.1 This report sets out how budget proposals detailed in the draft 5-year Medium Term Financial Strategy (2025/26-2029/30) have been scrutinised and the draft recommendations that have been reached by the Overview and Scrutiny Committee (OSC) and Scrutiny Review Panels.

1.2 Members of the Committee are asked to consider and agree recommendations contained within this report so that these can be considered by Cabinet on 11th February 2025, when they will also agree the final MTFS proposals that will be put to Council on 3rd March 2024.

2. Recommendations

2.1 That the Overview and Scrutiny Committee:

(a) Approves the final budget recommendations to be put to Cabinet on 11th February 2025, as outlined in **Appendix 5**.

(b) Notes the 2025/26 Draft Budget & 2025/30 Medium Term Financial Strategy Report, as presented to Cabinet on 12th November 2024 (**Appendix 4**) and the proposals therein, as considered by the Scrutiny Panels and the Overview and Scrutiny Committee in November 2024.

3. Reasons for Decision

3.1 As laid out in the Council's Overview and Scrutiny Procedure Rules (Constitution, Part 4, Section G) the Overview and Scrutiny Committee is required to 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.

4. Alternative Options Considered

4.1 N/A

5. Budget Scrutiny Process

5.1 The Overview and Scrutiny Protocol lays out the process for Budget Scrutiny. This includes the following points:

a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their reports 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 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 above, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the new Medium Term Financial Strategy. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that Cabinet Members 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 meeting in January containing their recommendations/proposal 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.

6. Budget Scrutiny to Date

6.1 Following consideration by Cabinet, the four Scrutiny Panels met in November 2024 to scrutinise the draft budget proposals that fall within their portfolio areas. In addition, the Overview and Scrutiny Committee also met in November 2024 to consider proposals relating to Corporate Services, parts of Culture, Strategy & Engagement and parts of Environment & Resident Experience.

6.2 Cabinet Members, senior service officers and finance leads were in attendance at each meeting to present proposals and to respond to questions from members. A list of draft recommendations arising from the meetings referred to above, is provided at **Appendix 5**.

6.3 The finance reports to Scrutiny in November 2024 made clear that, even if all the savings proposals were agreed, a budget gap of £32m would remain. Further proposals are therefore being developed and we anticipate that details of these, along with details of other developments including the Provisional Local

Government Finance Settlement for 2025/26, will be provided to the meeting of the Overview & Scrutiny Committee on 30th January 2025.

7. Next Steps

7.1 The table below sets out the remaining steps in the budget scrutiny process:

Date	Meeting	Comments
20 January 2024	Overview and Scrutiny Committee	Recommendations agreed and formally referred to Cabinet.
30 January 2025	Overview and Scrutiny Committee	To consider any additional budget proposals and formally refer any new recommendations to Cabinet.
11 February 2025	Cabinet	Cabinet will set out its response to all recommendations made by the Overview and Scrutiny Committee.
3 March 2025	Full Council	Final budget setting.

8. Statutory Officers Comments

Finance

8.1 There are no specific financial implications as a result of the scrutiny process but there may be an impact on the overall Council budget if recommendations are made for change. Any such implications would be considered as part of February's Cabinet MTFS report.

Legal

8.2 There are no immediate legal implications arising from this report. The Overview and Scrutiny Committee is exercising its budget scrutiny function. This is part of the constitutional arrangements for setting the Council's budget, as laid out in Part 4, Section G of the Haringey Constitution.

Equality

8.3 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;

- Foster good relations between people who share those characteristics and people who do not.

8.4 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. In addition, marriage and civil partnership status applies to the first part of the duty.

8.5 The proposals in the draft Medium Term Financial Strategy are currently at a high level and will be developed further as service changes and policy changes are progressed. Equality impact assessments will be developed as part of this process.

8.6 The Committee should ensure it addresses these equality duties by considering them within its work. This should include considering and clearly stating;

- How specific savings / policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
- Whether the impact on particular groups is fair and proportionate;
- Whether there is equality of access to services and fair representation of all groups within Haringey;
- Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

9. Use of Appendices

Please note that Appendices 1 to 4 were previously published in November 2024 and are provided for reference. Appendix 5 was unavailable at the time of publication on 10th January 2025 and will be published shortly afterwards as part of a supplementary agenda pack.

Appendix 1 – Forecast Budget Pressures
Appendix 2 – Summary of new proposed savings and management actions
Appendix 3 – Summary of proposed changes to the Capital Programme
Appendix 4 – Report to Nov 2024 Cabinet – Draft 2025-26 Budget and 2025/30 Medium Term Financial Strategy
Appendix 5 – List of Comments and Recommendations from Budget Scrutiny Process
Document A – Scrutiny Role

10. Local Government (Access to Information) Act 1985

10.1 N/A

2025/26 Forecast Budget Pressures **Appendix 1**

Directorate	Service	Description	2025/26 Forecast Pressure (£'000)
Culture, Strategy and Engagement	Digital Services	Additional essential IT and digital costs to protect against cyber security and licensing costs,	545
Culture, Strategy and Engagement	Human Resources	Additional cost of Disclosure and Barring Service checks and reduction in the income budget to reflect lower levels of income from schools than expected.	74
Placemaking and Housing	Assets – operational estate	The increase budget will address the current overspend in running costs of the Council's operational estate, including repairs and maintenance, utility costs and business rates.	2,200
Placemaking and Housing	Strategic Asset Management	The Strategic Asset Management Team are currently funded through one off funding that is due to end in March 2025 and therefore ongoing funding of the team means alternative funding is required in the base budget. A further review of resource requirements of the team will be undertaken in 2025/26.	1,500
Children and Family Services	Education Psychology Service (EPS)	Loss in funding through the reclassification of the High Needs Block funding (HNB). The HNB can no longer be used to support EPS statutory Service and there is a need for an increase in staff numbers to meet increase in demand.	860
Children and Family Services	Education, Health and Social Care Plans	Loss in High Need Block Funding as HNB can no longer contribute towards a Statutory Assessment Team and there is a need for an increase in staff numbers to meet increase in assessments.	475
Children and Family Services	Home to School Transport	Increase in the number of children requiring home to school transport and increase in the price of transport.	1,439
Children and Family Services	Children's Social Care	Increase in the number and cost of high-cost placements to support looked after children and those requiring Council's support.	3,085
Environment and Resident Experience	Housing Benefit	Increase in the budget for bad debts provision for housing benefit claims and review of those in receipt of housing benefit in supported accommodation.	3,500

Directorate	Service	Description	2025/26 Forecast Pressure (£'000)
Adults, Health and Communities	Housing Demand	Due to market challenges and increased demand, the cost of temporary accommodation is increasing. Overall cost projections take into account; the predicted number of households accessing temporary accommodation, the landlord charges and amounts recoverable, any predicted rise in charges, the expected movement out of temporary accommodation based of historic performance trends and any specific schemes and initiatives that provide additionality either in movement or reduced unit cost (our mitigations). These are predominantly new social housing supply and new council temporary accommodation. We are under a statutory obligation to provide temporary accommodation until alternative settle accommodation is secured.	10,797
Adults, Health and Communities	Adult Social Care	Adult Social Care faces a number of challenges which affect total numbers in the population who may have eligible needs. Demography, multiple health conditions, including lifelong conditions, age of individuals and other socio-economic factors, where the increase in numbers with a long-term care package accounts for approximately 50% of the pressure. Whilst the increase in cost can be explained in part by price increases in an increasingly challenged provider market, there is significant evidence to account for the increase in cost that is as a result of increasingly poor health conditions among older adults and the impact of those transitioning from children's services, where the impact of the rise in EHCP is having an impact on adults, this results in more complex care packages where eligibility for funded health care will not offset the overall increase.	15,160
	Total		**39,635**

2025/26 PROPOSED SAVINGS

Cross Council - Savings

Description	Cabinet Member	Budget impacted (£'000)	2025/26 Savings proposed (£'000)	2026/27 Savings proposed (£'000)	2027/28 Savings proposed (£'000)	2028/29 Savings proposed (£'000)
<u>Enabling Services Review</u> *This proposal will review staff who provide enabling services support to the organisation to develop new delivery models that will reduce duplication across services and ensure efficient support to all frontline services across the organisation.*	All	160,000	(1,000)	(1,000)	(500)	-
<u>Procurement and Contract Management</u> *This project will be delivered as two workstreams. Workstream 1 will review all existing contracts to ensure value for money. Workstream 2 will put in place increased governance to ensure that for all new contracts all commissioning options have been considered, outcomes for residents offer value for money and are affordable and improve contract management arrangements of suppliers.*	All	600,000	(3,000)	(3,000)	(3,000)	-
<u>Staffing Efficiencies</u> *Staffing budgets in the Council chargeable to the General Fund amount to c.£160m. All Directorates are required to deliver a 5% reduction in their staffing budget from 2025/26. Recognising all services are different, there is no single approach and instead Directorates will use a range of tools, including:* • *Implementing a vacancy rate and/or reducing vacant posts.* • *Reducing use of agency workers.* • *Review of spans and layers of control to reduce management overheads.* • *Service efficiencies resulting in fewer employees being required.*	All	160,000	(8,560)	-	-	-

Description	Cabinet Member	Budget impacted (£'000)	2025/26 Savings proposed (£'000)	2026/27 Savings proposed (£'000)	2027/28 Savings proposed (£'000)	2028/29 Savings proposed (£'000)
<u>Asset Management</u> *Continuation of current projects to review all rent and lease agreements within the commercial portfolio and a further reduction in operational sites for the delivery of Council services. Savings will be generated through increased rental income and capital receipts from the routine disposal of sites which will reduce the need for borrowing to deliver the capital programme.*	Cllr Gordon	11,000	(350)	(450)	(300)	
<u>Income Generation</u> *Review across all services to identify commercial opportunities to expand existing income sources and new opportunities, with a focus on attracting external funding, charges reflecting the true cost of services and improving collection of income whilst also protecting those at risk of financial hardship.*	All	N/A	(500)	-	-	-
TOTAL			**(13,410)**	**(4,450)**	**(3,800)**	**0**

Culture, Strategy and Engagement- Service Specific Savings

Description	Cabinet Member	Budget impacted (£'000)	2025/26 Savings proposed (£'000)	2026/27 Savings proposed (£'000)	2027/28 Savings proposed (£'000)	2028/29 Savings proposed (£'000)
Digital Transformation *Through the Digital Service staffing restructure and a new approach, we now have a team of developers who are developing a roadmap of digital opportunities across different directorates, already adding up to almost half of the current target of £2.8m. We can now propose going further with digital transformation savings for the Council, with a target of £2m per year for each of 2026/27 and 2027/28 from across the Council. We are also already reducing the cost of our digital estate through contract and licence reductions and can propose a further £200k for 2025/26, to come from Digital Service budgets.*	Cllr Carlin	6,000	(200)	(2,000)	(2,000)	-
Culture *Review discretionary culture budgets, which support cultural organisations in the borough through grant funding and commissioning to deliver the Council's civic and cultural programmes. Any potential impacts will be carefully managed and phased towards the end of the MTFS period to allow time to plan for mitigations and development of alternative funding streams.*	Cllr Arkell	2,443	(25)	-	(100)	(125)
New Local Membership *The proposal is not to renew our membership of the New Local think tank. Membership provides access to policy advice, a network of other Councils with shared aspirations and values and a number of events each year which officers have attended. However, membership is not essential.*	Leader	20	(20)	-	-	-

Description	Cabinet Member	Budget impacted (£'000)	2025/26 Savings proposed (£'000)	2026/27 Savings proposed (£'000)	2027/28 Savings proposed (£'000)	2028/29 Savings proposed (£'000)
<u>Residents Survey</u> *We currently undertake a formal, independent residents survey every three years. This is the only resident research we do and which is undertaken by a specialist polling company from a representative sample of residents. The cost of the survey is approximately £75,000. The relatively high cost comes from the survey being conducted in person by researchers knocking on doors. This is the 'gold standard' used for research as it captures residents who would not answer the phone or respond to online questionnaires. The proposal is to remove the annual budget provision (£25k pa) and in future a business case would need to be made during the budget round for the resources to undertake a residents survey*.	Leader	25	(25)	-	-	-
<u>Digital - Service Desk</u> *Efficiencies have already been made in the way the internal Digital Service desk is run as part of a major restructure of the Digital Service to deliver savings this year, however a review has identified additional measures to reduce staff demand on the service desk further. Most queries are to do with forgotten passwords or problems with the remote VPN security system so changing our approach to password management and using the Microsoft integral VPN rather than our current separate system should reduce demand significantly and enable a saving to be made.*	Cllr Carlin	600	(100)	-	-	-
<u>Registrars</u> *Statutory fees that we can charge for Registrar Services have increased. The full impact of the increased fees will be seen in 2024/25 and if the current level of demand remains, an additional £90,000 of income will be achieved annually.*	Cllr Carlin	(532)	(90)	-	-	-
TOTAL			**(460)**	**(2,000)**	**(2,100)**	**(125)**

Adults Health & Communities – Service Specific Savings

Description	Cabinet Member	Budget impacted (£'000)	2025/26 Savings proposed (£'000)	2026/27 Savings proposed (£'000)	2027/28 Savings proposed (£'000)	2028/29 Savings proposed (£'000)
Connected Care Review *To review the delivery model for the Connected Care Service to identify alternate options for enhanced service offer and sustainability, selecting and implementing the most appropriate model to ensure this vital service best meets the needs of residents and is sustainable.*	Cllr das Neves	200	49	(879)	(35)	-
Day Opportunities – Commissioning Review *To undertake a commissioning review of the current range and type of day opportunities available to eligible Haringey residents and their carers.*	Cllr das Neves	7,500	0	(100)	(300)	(450)
Integrating Connected Communities *Further development of the Adult Social Care locality model and prevention approach: there is an opportunity to integrate the Connected Communities model and rationalise resources across the directorate.*	Cllr das Neves	750	(700)	-	-	-
Housing Related Support Contract Savings *A review of contract provision across Housing Related Support has enabled a proposal of multiple lower value savings opportunities. These will be achieved by natural wastage (pausing recruitment or not recruiting to vacant posts), streamlining service delivery, exploring options for consolidating office space usage by commissioned services and ceasing delivery of small value contracts where we have clear data to show low utilisation rates.*	Cllr Williams	10,600	(412)	-	-	
TOTAL			**(1,063)**	**(879)**	**(35)**	**-**

Environment and Resident Services – Service Specific Savings

Description	Cabinet Member	Budget impacted	2025/26 Savings proposed (£'000)	2026/27 Savings proposed (£'000)	2027/28 Savings proposed (£'000)	2028/29 Savings proposed (£'000)
<u>Parking Fees & Charges</u> *Parking and Highways Fees and Charges review to ensure Controlled Parking Zone costs are fully recovered.*	Cllr Chandwani	22,425	(500)	-	-	-
<u>Parking services optimised efficiency</u> *A review of parking operations to optimise efficiency levels through increase use of technology and changes to deployment plans*	Cllr Chandwani	22,425	(300)	-	-	-
<u>Reduction in Housing Benefit accommodation costs</u> *Creation of a focused team dedicated to providing a joined-up assessment of Housing Benefit Supported Accommodation and the criteria for successful claims, so that it is consistent with neighbouring authorities.*	Cllr Chandwani		(200)	(200)	-	-
<u>Leisure service means tested discounting</u> *Introduce means tested discounting for Leisure Centre memberships and services to ensure access to fitness and leisure is open to all. This replaces the current blanket discount for all customers aged 65 and over but opens up discounts to disabled young people and those on low incomes.*	Cllr Arkell	1,837	(200)	-	-	-
<u>A range of Management actions:</u> • *Directorate service review (£167,000)* • *Review of Council Tax Reduction Scheme (£2m)* • *Street Lighting - reduced energy costs (£67,000)* • *Reduction in cost of Out of Hours contract savings (£80,000)* • *Parking visitor voucher storage savings (£300,000)*	Cllr Chandwani	1,895 34,900 1,263 110 6,795	(2,614)	-	-	-
TOTAL			**(3,814)**	**(200)**	-	-

Children's Services and Education – Service Specific Savings

Description	Cabinet Member	Budget impacted (£'000)	2025/26 Savings proposed (£'000)	2026/27 Savings proposed (£'000)	2027/28 Savings proposed (£'000)	2028/29 Savings proposed (£'000)
<u>Pendarren House</u> *This proposal is for Pendarren Activity Centre to become fully self funded and therefore reduce the Council's contribution.*	Cllr Brabazon	25	(25)	-	-	
TOTAL			**(25)**	**-**	**-**	

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Proposed Changes to Capital Programme 2025/26 to 2029/30 Appendix 3

Adults, Communities and Health

Adults, Health & Communities (AHC)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)	Total (£'000)
Budget	**9,038**	**5,051**	**7,377**	**12,377**	**28,341**	**0**	**62,184**
Proposed Reductions							
Osborne Grove Nursing Home	(700)	(1,000)	(5,000)	(10,000)	(28,341)	0	**(45,041)**
Wood Green Integrated Care Hub	0	(1,000)	0	0	0	0	**(1,000)**
Locality Hub	(810)	(337)	0	0	0	0	**(1,147)**
Total	**(1,510)**	**(2,337)**	**(5,000)**	**(10,000)**	**(28,341)**	**0**	**(47,188)**
Proposed Increases							
Initiatives under Housing Demand Programme		5,000					**5,000**
Total	**0**	**5,000**	**0**	**0**	**0**	**0**	**5,000**
Proposed Net Increase/(Reduction)	(1,510)	2,663	(5,000)	(10,000)	(28,341)	0	**(42,188)**
Revised Budget	**7,529**	**7,714**	**2,377**	**2,377**	**0**	**0**	**19,997**

Proposed Reductions

- The Osbourne Grove Nursing Home scheme was in the capital programme on a self-financing basis and that it would generate enough savings by having in borough care to pay for the cost of creating and running the facility. The project has not been able to generate sufficient savings so is being withdrawn from the programme.
- The Wood Green Integrated Care Hub was an NHS led project. The NHS has decided not to proceed with the scheme so the Council contribution will no longer be required.
- The Locality Hub scheme cost has been lower than expected, so the budget can be reduced. Should further hubs be required they will be considered for inclusion in the next budget cycle alongside other competing priorities for capital investment.

Proposed Increases

- Initiatives to reduce use of temporary accommodation. This budget is a contribution from the General Fund to the HRA for the purchase of additional houses to support more people rather than being placed in temporary accommodation. Each purchase will be subject to a business case that proves that the purchase will save more than the cost of temporary accommodation and the cost of servicing the debt.

Culture, Strategy and Engagement

Culture, Strategy & Engagement	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)	Total (£'000)
Current Budget	**54,025**	**36,941**	**12,954**	**1,570**	**0**	**0**	**105,490**
Proposed Reductions							
Alexandra Palace	0	0	(1,540)	0	0	0	**(1,540)**
Total	**0**	**0**	**(1,540)**	**0**	**0**	**0**	**(1,540)**
Proposed Increases							
Capital support for delivering digital solutions	0	1,965	1,000	0	0	0	**2,965**
Total	**0**	**1,965**	**1,000**	**0**	**0**	**0**	**2,965**
Proposed Net Increase/ (Reduction)	0	1,965	(540)	0	0	0	**1,425**
Revised Budget	**54,025**	**38,906**	**12,414**	**1,570**	**0**	**0**	**106,915**

Proposed Reductions

- Following a review of capital expenditure needed for Alexandra Palace, it is proposed that £1.5m can be removed for 2026/27 but this will be subject to review as part of the 2026/27 budget setting process.

Proposed Additions

- Increasingly, organisations like the Council, are more and more reliant on IT for the delivery and transformation of services. This investment is required to allow the Council to continue to improve service delivery and efficiency and the resident experience by investment into replacement and new digital tools.

Environment and Resident Experience

Environment & Resident Experience	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)	Total (£'000)
Budget	**35,060**	**26,043**	**32,167**	**33,197**	**28,360**	**0**	**154,825**
Proposed Reductions							
Move Broadwater Farm Leisure Refurb to HRA	0	(236)	0	0	0	0	**(236)**
Decentralised Energy Networks	(6,597)	(10,326)	(16,750)	(16,000)	(17,813)	0	**(67,486)**
Reduce Festive Lighting Lights	0	(75)	0	0	0	0	**(75)**
Borough Roads	0	(1,250)	0	0	0	0	**(1,250)**
Total	**(6,597)**	**(11,887)**	**(16,750)**	**(16,000)**	**(17,813)**	**0**	**(69,047)**
Proposed Increases							
Structures (Cornwall Road, Ferry Lane, & Wareham Road Bridge)	0	2,100	0	0	0	0	**2,100**
Flood Water Management	0	1,200	900	900	900	900	**4,800**
Replacement Parks and Housing Machinery	0	300	250	100	50	50	**750**
Borough Parking Plan	0	250	250	250	250	250	**1,250**
Increase in Disabled Bays	0	150	80	80	80	80	**470**
New Communal Refuse Round Vehicles		180					**180**
Waste Vehicles and Bins	0	0	25,101	0	0	0	**25,101**
Total	**0**	**4,180**	**26,581**	**1,330**	**1,280**	**1,280**	**34,651**
Net Increase/(Reduction)	(6,597)	(7,707)	9,831	(14,670)	(16,533)	1,280	**(34,396)**
Revised Budget	**28,463**	**18,336**	**41,998**	**18,527**	**11,827**	**1,280**	**120,429**

Proposed Reductions

- Given the current financial constraints of the Council, it is proposed to reduce spend on the borough’s roads in 2025/26 only and review again as part of the 2026/27 budget setting process. This will result in an average reduction of 33 to 23 road resurfacing schemes and a reduction of footway renewal schemes from 24 to 15.

Proposed Additions

- The addition to the structures budget is necessary to fund urgent works to the bridges listed in the table above.
- Ongoing management of the infrastructure across the borough to manage flooding and surface water is essential and this proposed addition to the capital programme will allow for an annual rolling programme of maintenance to upgrade the existing infrastructure to combat the effects of climate change.
- Maintenance of the borough's parks and open spaces requires the routine replacement of parks and housing machinery, and this additional scheme will allow for an annual rolling programme of replacement.
- The Parking Investment Plan 2024/25 was approved by Cabinet on 12th March 2024 and the Council has a commitment to review all its controlled parking zones (CPZ) on a 5-year cycle and to implement new ones where there is a need.
- The extension of disabled parking facilities remains a priority. This service is essential for those with disabilities, who need to rely on car use for their independence. This includes access to education, employment, and leisure. In 2025/26 it is aimed to significantly increase disabled parking provision near to places of interest. This will include (but is not limited to) high streets, medical centres, places of worship, community centres, and parks, completing the work undertaken in 2024/25. The disabled bays budget will allow the Council to meet this priority.
- The introduction of a new communal refuse round will require additional vehicles and machinery.
- The Council is retendering its waste collection service with a view to having a new service in place for April 2027. Currently the Council pays Veolia to provide vehicles in their contract price. It is estimated that the Council can fund the vehicles in a more financially advantageous manner.
- Tottenham Hale and Wood Green Decentralised Energy Networks (DEN). Given the Council's current financial position, the current Council led delivery model is no longer viable. Discussions are underway with Department of Energy Security and Net Zero (DESNZ) on the future scope of these schemes to eliminate the financial dependency on the Council whist still supporting the Government's emerging policy on Heat Zoning. This scheme will be removed from the programme until future plans have been determined. Any future council funded capital requirement will be considered as part of future annual review of the Capital Programme and affordability will need to be considered alongside all other Council priorities for future capital investment.

Placemaking and Housing

Placemaking & Housing	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2029/30 (£'000)	Total (£'000)
Budget	**160,940**	**47,927**	**131,646**	**4,200**	**0**	**0**	**344,713**
Proposed Reductions							
Wards Corner	(6,085)	(2,937)	(1,400)	(1,200)	0	0	**(11,622)**
Wood Green Regen	0	(1,449)	(552)	0	0	0	**(2,000)**
Tottenham Streets & Spaces	(4,820)	(1,300)	0	0	0	0	**(6,120)**
Total	**(10,905)**	**(5,686)**	**(1,952)**	**(1,200)**	**0**	**0**	**(19,742)**
Proposed Increases							
Asset Management of Council Buildings	0	2,245	5,100	5,005	897	0	**13,247**
Total	**0**	**2,245**	**5,100**	**5,005**	**897**	**0**	**13,247**
Net Increase/(Reduction	(10,905)	(3,441)	3,149	3,805	897	0	**(6,495)**
Revised Budget	**150,035**	**44,486**	**134,795**	**8,005**	**897**	**0**	**338,218**

Proposed Reductions

- The Wards Corner scheme under its current design is not financially viable and is proposed to remove from the capital programme until more detailed plans come forward. The Council has a compulsory purchase order in place to acquire properties on Wards Corner and this commitment will remain. The cost of any acquisitions will be funded through the Capital Programme's unallocated contingency line.
- The current capital programme includes a number of different schemes for place shaping in Wood Green and Tottenham Hale funded by borrowing of £7.6m and £16.4m respectively. Any schemes that are not yet committed are currently under review to ensure that the Councils takes a holistic view on capital investment across these two geographical areas and focus spend where it will have the biggest impact.

Proposed Additions

- The recent survey of the Council's operational and commercial estate has identified that just over £13m will be required over the next five years to maintain the Council's estate. The Council is currently reviewing all of its operational estate to determine service delivery requirements for the future and therefore decisions on maintenance spend will be determined by the long-term use of each building. This budget will be subject to annual review.

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Report for:	**Cabinet 12 November 2024**
Title:	**Draft 2025-26 Budget and 2025-2030 Medium Term Financial Strategy Report**
Report authorised by :	**Taryn Eves, 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. The main purpose of this report is to specifically update on the budget preparations for 2025/26 and with a focus on the General Fund. Further updates on the Housing Revenue Account and Dedicated Schools Budget will be presented to Cabinet in December 2024.

1.2. It sets out the latest information and based on the most up to date assumptions that underpin the budget and sets out the details of the draft revenue and capital proposals for balancing the budget and Capital Programme for 2025/26. Proposed budget reductions are being launched for consultation and scrutiny. The feedback from the consultation will be considered in developing the final draft budget that will be presented to Cabinet in February 2025.

1.3. The last update was published in March 2024 and showed an estimated £14m budget gap for 2025/26. This report describes how the current forecasts have moved and what the key drivers for the revised position are. The most significant movement has been the increase in both demand and costs of providing social care services and addressing homelessness. Acknowledging and providing for this, is vital to enable the Council to continue to provide services to the most vulnerable requiring extra support and help to both manage risk and prevent escalation of need. This has led to an additional £39.6m needed for next years' service budgets with consequential impact on increasing the budget gap. Extensive modelling has been undertaken to arrive at this figure which represents the current best assumption. This is an extremely volatile landscape that the Council is operating within. These figures will be kept under review right up to the presentation of the final Budget to Cabinet in February 2025.

1.4. Whilst there have been improvements to the macroeconomic position such as underlying inflation now close to the target of 2%, this isn't translating into similar reductions in costs in particular social care placement costs for adults and children. The Bank of England base rate fell by 0.25% in August and, while estimates are that this will continue to fall, it is unlikely to be at pace and therefore there is likely to be little improvement in borrowing costs in the short to medium term.

1.5. The Autumn Budget took place on 30 October; the Office for Budget Responsibility (OBR) also published its updated economic and fiscal outlook for the next 5 years. The Budget announced £1.3bn new grant funding for local government in 2025/26, £600m of which will be earmarked for social care. While new funding is positive, the distribution methodology is as yet unknown and any additional funding will not meet the significant increase in financial pressures set out in this report.

1.6. As highlighted over, the reserve balances of the authority are unsustainably low and do not provide the capacity to bridge the forecast budget gap.

1.7. In summary, despite the work undertaken over the last 6 months, the 2025/26 budget update presented in this report is still not balanced with a remaining budget gap of £32m, even if all the proposals in this report are agreed. Therefore, there is considerable further work to be undertaken between now and 3 March when next year's budget is agreed. This will include lobbying central government for additional funding; looking at additional cost reductions and ensuring value for money is achieved for each pound spent; income generation strategies and wider transformation. Despite these significant challenges, in 2025/26, the Council is expected to still be setting a balanced net budget in March that will result in spending of almost £310m on day-to-day services to our 264,000 residents and which is an increase on the current year.

2. Cabinet Member Introduction

2.1 Our driving ambition in Haringey is to create a fairer and greener borough where everyone can belong and thrive.

2.2 We will always set local priorities that are fair, put the interests of working people first and protect those most in need – and we will work in collaboration with our residents and communities to do so.

2.3 Our budget puts funding behind local priorities. We will build hundreds of new council homes, help hundreds of people into work, fix hundreds of roads and pavements, plant hundreds of street trees – among many other key actions to make this borough fairer and greener.

2.4 We all know that this year's council budget comes at a time of crisis. We've had more than a decade of government austerity. Public investment in this country has fallen well behind the rest of Europe. Many public services are struggling. The cost of local services – especially social care and social housing – has gone through the roof.

2.5 Just this year, the cost of temporary accommodation is up 68% across London. The cost of adult's social care in Haringey is up 10%. At the same time, Haringey's core government funding is £143m a year less in real terms than it was in 2010.

2.6 Haringey provides temporary accommodation to just under 3,000 residents and social care to 3,780 adults – and the need is rising.

2.7 Like most London councils – and many more around the country – we are under real pressure. We've set out hard budget decisions here to balance the books this year. There will be more to come before the financial year is out. Whatever we do though, we will make sure our choices are fair – that they prioritise the people in Haringey who need support most.

2.8 We know that we need fair funding reform for the long-term. Budgets for local services need to be driven by local need. At the moment they are skewed by outdated funding rules. Those need to change – and we will work with our fellow boroughs to press for that change.

2.9 The national picture is beginning to improve. The new government's commitment to end fiscal austerity, rebuild public services and expand public investment are what we need to turn the economy and the country around.

2.10 We welcome the additional funding that the new government announced in the national budget on 30th October 2024 and look forward to a fair funding settlement in the future. We will continue to make a strong case to the new government for the resources that we need to fix the fourteen years of underfunding that local services have faced.

2.11 There are very real challenges at the moment, but there's also a real opportunity to reset the foundations – locally and nationally. This year and in future years our council budget will start with local priorities, focus on the needs of working people and build towards our shared ambition of a fairer and greener borough.

3. Recommendations

3.1 It is recommended that Cabinet:

a) Note the Council's current financial position as set out in this report which sets the foundations for the full draft budget for 2025/26 that will be presented to Cabinet in February 2025.

b) Note the budget pressures that have been identified for 2025/26 and across the medium term as set out in Section 12 and Appendix 1.

c) Note the draft revenue savings proposals summarised in Section 12 and Appendix 2.

d) Note the proposed changes to the General Fund Capital Programme for 2025/26 to 2029/30 as set out in Section 15 and Appendix 3.

e) Agree to commence consultation on the 2025/26 Budget and MTFS 2029/30 revenue and capital proposals. This includes with residents, partners and business and with Scrutiny Panels between November 2024 and January 2025 as set out in Section 19.

f) Note that the final draft General Fund Revenue Budget, Capital Programme, HRA 2025/26 Budget and Business Plan and Treasury Management Strategy Statement will be presented to Cabinet on 11 February 2025 to be recommended for approval to the Full Council meeting taking place on 3 March 2025.

g) Delegate the final decision on whether or not to participate in the 8 Authority borough business rates pool from 1 April 2025 to the Director of Finance following consultation with the Lead Member for Finance and Local Investment as set out in Section 10.7.

4. Reasons for decision

4.1 The Council has a statutory obligation to set a balanced budget for 2025/26 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for 2025/26 at this point and options for setting a balanced budget. 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. The final budget for 2025/26, Council Tax levels, Capital Programme, Treasury Management Strategy, Housing Revenue Account (HRA) budget and Business Plan will be presented to Cabinet in February 2025 for recommending to Full Council on 3 March 2025.

5. Alternative options considered

5.1 The Cabinet must consider how to deliver a balanced 2025/26 Budget and sustainable MTFS over the five-year period 2025/30, to be reviewed and adopted at the meeting of Full Council on 3 March 2025.

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, household incomes and, in some service areas, the legacy of the Covid-19 pandemic. 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 Medium Term Financial Strategy (MTFS)

6.1 Although the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate a clear understanding of their financial sustainability. Short-termism is counter to both sound financial management and governance.

6.2 The Medium-Term Financial Strategy (MTFS) provides the financial framework for the delivery of the Council's aims, ambitions, and strategic priorities as set out in the Corporate Delivery Plan (CDP). The aim of the MTFS is to:

- Plan the Council's finances over the next five years, taking account of both the local and national context.
- Provide the financial framework for the delivery of the Council's priorities and ensure that these priorities drive the financial strategy - allocating limited financial resources whilst also continuing to support residents.
- Manage and mitigate future budget risks by forward planning and retaining reserves at appropriate levels.

6.3 The greater the uncertainty over future central government policy and financial support, the more important it is to demonstrate a collective understanding of the best estimates of financial pressures, opportunities and funding over a longer timeframe, acknowledging financial pressures and risks.

6.4 In developing the medium to long term financial strategy, the authority must test the sensitivity of its forecasts, using scenario planning for the key drivers of costs, service demands and resources.

6.5 The MTFS must be developed in alignment with the stated objectives and vision and Corporate Delivery Plan and needs to be reviewed regularly to test that delivery of the agreed outputs and outcomes are still achievable. Where this is not the case, plans will need to be reassessed and re-set.

6.6 In future years, the expectation is the Council's Medium Term Financial Strategy will be published in July as the key document to set the foundations for the budget setting process for the forthcoming year.

7 Borough Vision and Corporate Delivery Plan

7.1 On 15 October 2024, Haringey's Borough Vision was published with 'Making Haringey a place where everyone can belong and thrive is at the heart of a new shared vision for the borough'. The aim of the vision is to galvanise the actions not just of the council but also of partners, residents and businesses behind a set of common objectives. Haringey 2035 identifies the six key areas for collaborative action over the next decade:

- Safe and affordable housing
- Thriving places
- Supporting children and young people's experiences and skills
- Feeling safe and being safe
- Tackling inequalities in health and wellbeing
- Supporting greener choices

7.2 This builds on the Haringey Deal which sets out the council's commitment to developing a different relationship with residents, alongside the Corporate Delivery Plan (CDP) which sets out the organisational priorities every two years.

7.3 The most recent CDP was approved by Cabinet in July 2024 and can be found here - The Corporate Delivery Plan 2024-2026 (haringey.gov.uk). it outlines the strategic objectives, priorities, and initiatives aimed at creating a fairer, greener borough. The plan is set out in eight separate themes:

- Resident experience and enabling success
- Responding to the climate emergency
- Children and young people
- Adults, health and welfare
- Homes for the future
- Safer Haringey
- Culturally rich borough
- Place and economy.

7.4 The Haringey Deal is 'how' we do things. The Council is changing the way it works. This starts with foundational principles of Knowing Our Communities and Getting the Basics Right. Across all services the Council is striving to build stronger relationships with residents and hear more from those often overlooked; build on the borough's incredible strengths, and work in partnership to solve challenges. Key Metrics for each theme have been set to determine if activities are having the intended effect and are reported to Cabinet and the Overview and Scrutiny Committee every six months.

7.5 The Budget and MTFS process is the way in which we seek to allocate financial resources in order to support the delivery of this plan alongside analysing and responding to changes in demand, costs and external factors.

8 National Financial Context

8.1 The new Government was elected on 4 July and on Monday 29 July the Chancellor delivered a statement to the House of Commons on immediate public spending pressures facing the government.

8.2 The key points from this statement which impact on Local Government were:

- The results of an audit of public spending undertaken by HM Treasury which revealed £22bn unfunded commitments from the previous Government; immediate action to find savings in response, and long-term reforms to restore public spending control and improve public services.
- The date of the next Budget was confirmed as Wednesday 30 October 2024 and formally commissioned an Office for Budget Responsibility (OBR) forecast for this date.
- The launch of the next Spending Review which will settle the multi-year Spending Review will not be published until spring 2025.
- Acceptance of the recommendations of the independent Pay Review Bodies for public sector workers' pay.
- The publication of next steps and draft legislation on priority tax commitments ahead of the full announcement and costing at the Budget on 30 October.

8.3 The in-year savings proposed by Government included the introduction of means testing for winter fuel payments. Future year savings include cancellation of the proposed adult social care charging reforms. Both decisions impact the Local Government sector although the actual financial impact for Haringey cannot be quantified at this point.

8.4 The Chancellor also accepted the independent Pay Review Body recommendations and confirmed pay uplifts averaging 5.5% for public sector workers. Although Local Government pay is managed through a different process, agreement at this level in the wider public sector could impact on the outcome of 2025/26 pay award in the local authority sector.

8.5 It was confirmed that moving forward, Spending Reviews will be set every two years to cover a three-year period, with a one-year overlap with the previous Spending Review. This is a positive announcement for the local government sector and if delivered as announced, 2025/26 will be the last one-year finance settlement and subsequently announcements will move back to multi-year funding settlements providing greater certainty and stability. There was also a commitment to a single major fiscal event once a year.

8.6 Representations to HM Treasury ahead of the Autumn Budget statement were requested. London Councils led on a London-Wide response to this which can be found https://www.londoncouncils.gov.uk/news-and-press-releases/2024/london-councils-budget-representation-2024#:~:text=Councils%20in%20the%20capital%20and%20across%20the%20UK%20have%20a

Autumn Statement – Key Messages

8.7 The Chancellor of the Exchequer delivered the 2024 Autumn Budget on 30 October. With this budget Government has announced the aim to prioritise growth and put public services back on track, with a boost for housing investment and additional funding for social care and homelessness. The Office for Budget Responsibility (OBR) also published its updated economic and fiscal outlook.

8.8 The key headlines for London Local government include:

- Core Spending Power will increase by an estimated 3.2% in real terms in 2025/26. This includes £1.3bn of new grant funding – with £600m earmarked for social care, and £700m for general services.

- Additional funding of £233m for homelessness prevention in 2025/26.

- The distribution of both will not be known until the provisional Local Government Finance Settlement in December 2024.

- An increase of £1bn for SEND and alternative provision in 2025/26 which will be added to the Dedicated Schools Grant High Needs Block allocation.

- The Small business rates multiplier will be frozen and retail, hospitality and leisure (RHL) businesses will receive a 40% business rates relief in 2025/26. Councils will be compensated for the loss of business rates income.

- Business rates will be reformed from 2026/27 to include lower multipliers for high-street RHL businesses, funded by increases for properties valued over £0.5m.

- The Affordable Homes Programme will increase by £500m in 2025/26.

- Right-to-buy discounts will be reduced by government, and local authorities will be able to retain 100% of the receipts from right-to-buy purchases.

- Government will consult on a new long-term social housing rent settlement of CPI+1% for 5 years as well as the option on further potential measures such as a 10-year settlement.

- Employer National Insurance Contributions will increase by 1.2% in 2025/26 – although for public sector, including local government the increase for direct employees is expected to be compensated.

- There was no explicit mention of Council Tax principles in the Budget however it has been indicated that for 2025/26 these would remain at 2.99% main rate and 2% Adult Social Care (ASC) precept. This is in line with current financial assumptions.

- The most relevant economic figures for the Council are inflation rates are forecast at 2.6% for 2025/26 and Interest rates are expected to fall from 5.0% to 3.5% in the final year of the forecast, 2029/30.

- Government has recognised the pressures local authorities face and have stated they will have a framework in place to support those in most difficulty. The Government has also committed to pursuing reforms to return the sector to a sustainable position, which includes allocating funding through the Local Government Finance Settlement. Further details will be set out through an upcoming local government finance policy statement to be published mid / late November.

9. Haringey Context

9.1 Haringey is an outer London borough – receiving outer London levels of funding but which exhibits many inner London characteristics including levels of deprivation, high housing costs and urban density. Unlike many other London boroughs, it also continues to have a growing population – with the number of over 65s 24% higher in 2024 than it was in 2010.

9.2 The core grant funding available from government for Haringey to deliver services and meet the needs of residents is around £143m less in real terms than it was in 2010/11.

9.3 Haringey's local population has been hit hard by the Covid pandemic and the cost of living crisis.

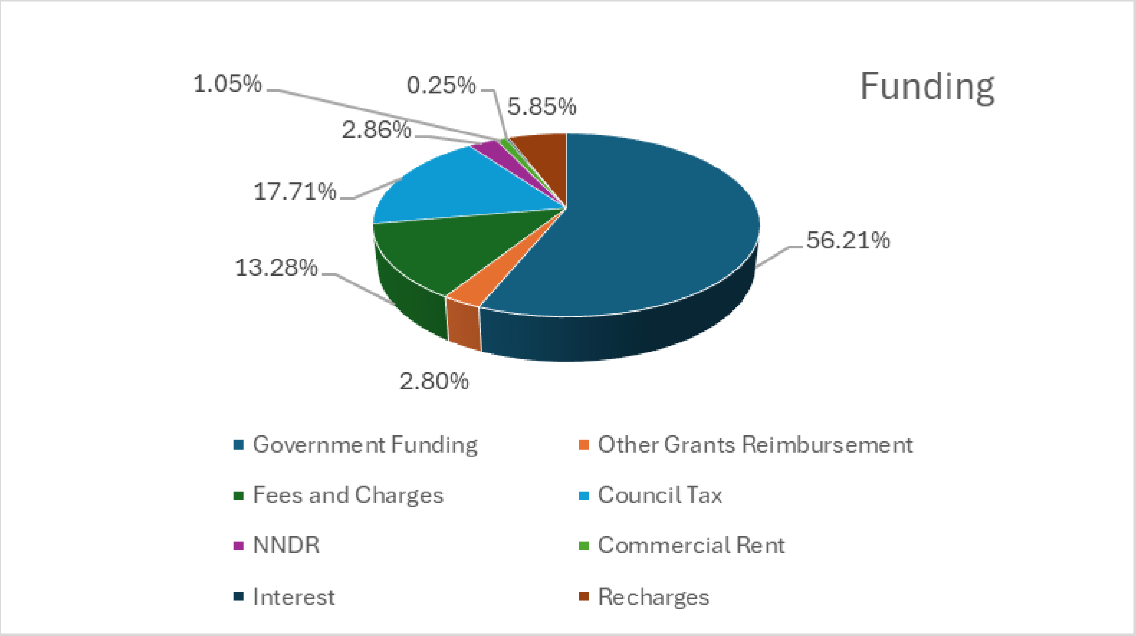
9.4 The most recently reported data shows that 22.5% of residents aged 16 to 65 were claiming Universal Credit in Haringey in Aug 2024 - over 42,000 people. 8.1% of residents aged 16+ were claiming unemployment-related benefits in Haringey in August 2024 - over 15,000 people, one of the highest figures of the last 3 years and is the third highest in the UK. One in five households have an active mortgage so may be impacted by the continuing high interest rates.

9.5 For schools, falling rolls in primary classes are adding additional pressures on stretched budgets particularly as grant income is linked to pupil numbers. Even where numbers have been relatively stable, cost inflation on key items such as utilities and building maintenance, continues to provide challenges and increasing numbers of local schools are now carrying budget deficits.

10 Revenue Budget – Income

10.1 With a statutory requirement to set a balanced budget each year, the Council's spending power is determined by its income levels. The Council's main funding sources are set out in Chart 1 and includes Government Grant, Council Tax and Business Rates, fees and charges and rental income and other partner contributions, such as from health.

Chart 1: 2024/25 Gross Income



<u>Government Funding</u>

10.2 Core Spending Power is used by the Government as a measure of resources available to local authorities to fund service delivery and is a combination of Government funding and Council Tax.

10.3 The provisional local government finance settlement which includes details of the level of Government funding is published in December of each year, followed by final settlements published in the February.

10.4 Financial Plans assume that Government funding for 2025/26 will be in line with that of 2024/25. However, the Autumn Budget announced £1.3bn new grant funding for local government in 2025/26, £600m of which will be earmarked for social care. While any new funding is positive, the distribution methodology is not yet known and any benefit may be offset by the impact of increased employer NI on key service providers. A Policy document is expected to be published late November which should provide more clarity although detailed allocations will not be fully clear until the Provisional Local Government Finance settlement is published in mid/late December. Any additional funding will not meet the significant increase in financial pressures set out in this report.

10.5 Over and above the grants published in the Local Government Finance Settlement, there are a number of service specific grants which are included in individual service budgets. Financial Plans for 2025/26 also currently assume that these service specific grants continue at the same level as in 2024/25, but announcements are awaited of a number of grants where funding is at risk of stopping in 2025/26. In line with our budget principles, any reductions in Government Grant must result in an equivalent reduction in spend. Through the Autumn Statement, Government has announced £1bn to extend both the Household Support Fund and Discretionary Housing Payments (DHPs) and £69m to continue delivery of a network of Family Hubs.

Business Rates

10.6 Business rates are set nationally. The valuation of business premises is set by the Valuation Office and Government sets the multiplier which determines the pence per pound paid in tax. The Council is currently a ‘top up’ authority which means that it does not generate sufficient business rates income to meet the needs of residents in the borough and therefore receive a top up amount on baseline business rates funding. Each year, the business rates baseline funding is increased in line with inflation as of September which has now been published as 1.7%. With an OBR forecast inflation of 2.6% in 2025/26 just announced, any potential increase in business rates baseline funding is yet to be confirmed.

10.7 In 2024/25, Haringey is part of an eight borough Business Rates Pool with other London boroughs which is expected to generate a financial benefit of £2m. An expression of interest has been submitted by the Director of Finance to continue to participate in the 8-borough pool in 2025/26. Intentions of other participating authorities is not yet known and confirmation of the pool for 2025/26 will not be confirmed until the final Local Government Finance Settlement is published in February 2025.

10.8 The longer-term approach to business rates is under review by the Government and whether this can provide a long-term sustainable approach for funding Local Government.

Council Tax

10.9 Income collected through Council Tax is determined by the level of the tax and the council tax base.

10.10 Financial Plans currently assume that the council tax base will increase by an average of 1% in 2025/26 to reflect the Council's ambitious housebuilding programme and takes into account the number of households receiving Council Tax reduction and other discounts. The average Council Tax band is expected to remain as Band C – the average across London is a Band D.

10.11 The Council Tax referendum threshold is unlikely to be known until the Provisional Local Government Finance Settlement is published in December 2024. For planning purposes, it is assumed that the Council will be able to increase the tax by up to 2% for the Adult Social Care precept and up to 3% main Council Tax in 2025/26. Any final Council Tax increases are part of the budget setting process and agreed by Full Council each March. Through this report the financial position is presented as two scenarios – a 1.99% Council Tax increase and 4.99% increase. Each 1% increase in Council Tax generates approximately an additional £1.3m in income.

<u>Fees and Charges</u>

10.12 Income from fees and charges (including rents from commercial and operational properties) is around 13.3% of the Council's income. Many of these are set by Government but there are many which the Council has discretion over the level.

10.13 Each year, all fees and charges are subject to review. This review process is currently underway, and proposed changes will be approved by Cabinet in December. Every 1% increase in fees and charges equates to approximately £1.03m of additional income.

11 Revenue Expenditure

11.1 Spending patterns are volatile and each year there are new pressures. Medium term financial planning and the budget for 2025/26 aims to review both existing pressures and understand new pressures emerging to enable a budget to be set that is robust and achievable. The starting position is a review of the financial position in the previous and current financial years.

<u>2023/24 Budget Outturn</u>

11.2 The 2023/24 provisional General Fund outturn was an overspend of £19.2m and required a significant, unbudgeted drawdown from reserve balances. The report to Cabinet in July 2024 made clear that it was expected that a number of the service overspends would continue into 2024/25 notably in adult and children's social care and temporary accommodation. These unbudgeted spends were driven not just by demand and complexity of need but more notably due to the market conditions resulting in prices being significantly above underlying inflation. The lack of supply for temporary accommodation and placements for children with significant need exacerbated this position.

2024/25 Budget Position

11.3 Last year's 2024/25 budget preparation process had undertaken analysis to derive realistic estimates of service demands and cost of service provision across all services. However, by Quarter 1, similar to other authorities, demand and price pressures were beyond their estimates and an overspend of £20m is forecast for 2024/25, of which £14.5m (71%) is driven by adult social care and Housing demand and £4.2m relates to Children and Family services. A copy of the full report to Cabinet is here Q1 Finance Update Cabinet.

12 Approach to 2025/26 Financial Planning

12.1 Work began on a structured budget planning process for setting the 2025/26 budget early in the 2024/25 financial year. This process consists of the Council's leadership team working together to collectively understand the budget position and what is driving the spend, share information across directorates and develop a number of cross - directorate and directorate specific savings proposals to address the financial challenge.

Pressures

12.2 The existing MTFS published in March 2024 provided for £10.4m of service pressures but as set out in the paragraphs above, demand and costs are running well above this provision. Benchmarking has been used to provide the most up to date evidence and insight in the light of the pressures in the current financial year and any which will continue into future years. This has used population projections; inflation estimates and any other known factors. In order to set a balanced budget, all known financial pressures must be funded.

12.3 The estimated pressures are based on a series of assumptions with the best-known information at the current time. Many of these assumptions will carry risk and uncertainty and therefore for demand led services, such as social care and housing, scenario planning is undertaken to identify a best case and worst-case scenario before a judgement is made and forms the basis for estimating future service pressures.

12.4 This process has identified that in addition to the £10.4m known in March, an additional budget provision of £39.6m will be required for 2025/26 and £75.2m over the next five years as set out in Table 1 and Appendix 1. This significant increase since the last update in March 2024 is not new but the more robust financial modelling and forecasting that has been undertaken over the summer has identified pressures which are expected to continue into future years, as well as more realistic assumptions around inflationary impacts on the price of some services. One off funding through the use of reserves and other balances previously used to manage these pressures are now exhausted.

12.5 As expected, 80% of the new forecast budget pressures for next year relate to Adults and Children's social care and housing demand. A further 9% is associated with Housing Benefit.

12.6 Considered together with the £10.4m of pressures included in the March 2024 update, this means that in 2025/26, almost £25m will need to be built into the Adult Social Care budget, £11.5m into the housing demand budget and £6.5m into the Children and Families budget.

12.7 The estimated additional budget requirement for adult social care in 2025/26 is £25m - £9.3m identified at the last update in March 2024 and an additional £15.1m as set out in Table 1. This represents an increase in numbers supported and an average inflationary increase of 3.5%. This inflation assumption includes some risk given that in the current year, prices have increased by an average of 6.5%. The number of older people with a long-term care package is expected to increase from 1,782 in April 2024 to 2,000 on average during 2025/26. Almost 60% of the adult social care budget is spent on younger adults and numbers are assumed to increase from 1,664 with a long-term care package to 1,800, which includes 25 young people who will transition from children's services.

12.8 In 2025/26, it is assumed that £11.5m additional budget will be required for housing demand - £750,000 identified at the last update in March 2024 and the additional £10.8m as set out in Table 1. Compared to 2023/24, numbers have increased by an average of 8% in the current year and a further increase of 6% is forecast for 2025/26. However, it is largely the price of bed and breakfast and nightly paid accommodation that is driving this pressure and a 10% increase has been assumed for 2025/26 which is reflective of current market conditions.

12.9 Within Children and Family services, an additional £6.5m is expected to be needed - £660,000 identified at the last update in March 2024 and the additional £5.9m as set out in Table 1. The number of children in our care has reduced and over the last 6 months at around 64 per 10,000 (in line with statistical neighbours) - a reduction of around 100 children since 2018. However, the service continues to see an upward trend of children with more and more complex needs, needing more complex support packages and this is evidenced by the rise in the number of children with Deprivation of Liberty Orders (DOLs) where the cost of the care package can average over £10,000 per week. For these reasons we are forecasting a small rise of these very expensive placements over the next three years. An inflationary uplift of 3.5% has been assumed for 2025/26. This accounts for £3m of the additional budget requirement.

12.10 In line with the trend across the country, the number of children with Education, Health and Social Care Plans continues to increase and in 2025/26, the Council is expecting to have 3,200 active care plans in place. Although the cost of the support is funded through the Dedicated Schools Grant, there are a number of associated costs, such as home to school transport and educational psychologist support that falls to the General Fund. An additional £2.7m is expected to be needed in 2025/26.

12.11 The pressure highlighted in Environment and Resident Experience relates to challenges around management of housing benefits particularly supported exempt accommodation and the transition to Universal Credit. The pressure is forecast as one-off, with management actions expected to remove the pressure across the MTFS period.

12.12 All assumptions will remain under review over the next few months as new information emerges and the budget for 2025/26 can be set on the most up to date, realistic and reliable estimates of service pressures.

Table 1 – Additional Forecast Service Pressures 2025/26 (over and above £10.4m assumed in March 2024).

Pressures						
Directorate	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Children's Services	5,858	2,816	2,172	1,772	1,680	14,298
Adult Social Services	15,160	930	7,210	7,200	6,920	37,420
Housing Demand	10,797	3,000	2,000	2,000	1,000	18,797
Environment and Resident Experience	3,500	(1,000)	0	(2,000)	0	500
Culture Strategy and Engagement	619	77	23	23	23	765
Finance Procurement and Audit	0	0	0	0	0	0
Placemaking and Housing	3,700	0	0	0	0	3,700
Cross Cutting Reductions	0	0	0	0	0	0
Total	**39,634**	**5,823**	**11,405**	**8,995**	**9,623**	**75,480**

12.13 Although the latest reported CPI inflation rate of 1.7% (September) appears to have stabilised close to the Government target of 2%, many of the Council's suppliers are charging above these rates. This is particularly notable in the care services and temporary accommodation where prices are also being driven upwards by lack of supply. Forecasting the impact on 2025/26 budget figures is challenging as it needs to also encompass the forecasts for changes in client numbers, complexity of care needs and changes to how key partners operate of align their budgets.

12.14 The latest forecasts have been used as a basis for the estimates for next year included in this budget update. These estimates have been based on average 3.5% inflation for the care services and 10% for housing demand contracts. It is highly likely that these forecasts will need to be amended before the final 2025/26 Budget is presented in February 2025 and may lead to increases to budget requirement.

12.15 The 2024/25 pay award has now been settled – a flat rate of £1,491 for all those on NJC Terms and Conditions and 2.5% for all other grades from 1 April 2024. The Government's acceptance of the independent Pay Review Body recommendations which translated into pay uplifts averaging 5.5% for public sector workers means there is a risk that the Local Government sector will be pressing for similar levels of increase in future years. Financial Plans assume a 3% increase for 2025/26.

12.16 Assumptions around the inflationary impact for key council contracts including waste, highways maintenance and utilities have been refreshed and changes reflected in the draft figures presented in this report. Many of these contract increases are pegged to September inflation rates so little further movement is expected on these estimates. However, for utilities, the position is much more volatile and estimates for these budgets are expected to need to increase ahead of the final Budget presented in February. Financial Plans currently assume a 5% increase on utility contracts.

12.17 The Bank of England base interest rate was reduced by 0.5% in August. Forecasts vary over the speed of any further reductions and decisions could be influenced by the market response to the Budget statement on 30 October. A prudent assumption has been made at this point which assumes the rate will remain at or around 5% across the 2025/26 financial year. This makes it even more important to generate savings to the capital programme that require council borrowing.

12.18 All other key corporate budgets have been reviewed. Concessionary Fare forecasts for 2025/26 are largely in line with the current MTFS however there looks to be significant step up from 2026/27 as passenger numbers return from the Covid pandemic dip. The North London Waste Levy (NLWA) is the most significant levy, but it is currently too early to update current assumptions with any certainty. An update on all levies is expected before the end of December 2024.

12.19 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. 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. The TMSS for 2025/26 will be considered by Audit Committee in January 2025 for recommendation for approval by Full Council in March 2025. The TMSS will also be considered by Overview and Scrutiny Committee in January as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.

Budget Reductions

12.20 Given the increase in pressures highlighted above, the budget gap for 2025/26 increases from £14m forecast in March 2024 to £51.4m before any mitigations. The Council must significantly reduce its expenditure in the current year, for next year and across the medium term if it is to meet the future financial challenge.

12.21 In the current year, all services are reviewing non essential spend to bring down the forecast overspend of £20m and updates will be included in the 2024/25 quarterly monitoring reports. At the same time, proposals for reducing spend and increasing income for 2025/26 have been considered.

12.22 Directorates were tasked initially with a number of key tasks across all revenue and capital budgets including:

- Benchmarking against other councils who are providing key services at lower costs;
- Consider as to how services could be delivered within a smaller envelope; what would need to change; how services would be impacted.

12.23 In total £18.8m of proposed reductions have been identified. These are a combination of proposed savings and management actions. Savings are defined as those which could have an impact on service delivery and management actions are more focussed around internal inefficiencies which do not impact on outcomes for residents and will be delivered by generating increased income, introducing efficiencies to existing processes to release resource or redesign of how services are currently delivered.

12.24 Proposed reductions are summarised in Table 2,3 and 4 below and set out in full in Appendix 2 including any expected impact on current service delivery, equality impact or consultation requirements.

Table 2 – Proposed Savings 2025/26 to 2029/30

Savings						
Directorate	**2025/26 £000s**	**2026/27 £000s**	**2027/28 £000s**	**2028/29 £000s**	**2029/30 £000s**	**Total**
Children's Services	(25)	0	0	0	0	(25)
Adult Social Services	(651)	(979)	(335)	(450)	0	(2415)
Housing Demand	(412)	0	0	0	0	(412)
Environment and Resident Experience	(1,200)	(200)	0	0	0	(1,400)
Culture Strategy and Engagement	(460)	(2,000)	(2,100)	(125)	0	(4,685)
Finance Procurement and Audit	0	0	0	0	0	0
Placemaking and Housing	0	0	0	0	0	0
Cross Cutting Wide Reductions	0	0	0	0	0	0
Total	**(2,748)**	**(3,179)**	**(2,435)**	**(575)**	**0**	**(8,937)**

Table 3 – Proposed Management Actions 2025/26 to 2029/30

Management Action						
Directorate	**2025/26 £000s**	**2026/27 £000s**	**2027/28 £000s**	**2028/29 £000s**	**2029/30 £000s**	**Total**
Children's Services	0	0	0	0	0	0
Adult Social Services	0	0	0	0	0	0
Housing Demand	0	0	0	0	0	0
Environment and Resident Experience	(2,614)	0	0	0	0	(2,614)
Culture Strategy and Engagement	(26)	0	0	0	0	(26)
Finance Procurement and Audit	0	(32)	0	0	0	(32)
Placemaking and Housing	0	0	0	0	0	0
Cross Cutting Wide Reductions	(13,410)	(4,450)	(3,800)	0	0	(21,660)
Total	**(16,050)**	**(4,482)**	**(3,800)**	**0**	**0**	**(24,332)**

Table 4 – Total proposed savings and management actions 2025/26 to 2029/30

Total (Savings and Management Actions)						
Directorate	**2025/26 £000s**	**2026/27 £000s**	**2027/28 £000s**	**2028/29 £000s**	**2029/30 £000s**	**Total**
Children's Services	(25)	0	0	0	0	(25)
Adult Social Services	(651)	(979)	(335)	(450)	0	(2,415)
Housing Demand	(412)	0	0	0	0	(1,112)
Environment and Resident Experience	(3,814)	(200)	0	0	0	(4,014)
Culture Strategy and Engagement	(486)	(2,000)	(2,100)	(125)	0	(4,711)
Finance Procurement and Audit	0	(32)	0	0	0	(32)
Placemaking and Housing	0	0	0	0	0	0
Cross Cutting Wide Reductions	(13,410)	(4,450)	(3,800)	0	0	(21,660)
Total	**(18,798)**	**(7,661)**	**(6,235)**	**(575)**	**0**	**(33,269)**

12.24 The above proposed reductions are on top of previously agreed proposals and the current assumption is that the £8.6m of savings approved in March 2024 for the year 2025/26 and £19.1m across 2025/26 to 2028/29 will be delivered in full, albeit there may be some delay in full delivery. This assumption will be tested ahead of the February report and alternative savings will need to be identified for any which are now non-deliverable.

13 Updated 2025/26 Financial Position

13.1 Table 5 shows the budget gap still remaining after corporate budget adjustments, updates to funding assumptions, recognition of forecast service pressures and application of all new savings and management actions.

13.2 The review of the corporate budgets has identified £1.3m of additional budget will be required in 2025/26. This is a combination of a change in the funding arrangements of spend previously funded by the Dedicated Schools Grant but which will now be funded by the General Fund, historic unfunded pension costs and an increased provision for the funding of redundancy costs that are likely to result from the 5% reduction in staffing that is proposed.

13.3 At this point work is still being undertaken to understand the impact of the September CPI figure and also analysis of potential to continue to participate in the 8 Authority Pool next year. An update will be provided in the next report to Cabinet in December 2024.

Table 5 – Forecast Budget Gap 2025/26

	2025/26 £'000
Budget Gap (as at March 2024)	13,999
Review of Corporate Budget assumptions	1,342
Additional income from 4.99% Council Tax increase	(4,059)
Additional forecast service pressures	39,634
New savings and Management Actions	(18,798)
Revised Gap (as at November 2024)	**32,100**

13.4 This means that the Council still has at least £32m of budget reductions to identify before a balanced budget for 2025/26 can be approved in March 2025 and this assumes that all the proposed budget reductions set out in this report are agreed following the consultation period. Any reductions not taken forward following consultation will need to be replaced with alternative savings on a £ for £ basis.

13.5 All services must continue to identify additional budget reduction proposals. The focus will be on efficiencies and management actions and mitigations to reduce the £39.6m of demand pressures that do not impact on outcomes for residents but with a gap remaining of this size, reductions in service provision cannot be ruled out at this stage.

13.6 The next update will be presented to Cabinet on 12 December 2024, which will also include any detailed financial implications for Haringey from the Budget Statement on 30 October if more becomes known when the Policy Statement is published by Government in November.

14 **Financial Position for 2026/27 Onwards**

14.1 The focus of this report has been on preparations for the 2025/26 budget but a review of the assumptions across the next five years has also been undertaken.

14.2 Financial planning across the medium term is more difficult for the reasons set out in the report but the latest position shows that assuming a balanced budget is set for 2025/26, there will remain an estimated cumulative budget gap of £132.8m by 2029/30.

14.3 The key drivers of this cumulative budget gap are the estimated year on year increasing costs of providing demand led services; estimated inflationary provisions; corporate pressures such as capital financing costs and North London Waste Authority levy increases. Finally, an increase in the corporate contingency to provide against known risks in respect of both expenditure and income.

14.4 This forecast gap is based on the best estimates at this stage and includes:

- Government funding remains in line with 2024/25 allocations.
- Service demand pressures of £38.4m (2026/27-2029/30).
- Pay and price inflation of 2%.
- Interest rate of borrowing costs of 5%.
- Council Tax base increase of 1% and Council Tax level increase of 1.99%.
- Delivery of £10.5m of savings for 2026/27 to 2028/29 that have been previously approved.
- Corporate Contingency remains at £10m.

14.5 Over the course of the MTFS, these estimated pressures are reduced by previously agreed / proposed savings. These estimated pressures and savings are summarised in Table 6.

Table 6 - Budget Gap 2026/27 to 2029/30

Type	2026/27	2027/28	2028/29	2029/30
	£’000	£’000	£’000	£’000
Pressures	46,865	40,832	32,600	36,907
Agreed Saving's	(2,848)	(3,292)	(3,022)	0
Proposed Saving's	(8,677)	(6,440)	(125)	0
Cumulative Total	**35,340**	**66,440**	**95,893**	**132,800**

14.6 Like 2025/26, the number of people requiring Council support is expected to continue to increase over the next five years. Addressing a budget gap of this scale will require a more fundamental review of Council services to determine which and how services are provided rather than the more traditional salami slicing across all budgets. In the future, not everything may be affordable, and the Council's limited financial resources will need to continue to be prioritised to the most vulnerable and ensure all spend is aligned to the priorities as set out in the Borough Vision and Corporate Delivery Plan. This may mean spending more in some areas of greater need and priority and more significant reductions in other areas.

14.7 Budget planning for these future years will need to commence shortly. This will continue to identify efficiencies across all services, and this will be an integral part of the annual financial planning process because the Council will need to continue to demonstrate that every £ spent is offering the best value for money. The transformational changes that are also needed take longer to identify and implement and will focus around the following areas.

Prevention and Early Intervention.

14.8 Reducing the high expected demand for social care and housing services expected over the medium term, it is critical that the Council has a greater focus on prevention and early intervention. There is evidence that supporting people at an earlier stage leads to better outcomes for the individuals as well as reducing costs to the Council.

Commercialisation and Income Generation.

14.9 Increasing income provides an opportunity to protect the Council's spending on priority services and contributes to closing the budget gap. An annual review of fees and charges to reflect full cost recovery will be undertaken and will include an improvement in internal processes to ensure income due can be collected as well as making it easier for residents, businesses and visitors to make payment through increased use of technology and digital channels. However, commercialisation is more than just fees and charges. This will focus on how the Council can generate additional revenue through greater utilisation of its assets and services, through partnership and shared working across the public and the private sector, maximising opportunities for external funding and considering alternative arrangements for protecting service delivery such as shared services.

Commissioning and Procurement

14.10 The budget proposals put forward in this report are expected to deliver £6m of reductions across services over the next three years as a result of improved commissioning and procurement arrangements. On average 55% of the Council's day to day spend is with external organisations, including the voluntary and community sector. Improvements continue to ensure there is a comprehensive contracts register is in place. Over the next few months, work will be undertaken to analyse this register, identify contracts that are due for re-tender over the next three years and opportunities to be more ambitious in the spending reductions that can be achieved. This will include joint commissioning across services where opportunities arise.

15 Capital Programme Update

15.1 The current capital programme was agreed in March 2024, and both spend and delivery continues to be monitored quarterly and reported to Cabinet. The latest update is the Quarter 1 report and forecasts the Council is expected to spend £120m in 2024/25 and £584m over the next five years, investing in schools, highways and transport, the environment and housing as well as maintenance of the commercial and operational estate.

15.2 Like most authorities, this capital investment requires a level of borrowing for which borrowing costs need to be funded through the Council's revenue budget, allowing for the interest on the borrowing and the repaying the debt (known as the minimum revenue provision). The current programme in 2024/25 assumes that 55% is funded through borrowing and the revenue budget includes £17.4m of borrowing costs.

15.3 With interest rates remaining high in the short term at least, it is essential that levels of borrowing are kept to a minimum. It is estimated that for every £1m of capital expenditure that is through borrowing the Council has to budget £72,000 per annum to pay the interest and repay the debt.

15.4 The Council will continue to identify external funding that can be utilised to fund the capital programme to reduce the need for borrowing, including grants and other contributions such as Section 106, CIL and the contributions parking income can make to eligible spend within the programme on essential maintenance to roads and other transport schemes across the borough.

15.5 The Council is currently reviewing its Capital Strategy, and this will be published as part of the 2025/26 suite of budget reports in February 2025. This strategy will set out the approach for determining the Council's capital investment ambitions and will be informed by the Council's Asset Management Strategy which details service asset needs to deliver the priorities set out in the Corporate Delivery Plan. The strategy will also include the outcome of the review of governance which is currently underway to ensure the capital programme agreed each year is deliverable and affordable and there is a clear framework in place for tracking progress and adopting a forward planning approach with an aspiration to focus on a ten-year planning period.

15.6 Given the Council's challenging financial position, over the summer the existing capital programme has been reviewed to ensure that the schemes within it continue to contribute to the Corporate Delivery Plan and are essential. As a result of this exercise, there are a number of schemes that are proposed for removing from the existing programme and these are summarised in Table 7 and set out in detail in Appendix 3.

15.7 Each year, there will also be a need for new capital investment and for 2025/26 this has been limited to only essential spending required for health and safety, maintenance and maintaining essential services and largely relates to the maintenance of the Council's highways infrastructure, operation and commercial estate. Capital investment can provide opportunities to delivery revenue savings or additional income and for 2025/26, it is proposed to invest in the Council's digital technology which will improve the efficiency across a range of services as well as improve the customer experience. Full details are set out in Appendix 3.

Table 7 – Proposed changes to the Capital Programme 2025/26 to 2028/29

Directorate	Existing Budget	Reductions	Increases	Revised Budget	Movement	
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	%
Adults, Health & Communities	62,184	(47,188)	5,000	19,997	(42,188)	(68%)
Children's Services	59,728	0	0	59,728	0	0%
Culture, Strategy & Engagement	105,490	(1,540)	2,965	116,915	11,425	11%
Environment & Resident Experience	154,825	(69,047)	34,651	120,429	(34,396)	(22%)
Placemaking & Housing	344,713	(19,742)	13,247	338,218	(6,495)	(2%)
Corporate Contingency			10,000			
	726,941	**(137,517)**	**65,863**	**655,287**	**(71,654)**	**(10%)**

15.8 The proposed schemes to be removed from programme includes the Tottenham Hale and Wood Green Decentralised Energy Networks (DEN). These schemes are currently funded through a combination of Government grant (£12.3m), Government Loans (£13.3m), Strategic CIL (£3.2m) and Council borrowing (£44.6m). Given the Council's current financial position, the current Council led delivery model is no longer viable. Discussions are underway with Department of Energy Security and Net Zero (DESNZ) on the future scope of these schemes to eliminate the financial dependency on the Council whilst still supporting the Government's emerging policy on Heat Zoning. This scheme will therefore be removed from the programme at this stage. Any future council funded capital requirement will be considered as part of future annual reviews of the Capital Programme and affordability will need to be considered alongside all other Council priorities for future capital investment.

15.9 Given the more unpredictable nature of capital spending plans, the delivery plans and the profile of spend over the capital programme period will all be subject to review over the next few months and will determine the level of borrowing required both in 2025/26 and over the five year MTFS period.

15.10 Only schemes which are sufficiently developed, have approved outline business cases and have been subject to internal governance and decision making processes will be included in the capital programme going forward and will be presented as either ‘in delivery’ or ‘planned delivery’ over the five year capital programme period. All other schemes will be held in the ‘pipeline’ and reviewed as part of the review of the capital programme each year.

15.11 There are significant levels of salary capitalisation within the capital programme to deliver the schemes. As the capital programme reduces there is a risk that the level of capitalised salaries will be unachievable, creating a pressure on revenue.

15.12 To manage a level of uncertainty with schemes, including inflation and other essential repairs, maintenance or health and safety requirements, it is proposed to increase the capital programme contingency by £5m in 2025/26 and 2026/27.

15.13 The proposed schemes for removing and adding to the capital programme set out in Appendix 3 will be subject to the same consultation process as the revenue proposals. The full updated draft capital programme will be published in February 2025 as part of the suite of budget reports for recommendation for approval at full Council on 3 March 2025 and will take into account any feedback received.

16 HRA Update

16.1 This update on Financial Plans is primarily focussed on the Council’s General Fund. A separate process is underway for reviewing the Housing Revenue Account (HRA) 30 year Business Plan and developing the draft revenue budget and capital programme for 2025/26. This will be presented to the Housing, Planning and Development Scrutiny Panel before being presented to Cabinet in February and for recommending to Council for approval on 3 March 2025.

16.2 The financial position of the HRA remains very challenging, particularly in the short term whilst the Council’s new build programme and investment into existing stock is underway which longer term will increase the supply of permanent housing across the borough. Therefore, the work continues to identify efficiencies and opportunities to delay borrowing for the HRA capital programme to improve the position over the next two to three years.

17 DSG Update

17.1 For schools, the indicative 2025/26 Dedicated Schools Budget (DSB) funding, which is ring fenced for the delivery of education services, is not yet known. Funding for 2024/25 totals £230m. In July 2024 the Education and Skills Funding Agency (ESFA) reported that due to the timing of the general election they were not in a position to publish indicative schools and high needs national funding formula (NFF) allocations for 2025/26.

17.2 The actual grant level for schools is dependent on updated pupil census numbers and the final schools finance settlement for 2025/26 is expected in December 2024 and to include allocations of the additional £1bn that was announced by Government for SEND and alternative provision as part of the budget on 30 October.

17.3 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 transformation 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. Pressures are predominately in the high needs block with progress against agreed plans being monitored through quarterly finance update reports.

17.4 The draft DSG budget will be included in the report to Cabinet in February 2025 and will be in line with the expectations of the Safety Valve programme where the successful delivery of the programme will result in funding being released by DfE to support the reduction of the deficit and bringing the High Needs Block into balance by 2027/28.

18 **Risk Management**

18.1 The Council has a risk management strategy in place and operates a risk management framework that aids decision making in pursuit of the organisation's strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations.

18.2 The Council recognises that there will be risks and uncertainties involved in delivering its objectives and priorities, but by managing them and making the most of opportunities it can maximise the potential that the desired outcomes can be delivered within its limited resources more effectively.

18.3 There is a need to plan for uncertainty as the future is unknown when formulating the budget. This is achieved by focussing on scenario planning which allows the Council to think in advance and identify drivers, review scenarios and define the issues using the most recent data and insight.

18.4 The Council's Section 151 Officer has a statutory responsibility to assess the robustness of the Council's budget and to ensure that the Council has sufficient contingency/reserves to provide against known risks in respect of both expenditure and income. This formal assessment will be made as part of the final report on the Council's budget in February 2025 and will draw on independent assessments of the Council's financial resilience where available. It is critical that this report outlines the number and breadth of potential risks and uncertainties the council faces when arriving at the budget proposals.

18.5 Risks and uncertainties currently known are set out in the following paragraphs.

<u>Government Funding and Legislation</u>

18.6 There will be a one-year funding settlement for 2025/26 and a multiyear review to begin and conclude by Spring 2025. Thereafter, Spending Reviews are expected to be published every 2 years, with a 3-year outlook. The level of Government funding available for Local Authorities and for Haringey is therefore still not known. The current working assumption is that any new Government funding for 2025/26 will be insufficient which is significant challenge given the current volatile economic situation and with demand increasing across many services, most notably social care and temporary accommodation.

18.7 It remains unclear if planned reforms and changes in legislation of the previous Government will by pursued by the new Government or if there will be new legislation that increases the responsibilities of Local Authorities. This includes the long-awaited fair funding review and business rates reform and reforms in social care and housing. Financial Plans currently assume that any changes in legislation and additional requirements will be fully funded but this is a risk to the current financial position.

<u>Inspection and Regulation</u>

18.8 Local Authorities are subject to increasing inspection and regulation, including by Ofsted, CQC and the Regulator of Social Housing as well as additional requirements that have emerged from the Grenfell Inquiry report. All of these could have financial implications for the Council which are not yet known.

<u>Economic Conditions</u>

18.9 The Office for Budget Responsibility published the latest forecast for inflation and interest rates on 30 October 2024. Inflation has reduced compared to the last couple of years, but the OBR forecast is still 2.6% for 2025/26 and will not return to 2% until 2029. It should also be noted that national inflation figures are not always reflected in cost of services, such as social care so there remain a risk that the forecast additional budget assumed in this report for pay and price is not sufficient. Volatility is likely to continue for some time from the on-going impact of wars and unrest internationally which will impact on the Council's cost of services and supply chains.

18.10 The high cost of living continues to impact on many of our residents which results in more requiring support from the Council, particularly with housing support. A project is underway to review the early intervention and prevention support across the Council for those residents most at risk of facing financial hardship.

Estimate of Pressures for 2025/26

18.11 The update in this report uses the best known information for demand and other service pressures in 2025/26 and has been based on the outturn position in 2023/24 and the latest in year monitoring position. There is a risk that the in year monitoring position could worsen when the quarter 2 report is published with further overspends continuing into 2025/26. In addition, the 2023/24 accounts are currently subject to External Audit and therefore the outturn position for last year remains provisional until the process is complete.

18.12 The £39.6m identified in Table 1 is based on a series of assumptions that will continue to be reviewed over next few months and therefore the position for 2025/26 is subject to change. All services are considering actions and mitigations that continue to support the needs of our most vulnerable but in a more cost effective way to reduce these future pressures. However, small scale changes in these areas are not going to be sufficient and will require more fundamental changes in how we deliver these services and with a focus on prevention and early intervention which will take time to have an impact. Sufficient pace is needed to make these changes. Short term solutions are still needed for the 2025/26 budget to be sustainable.

18.13 There are also some budget increases that will not be known until later in the year, such as the increase of levy payments. Financial Plans currently assume minimal increase.

Identifying and Delivery of Budget Reductions

18.14 As set out in this report, a significant budget gap for 2025/26 remains and work is continuing to identify additional savings and actions to mitigate the significant additional budget required to meet demand pressures. The focus will be on identifying efficiencies that improve processes and no impact on outcomes for residents but there is a risk that these will not be sufficient and some service reductions may be required for a balanced budget to be set.

18.15 The financial position and budget gaps set out in this report assume that all savings in 2024/25, previously approved savings and any new savings for 2025/26 when the budget is approved in March 2025 are delivered in full. In advance of the full draft budget being presented to Cabinet in February 2025, all assumed savings will need to have full delivery plans in place that provide assurance on delivery.

Changes in Accounting Practice

18.16 The Dedicated Schools Grant (DSG) currently has a statutory override which allows the Council to separate DSG deficits from local authority reserves which is in place until March 2026. Funding arrangements are not known after 2026 and there is a risk that this deficit will fall to the Council to fund from its own reserves. The Safety Valve programme is delivering well to reduce the spend on the high needs block and is in line with the agreed timetable but at the same time the Council continues to see increases in the number of children with Education Health and Social Care Plans over and above what had been assumed when agreeing the programme with the DfE. The Council’s low level of reserves will make it particularly challenging if the funding of the DSG deficit falls to the Council after 2026 and work will continue with the DfE to find a longer-term solution to funding for schools and high needs.

18.17 To recognise the financial impact of risks facing the Council and manage this uncertainty it is vital that adequate reserve levels are maintained and the budget each year includes a level of contingency. The current level of reserves is lower than the Council would want, and the aim is to increase levels over the course of the MTFS and where there is an unplanned drawdown of reserves they will need to be replenished.

Reserves and Contingency

18.18 The Councils corporate contingency budget for 2025/26 will be set at £10m, an increase of £3m from the previous year. The General Fund reserve will be maintained at £15m, with other reserves totalling £52.3m in March 2024.

18.19 Based on known commitments this year, the forecast balance for March 2025 on reserves is £43.5m as shown in Table 8 below. This assumes no further drawdown in 2024/25 to fund the current overspend which is a significant risk. A number of the reserves are committed or not available and therefore the General Fund balance of £15.1m and the £3.3m of reserves is a more realistic assumption of what is available to use to manage risks and uncertainties. This represents only 5.4% of the net budget which is an unsustainable level and given the current in year overspend forecast for 2024/25.

18.20 Therefore, any use of reserves to balance the budget next year is not a viable option and across the medium term there will need to be a planned replenishment of reserves to a more sustainable level. Replenishment means making an annual contribution to reserves included in the budget agreed in March each year. Given the significant budget gap that remains for 2025/26, any replenishment will commence from the 2026/27 budget.

18.21 A full five-year review on reserve balances and a five-year forecast will be included in the Budget report to Cabinet in February 2025.

Table 8: Reserves for 2024/25 and 2025/26

	Actual March 2024 £'000	March 2025 Forecast £'000
General Fund Reserve	15,140	15,140
Risks and Uncertainties		
Transformation Reserve	5,037	3,073
Labour market resilience reserve	230	230
Budget Planning reserve	5,096	0
Collection Fund	1,231	0
Total Risk and Uncertainties	**11,594**	**3,303**
Contracts and Commitments		
Services Reserve	11,747	11,707
Unspent grants reserve	12,706	12,302
PFI lifecycle reserve	5,533	5,533
Debt Repayment Reserve	1,072	1,072
Insurance Reserve	7,234	7,234
Schools Reserve	2,400	2,400
Total Contracts and Commitments	**40,692**	**40,248**
Grand Total	**52,286**	**43,551**

19 Consultation and Scrutiny

19.1 The Council, as part of the process by which it sets its budget, seeks the views and opinions of residents and businesses on the draft budget and the proposals within it.

19.2 This consultation and engagement exercise will begin following the Call In period and will conclude on 2nd January 2025. The results will be shared with Cabinet so they can be taken into consideration in the setting of the final budget and the implementation of budget decisions.

19.3 There needs to be considerable further work undertaken between now and the issue of the Budget report in February 2025 to present a balanced Budget to be agreed.

19.4 Therefore, while this year's Budget consultation and engagement process will include budget proposals described in this report, it must be recognised that there will be significant additional proposals required to balance the budget, after the Budget consultation document has been issued but before the consultation closes. The consultation will focus on proposals which most directly impact residents and will allow responders to share how they believe they will be impacted and also any ideas they have for ways the council might bridge the budget gap.

19.5 Statutory consultation with businesses and engagement with partners will also take place during this period and any feedback will be considered and, where agreed, incorporated into the final February 2025 report.

19.6 Additionally, the Council's budget proposals will be subject to a rigorous scrutiny review process which will be undertaken by the Scrutiny Panels and Overview and Scrutiny Committee from November to January. The Overview and Scrutiny Committee will then meet in January 2025 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 2025.

19.7 Finally, the consultation when published will be clear in the report which proposals it is anticipated would be subject to further, specific consultation as they move towards implementation.

20 Contribution to the Corporate Delivery Plan 2024-2026 High level Strategic outcomes

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

21 Carbon and Climate Change

21.1 There are no direct carbon and climate change implications arising from the report.

22 Statutory Officers comments (Director of Finance, Head of Procurement, Assistant Director of Legal and Governance, Equalities)

Finance

22.1 The financial planning process ensures that the Council's finances align to the delivery of the Council's priorities as set out in the Borough Vision and Corporate Delivery Plan. 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.

22.2 Ensuring the robustness of the Council's 2025/26 budget and its MTFS 2024/25 – 2028/29 is a key function for the Council's Section 151 Officer (CFO). 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.

22.3 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 2025.

22.4 The removal of the DEN projects from the capital programme and the pivot to an alternative solution may trigger a clawback of grant spent to date. Officers are discussing the change of strategy with the relevant government department to minimise the risk of clawback.

Procurement

22.5 Strategic Procurement have been consulted in the preparation of this report and will continue to work with services to enable cost reductions. Strategic Procurement note the recommendations in section 3 of this report do not require a procurement related decision.

Assistant Director of Legal & Governance

22.6 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.

22.7 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.

22.8 The report proposes new savings proposals for the financial year 2025/26, which the council will be required to consult upon and ensure that it complies with the public sector equality duty.

Equality

22.9 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.

22.10 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.

22.11 Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

22.12 This report details the draft budget proposals for 2025/26 and MTFS to 2029/30, including budget adjustments and capital proposals.

22.13 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 2025/26 Budget and MTFS. The decision is recommended to comply with the statutory requirement to set a balanced budget for 2025/26 and to ensure the Council's finances on a medium-term basis are secured through the four-year Medium-Term Financial Strategy.

22.14 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.

22.15 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.

22.16 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 2025.

22.17 Savings proposals identified between the publication of this report and the final package of proposals identified in February 2025 will undergo an equalities screening process to identify where negative impacts on protected groups may arise. Where such potential impacts are identified, a full Equalities Impact Assessment will take place to understand the impacts in full and describe the actions 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.

22.18 Initial Equality Impact Assessments for relevant savings proposals will be published in February 2025 and reflect feedback regarding potential equality impacts gathered during the consultation, where proposals are included. 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. Final EQIAs will be published alongside decisions on specific proposals. Where there are existing proposals on which decisions have already been taken, existing Equalities Impacts Assessments will be signposted.

23 Use of Appendices

Appendix 1 Forecast Budget Pressures 2025/26
Appendix 2 Summary of new proposed savings and management actions
Appendix 3 Summary of proposed changes to the Capital Programme 2025/26 to 2029/30

24 Background papers

None

Appendix 1

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?