

Report for: Cabinet 09 February 2021

Item number: To be added by the Committee Section

Title: 2021-22 Budget and 2021-2026 Medium Term Financial Strategy

Report authorised by : Jon Warlow, Director of Finance

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

Ward(s) affected: All

Report for Key/ Key  
Non Key Decision:

1. Describe the issue under consideration

1.1 Cabinet received a report on the Draft Budget on 8 December 2020 which recommended to start consultation on the budget proposals and also highlighted that the Council could set a balanced budget for 2021/22 but only with a significant (£5.4m) one-off use of reserves. This draft budget included estimated funding changes as a result of the announcements included in the Spending Round 2020 (SR20), but also underlined that the detailed allocations, included in the Provisional Local Government Finance Settlement, were still awaited.

1.2 The Provisional Local Government Finance Settlement was announced on December 17<sup>th</sup> 2020. In totality, this confirmed the December estimates as sound but did also include new announcements such as a Local tax income guarantee compensation scheme and a new one-off Local Council Tax Support Grant (LCTSG). Announcements were also made about some other significant grant streams, outside of the Settlement, such as those directed at reducing Homelessness.

1.3 The Budget and MTFS have been revised to include the impact of these funding changes and with due regard to the corporate Equalities Impact Assessment, consultation feedback and recommendations from the Council's Overview and Scrutiny Committee. As such the Budget position for 2021/22 has improved, with the proposed balanced budget having a reduced requirement for using reserves of £1.7m, though of course this in itself is still significant. It should also be noted that the forecast position for the years 2022/23 and beyond continue to be very difficult a further step- up in the financial challenge.

1.4 The provisional Local Government Finance Settlement also confirmed that local authorities could increase their Council Tax up to 1.99% without referendum and also allowed for an additional 3% ASC precept to be raised. This Budget

assumes that both of these increases are adopted by Haringey; this is in line with the December draft Budget proposal.

- 1.5 The relevant sections of the report have been updated to highlight the pertinent new information arising from the provisional Local Government Finance Settlement, other funding announcements and the decision by the London Leaders and GLA, made since the last report, to discontinue the London business rates pool in 2021/22. The report also includes summaries of the responses to the public Budget Consultation as well as those from Overview and Scrutiny Committee along with Cabinet responses.
- 1.6 The Council has a statutory requirement to set a balanced budget for 2021/22 and this report forms a key part of the budget setting process by setting out the planned funding and expenditure for that year. Additionally, in order to ensure the Council's finances over the medium term are built on a sound basis, this report also sets out the funding and expenditure assumptions for the following four years (2022/26) in the form of an MTFS. Cabinet's role in this is to recommend the Budget and key policy proposals to Full Council for agreement and this report satisfies this duty.
- 1.7 In accordance with the Local Government Finance Act (LGFA) 1992, Full Council must approve the budget for the forthcoming year and agree the Council tax for that year by the statutory deadline of 1<sup>st</sup> March. Full Council will consider the Budget package contained in this report at their meeting on 1st March 2021.
- 1.8 As highlighted in the December report, the proposed budgets have been prepared with reference to the Borough Plan 2019-2023 but also the work undertaken earlier this year to review and refresh it to recognise, and respond to, the impact that the Covid-19 pandemic has had on the Council, residents, businesses and partners.
- 1.9 One of the financial planning strategies used by this Council is to acknowledge and respond to forecast demands upon the Council and take a realistic view of its circumstances. As such, a detailed challenge to the growth and savings assumptions in the existing MTFS was undertaken alongside base budget pressures highlighted as part of the in year budget monitoring. As a result of this, the proposed budgets for next year have been adjusted to respond to this intelligence as far as resources practically allow and to ensure that they reflect the reality of demand that exists for certain services. As a consequence, the 2021/22 Budget now proposed invests a further £8.6m, primarily into its Adults and Children's services to meet care needs (before savings).
- 1.10 While the revenue budget remains tightly constrained, some additional funding has also been identified for progressing key priorities for our communities:
  - Free Schools Meals - £0.300m funding in 2021/22 and 2022/23 (on top of the £0.050m pa put in place in 2019/20)
  - Welfare Assistance Scheme - £0.3m funding in 2021/22 and 2022/23
  - Voluntary and Community Sector – £0.25m in 2021/22
  - Youth Services – £0.25m in 2021/22
  - Haringey University Bursary Scheme - £0.12m over 3 years
  - Recruit Local People - £0.10m over 2 years

- 1.11 This report also sets out substantial proposed additions to the current General Fund Capital Programme including funding for:
- the creation on the Wood Green Youth Hub: £1m
  - further school conditions work: £33m
  - increased investment in our roads, pavements and other public realm: £18m
  - expansion of the strategy to tackle empty homes: £5m
  - the completion of the Pendarren refurbishment: £4.6m
  - replacement of the Adults Social Care system: £2.5m
  - the Good Economy Plan £2m, and a number of additional workspace creation schemes: £3.4m
  - implementing the Alternative Provision Strategy: £12m
  - the complete refurbishment of the Civic Centre £14.25m (additional to existing budget of £9.75m).
- 1.12 Almost one year on from the first National lockdown, the country is still severely impacted by the pandemic. The December report underlined the impact that the Covid-19 pandemic has had on the financial planning process this year and the steps that the Council has taken to respond to this challenge. One of the main impacts on next years budget is the assumed level of support that the Council will provide via the Council Tax Reduction Support (CTRS) scheme. For other financial impacts of C19 on 2021/22, the planning assumption is that the Council can rely on general and specific grants from government to offset budgetary impacts, some of which was confirmed in the SR20. However, the eventual medium to long-term economic impact still remains unknown and could create greater pressures for the Council, particularly as the Office for Budget Responsibility (OBR) has forecast that a return to pre-pandemic levels will not take place until late 2022. A further, as yet unquantifiable, risk is the immediate and longer term impact of the Brexit trade deal. Both of these risks underline the continued imperative for the Council to maintain sufficient financial resilience.
- 1.13 The Council always maintains a five year future forecast of its finances via its MTFS. After the above assumptions and taking account of planned greater future years savings, it is still forecasting a significant gap of circa £12.2m for 2022/23 and more in subsequent years. This points towards a difficult budget round again next year and underlines the significance of the Council's proposal's for council tax increases this year.
- 1.14 How this gap will be closed will need to be addressed by this time next year. Given the extent of changes already factored into our plan, this will be very challenging to the Council.
- 1.15 For schools, the Dedicated Schools Budget (DSB) funding, which is ring fenced for the delivery of education services, is also outlined. The final Dedicated Schools Budget (DSG) allocations for Haringey have seen increases in the Schools and High Needs Block but a reduction the Central block.
- 1.16 The report includes the draft Housing Revenue Account (HRA) revenue budget and HRA Capital programme, incorporating the work undertaken during the Autumn to update the HRA Business Plan. This revised HRA financial plan, which is its third year, recognises certain risks such as the impact of the current pandemic, COVID-19, on collection of rent, the impact of government policy

changes in respect of types of tenancy, rent levels, right to buy, and treatment of voids.

- 1.17 The Plan now presented, compared to the current one, supports the delivery of increased number of new homes in the borough, with greater proportion of these new homes being developed for social rents. A more granular approach was also taken in the costing of our new homes and acquisition programmes, drawing upon our increased knowledge from the first two years. The change in the PWLB borrowing rate and updated inflation (CPI) which informs the rent charges and affects cost have also been incorporated.
- 1.18 In summary, this report finalises the Council's General Fund and HRA 2021/22 Budgets and Medium-Term Financial Strategies for 2021-2026.
- 1.19 The only items not confirmed at this stage are:
- Notification of final levy sums however, we are not forecasting any levies to be significantly different to the sums currently budgeted for;
  - Confirmation of the GLA council tax element;
  - Final 2020/21 Local Government Finance Settlement announcement – again there are no indications that this will bring forward any / material changes to the provisional figures already received.
- 1.20 As stated, these final notifications are not expected to lead to any significant budget implications, but an update will be included in the Full Council report on 1st March; this will also include details of any final budget adjustments required.

## Cabinet Member Introduction

- 2.1 This is a progressive budget at a time of hardship.
- 2.2 The events of the last year have been unprecedented. The impact of the global coronavirus pandemic has been felt in every home, business and community in our borough. What began as a public health crisis swiftly became a food crisis, a housing crisis, an education crisis and an economic crisis. This has demanded unprecedented action from Haringey Council. In particular we have had a relentless focus on the most vulnerable people in our community – taking action to protect and support our people.
- 2.3 This has taken a toll on our finances. In the current year the gross financial impact of the pandemic is around £40million compared to our planned budget. Due to the sound management of our finances, the authority has been able to do what was necessary knowing that we were not at risk as an organisation. This continues to be particularly important given the on-going uncertainty, even with the vaccine rollout, about when some levels of normality will return.
- 2.4 The budget monitoring reports I have presented this year not only highlight the scale of the impact of Covid on the organisation's finances, but also highlight that progress that has been made on stabilising our business as usual budgets and delivering on our planned MTFS savings programme. The budget reductions proposed in this report focus as much as possible on delivering efficiencies, service re-design, programmes which cut across departmental boundaries or increasing income instead of service level cuts.
- 2.5 The Council remains alive to reviewing all budget risks and savings programmes annually. Underlying pressures such as base budget issues which have arisen, demographic growth that is unavoidable and savings that will be delayed or no longer achievable, are all addressed as part of the 2021/22 Budget and MTFS now proposed. I am pleased to confirm that, since the draft Budget was presented in December, the level of reserves required to set the Budget for 2021/22 has reduced to £1.7m. This is still a considerable sum and underlines that this budget has clearly been much more challenging when compared to the £0.6m gap presented at this time than last year, however this reflects the effects of the pandemic on our organisational financial resilience.
- 2.6 We welcome the additional resources confirmed in the Spending Review and subsequent Local Government Finance Settlement however, Covid and the resulting recession will have a continuing impact on our finances, made worse by the chronic underfunding from 10 years of austerity. It was also disappointing that, for a second year, funding announcements covered one year only making robust planning for the medium term almost impossible. So, we will continue to call on Government to provide certainty and properly fund local councils so that we can serve our communities and build a fairer society.
- 2.7 Despite this hugely challenging situation we are proud that we have developed a budget in line with our values. It invests in young people, supports the most vulnerable and those impacted hardest by the pandemic, and seeks to build our local economy.

- This budget includes real additional resources in 2021/22 for:
- Free Schools Meals: £300k
- A Welfare Assistance Scheme: £300k
- Our local Voluntary and Community Sector: £250k
- Youth Services: £250k
- Haringey Fairer Education Fund (University bursary scheme): £120k
- Recruitment of local people: £100k over the next two years

2.8 In addition, our capital programme will invest more than £90m of additional investment to address our communities' needs and invest for the long term. This includes:

- creation of the Wood Green Youth Hub: £1m
- further school building improvements work: £33m
- increased investment in our roads and pavements: £19m
- expansion of the strategy to tackle empty homes: £5m
- completion of the Pendarren refurbishment: £4.6m
- the Good Economy Recovery Plan: £2m. Additional workspace creation schemes: £3.4m
- implementing the Alternative (school) Provision Strategy: £12m
- the complete refurbishment of the Civic Centre £14.25m (additional to existing budget of £9.75m) creating a public building we can all be proud of.

2.9 This budget also maintains measures implemented in previous years such as the Council Tax Reduction Scheme (CTRS), and London Living Wage (LLW) rates. These vital commitments, alongside our continued investment in public services, are only possible through an increase in council tax income. This draft budget proposes a general council tax increase of 1.99% and a further Adults Social Care Precept of 3% (the maximum allowed by Government), which give a total council tax charge increase of 4.99%.

2.10 We recognise that raising council tax at this time will be an additional ask at a challenging time. However, without these resources we would have to cut back the support and services for the most vulnerable in our borough. We do not believe that this is the right thing to do. The increase for a Band D property (excluding GLA element) is £1.32 per household per week and we continue to have a comprehensive Council Tax Reduction Scheme. Indeed, this Budget acknowledges the increased numbers eligible for the scheme during the course of this year as well as those additional residents forecast to claim in 2021. We estimate that circa 28,000 may receive support under this scheme next year.

2.11 The new 10 year HRA financial plan supports the delivery of increased number of new homes in the borough, with greater proportion of these new homes being developed for social rents. The proposed increase in spend on existing homes

further highlights the Councils commitment to improving the quality of life of residents, ensuring homeless households are provided a safe place to live, and maintaining the overall safety of our dwellings.

- 2.12 Haringey was characterised by unacceptable inequalities before this pandemic and it has got worse. The financial challenge we face does not diminish our commitment to build a more equal borough – as you can see from this budget.
- 2.13 Indeed, we will redouble our efforts to build the houses we need, create opportunities for our young people; and ensure a cleaner, greener Haringey.

### 3. Recommendations

Cabinet is asked to:

- 3.1 Consider the outcome of the budget consultation as set out in Appendix 8, to be included in the report to Council. Having taken this into account this report does not propose any amendment to the Budget for 2021/22 nor to the MTFS 2021/26.
- 3.2 Approve the responses made to the Overview and Scrutiny Committee recommendations following their consideration of the draft budget proposals as set out in Appendix 9. Having taken this into account this report does not propose any amendment to the Budget for 2021/22 nor to the MTFS 2021/26.
- 3.3 Propose approval to the Council of the 2021/22 Budget and MTFS 2021/26 Budget Reduction Proposals as set out in Appendix 2.
- 3.4 Propose approval to the Council of the 2021/22 General Fund Revenue Budget as set out in Appendix 1, including specifically a General Fund budget requirement of £249.077m, but subject to final decisions of the levying and precepting bodies and the final local government finance Settlement.
- 3.5 Propose approval to the Council of the General Fund Medium Term Financial Strategy (MTFS) 2021-2026 as set out in Appendix 1.
- 3.6 Propose approval to the Council that the overall Haringey element of Council Tax to be set by London Borough of Haringey for 2021/22 will be £1,441.04 per Band D property, which represents a 1.99% increase on the 2020/21 Haringey element and with an additional 3% for the Adult Social Care Precept amount.
- 3.7 Note the Council Tax Base of the London Borough of Haringey, as agreed by the Section 151 Officer under delegated authority (Article 4.01(b), Part 2, of the Constitution), as 76,544 for the financial year 2021/22.
- 3.8 Propose approval to the Council of the 2021/22 Housing Revenue Account budget as set out in Table 9.4.
- 3.9 Propose approval to the Council of the Housing Revenue Account Medium Term Financial Strategy (MTFS) 2021-2026 as set out in Table 9.4.
- 3.10 Approve the changes to the rent levels for residents in temporary accommodation, Council tenants in General Needs, Sheltered/Supported, and

Affordable homes reflecting the recent rent guideline requiring Councils in England to increase rent by no more than the Consumer Price Index (CPI) at September of the previous year plus 1%. This will increase the average weekly rents as set out in Tables 9.1 and 9.2.

- 3.11 Agree the changes to service charges to tenants as set out in Table 9.3.
- 3.12 Approve that the 18 currently Affordable properties, shown in Table 9.2, be changed to Social Rents from 5 April 2021.
- 3.13 Propose approval to the Council of the 2021/22 – 2025/26 General Fund capital programme detailed in Appendix 4.
- 3.14 Propose approval to the Council of the 2021/22 – 2025/26 Housing Revenue Account (HRA) capital programme detailed in Table 9.5.
- 3.15 Propose approval to the Council of the Capital Strategy detailed in Section 8 of this report.
- 3.16 Propose approval to Council of the strategy on the use of flexible capital receipts to facilitate the delivery of efficiency savings including capitalisation of redundancy costs (Appendix 6).
- 3.17 Propose to the Council the Dedicated Schools Budget (DSB) allocations for 2021/22 of £278.755m as set out in Appendix 7.
- 3.18 Note the funding to be distributed to primary and secondary schools for 2021/22 based on the figures advised to Schools Forum and submitted to the Education Funding Agency in January 2021 set out in Section 10.
- 3.19 Note the budgets (including the use of brought forward DSG) for the Schools Block, Central Services Block, High Needs Block and Early Years Block as per Appendix 7.
- 3.20 Delegate to the Director of Children Services, in consultation with the Cabinet Member for Children, Education and Families, the power to amend the Delegated Schools Budget to take account of any changes to Haringey's total schools funding allocation by the Education and Skills Funding Agency.
- 3.21 Delegate to the Section 151 officer, in consultation with the Cabinet Member for Finance, the power to make further changes to the 2021/22 budget proposals to Full Council up to a maximum limit of £1.0m.



4. Reasons for decision

4.1 The Council has a statutory requirement to set a balanced budget for 2021/22 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for that year. Additionally, in order to ensure the Council's finances for the medium term are maintained on a sound basis, this report also sets out the funding and expenditure assumptions for the following four years in the form of a Medium Term Financial Strategy.

5. Alternative options considered

5.1 The Cabinet must consider how to deliver a balanced 2021/22 Budget and sustainable MTFS over the five-year period 2021/26, to be reviewed and ultimately adopted at the meeting of Full Council on 1st March 2021.

5.2 Clearly there are options available to achieve a balanced budget and the Cabinet has developed the proposals contained in this report after determining levels of both income and service provision. These take account of the Council's priorities, the extent of the estimated funding shortfall, estimated impact of Covid-19, Brexit and the Council's overall financial position.

5.3 These proposals reflect feedback received as part of the consultation both externally and through the Overview & Scrutiny process and the outcome of the Equalities impact assessments.

6. General Fund Revenue Funding Assumptions

6.1 The Council has access to five main sources of funding:

- Business Rates
- Grants
- Council Tax
- Fees & Charges
- Reserves

Business Rates and Grants are largely driven by the outcome of Spending Rounds and the Local Government Finance settlement.

The following paragraph provides an update on the Spending Round 2020 (SR20) and the Local Government Finance Settlement. This is then followed by a section on each of the main sources of funding and sets out the assumptions made about each of them in this 2021/22 Budget & MTFS 2021/2026 .

SR20 and Local Government Finance Settlement 2021/22

SR20

6.2 On 20 October 2020 government announced that, in order to prioritise the response to Covid-19, the Chancellor and the Prime Minister have decided to conduct a one-year Spending Review, setting department's resource and capital budgets for 2021-22, and Devolved Administration's block grants for the same period. This replaced the planned 3 year Spending Round.

- 6.3 The Spending Review 2020 (SR20) was announced on 25 November 2020 and comprised of three themes:-
- Tackling Covid-19 next year
  - Stronger public services
  - Capital spending, including infrastructure to drive UK's recovery and support jobs
- 6.4 The SR20 was set in the context of the OBR report that was also published on 25 November. This forecast a 11.3% fall in GDP in 2020 and, despite expected growth in 2021, it is unlikely that the economy will return to pre-C19 levels before the end of 2022.
- 6.5 The funding allocations announced in SR20 to Local Government are summarised in the table below. This shows a 4.5% increase in Core Spending Power nationally. This includes core grants, business rate income and council tax, but it should be noted that 85% of this increase is dependent on council tax increases, with only 15% from increased government support.

Table 6.16: Local Government

	£ billion		
	2019-20	2020-21	2021-22
Resource DEL excluding depreciation <sup>(1)</sup>	7.5	8.6	9.1
Covid-19 resource DEL excluding depreciation	1.6	3.5 <sup>2</sup>	3.0
Total DEL <sup>3</sup>	9.1	12.1	12.0
<b>Core Spending Power (CSP)</b>	<b>46.2</b>	<b>49.0</b>	<b>51.2</b>

- 6.6 SR20 also announced funding of £1.55bn to support local authorities with Covid-19 pressures next year and it remains to be seen as to whether it is sufficient to cover the pressures faced by local authorities, including any further responsibilities they might be given. Government also confirmed the extension of the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.

#### Provisional Local Government Finance Settlement

- 6.7 The report to Cabinet in December provided indicative funding changes for Haringey signalled by the SR20 but these were refined in the Provisional Local Government Finance Settlement announced on 17<sup>th</sup> December 2020. These remain 'provisional' up to the publication of the Final settlement however, it is not expected that there will be significant changes. The Final settlement is unlikely to be published until early February so any resultant changes will be incorporated in the report to Full Council on 1st March.
- 6.8 The £1 billion for adult and children's social care announced at SR19 is being maintained in 2021-22 in line with the government's previous commitment but

with no inflationary increase. Haringey's share of the SR20 £300 million of new grant funding is £1.8m, £0.5m higher than the estimate included in the December report. The improvement is due to the allocation methodology used to distribute the funds.

- 6.9 There has been a reduction of £0.9m in the New Homes Bonus (NHB) for 2021/22 although the impact has largely been offset by the announcement of a new Lower Tier Services Grant worth £0.8m for 2021/22. Consultation is expected to commence during the Spring on reforms to the NHB scheme with effect from 2022/23. In the light of the uncertainty about the nature of the new scheme, the MTFS removes any expectations of NHB funding beyond 2022/23; the new Lower Tier Service Grant is also only assumed for 2021/22.
- 6.10 The referendum threshold for increases in council tax will remain at 2% for 2021/22 which is in line with the existing MTFS. Additionally, the SR20 announcement that local authorities will be able to levy a 3 per cent adult social care precept has been confirmed. Given the level of growth required in the Social care budgets, the Budget assumes the full 3% is levied from 2021/22; this is estimated to deliver £3.3m for Haringey next year with an ongoing benefit into subsequent years.
- 6.11 The SR20 announced an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. The provisional local government finance settlement papers included further details of how the compensation is expected to operate however, the methodology for calculating, particularly council tax, is complex. Furthermore, the final figures can only be calculated once this financial year closes. Therefore, the adjustments made to the Budget and MTFS now proposed take a prudent view of the compensation. Any eventual variance to the estimates will be highlighted in the 2020/21 provisional outturn report which will also address solutions for any discrepancies between the estimate and actual.
- 6.12 The provisional settlement also confirmed the £670m Local Council Tax Support Grant (LCTSG) for 2021/22 proposed in recognition of the increased costs of providing local council tax support following the pandemic. The funding will be un-ringfenced and will be distributed on the basis of each billing authority's share of the England level working-age local council tax support caseload, adjusted to reflect the average bill per dwelling in the area. Haringey's share is £3.6m and this has been a significant factor in reducing the requirement to draw down reserves to balance the budget.
- 6.13 There has been a notable increase in CTRS claimant numbers in 2020/21 with a 6.1% increase forecast by the end of March 2021. However, the change has not been consistent across each group. There continues to be an on-going c. 2% -

3% annual reduction in pension age claimants. Claimants with disabilities caseload is rising by about 3% annually, a broadly consistent rate for many years. However, for working age claimants, the annual downward trend in claim numbers has been sharply reversed this year with an 8% increase in those with children and 25% increase in those without children.

- 6.14 It is difficult to accurately estimate change in CTRS numbers for 2021/22 but an increase is expected and the Budget assumes a net 9% increase over and above the figures seen in the current year. This manifests in a reduced Taxbase for 2021/22, with circa £2.7m less revenue generated, excluding any increases in the Band D rate. The Council's allocation of the LCTSG largely offsets the impact of this loss for next year. Should claimant numbers remain at this level into 2022/23 and beyond with no additional government support, the estimated gaps in the MTFS will increase further.
- 6.15 The SR20 confirmed that government expects to publish a final report setting out the full conclusions of the review of the business rates system in Spring 2021. To support businesses in the near-term, the government has decided to freeze the business rates multiplier in 2021-22, saving businesses in England an estimated £575 million over the next five years. Local authorities will be fully compensated for this decision via Section 31 grants.
- 6.16 Earlier this year, the government announced that it would delay the move to 75 per cent Business Rates Retention and the implementation of the fair funding review. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic.
- 6.17 In order to provide further stability to the sector, the SR20 confirmed that government has decided not to proceed with a reset of business rates baselines in 2021-22. The Budget and MTFS have been amended to reflect this.
- 6.18 The SR20 also announced a reform to the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield, which presents a risk for both national and local taxpayers. The government will cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. The impact on budgets is not forecast to be felt until 2022/23+ but the MTFS has been updated to reflect the changes.

#### Other Announcements Since December 2020

- 6.19 Some specific grants fall outside the scope of the Local Government Finance Settlement. In terms of the General Fund, in recent years the largest of these has been the Flexible Housing Support Grant (FHSG) worth £7.7m to Haringey in the current year. The 2021/22 allocations were announced on 21 December which saw Haringey's allocation of the newly named Homelessness Prevention Grant increase to £8.4m. This has helped the Homelessness budget and the consequent pressure that it puts on the borough.

## Covid-19 Impact on the Collection Fund

- 6.20 As the Covid-19 Pandemic has had a negative impact on the collection of local taxation, authorities due to record deficits on their Council Tax and NNDR collections for 2020/21 will be able to spread these evenly over the next three financial years in order to smooth out the impact. There will not be discretion for authorities to opt out of spreading and the rules apply exclusively to deficits occurring in 2020/21.
- 6.21 At the moment, Haringey is forecasting a general fund impact of £0.675m due to the reduction in NNDR collection for 2020/21. This is included in the new budget assumptions. In line with government guidance, a deficit of £0.225m is estimated for the first three years of the MTFS period. These figures take into account the Government compensating Local Authorities for irrecoverable local taxation losses – it is estimated that Haringey will receive £2m in compensation for lost NNDR income, which reduces the initially-estimated deficit.
- 6.22 The Authority has received £46.2m in additional funding in order to accommodate a 100 per cent business rates discount for eligible hereditaments occupied by businesses that are classified as in retail, leisure and hospitality sectors, regardless of rateable value and which are subject to business rates in the year 2020-21. This funding has been applied to the collection fund and has been taken into account when calculating the estimated deficit.
- 6.23 Council Tax Collection has not been impacted to the same extent as NNDR and the Authority is still forecasting a surplus for each year of the MTFS period. Part of the reason for this is due to the broad CTRS scheme in place in Haringey coupled with the Hardship funding which has enabled the Council to support taxpayers through this difficult time.
- 6.24 The number of claimants on the authority's Council Tax Reduction scheme is projected to have increased by 6% by then end of the 2020/21 financial year. This currently impacts on the expected receipts for 2020/21 and on the budgeted figure for 2021/22. Additional support for residents on the Authority's Council Tax Reduction Scheme is being provided via the Council's £3.7m share of a £500m Covid-19 Hardship Fund

## Business Rates

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

provided in the form of a three-year transitional grant that is administered and distributed to affected businesses in each year during the transition period.

- 6.26 When the new localised business rates system was introduced in 2013, it set a 'baseline' for each local authority against which growth could be measured. It was recognised that the baseline would need to be re-visited after a number of years to ensure that the incentive to grow businesses in local areas was maintained.
- 6.27 The intention was for Business Rates Baselines to be reset from April 2020, however in SR19 Government announced that this would be delayed until April 2021. The recent SR20 confirmed a further delay to April 2022 and the impact of this has been modelled into the Budget and MTFS. This provides a benefit to the council in 2021/22 as the reliefs described above, paid to the Council as Section 31 grants, will continue for a further year.
- 6.28 The Council has been part of the London Pool since 2018/19. In that year, London retained 100% of business rates locally, generating a significant additional benefit to the Council (£6.4m). The estimated financial benefit to Haringey in 2020/21 pre-pandemic was £2.7m - £3m due to a lower percentage (75%) being retained in London. The latest in-year monitoring exercise suggests that, despite the impact of the pandemic, there will still be a net financial benefit from pooling in 2020-21, totalling approximately £21.8 million across the Capital, as the Pool will benefit from the 75% income compensation scheme. Based on the most recent calculation, Haringey is due to receive £0.6m.
- 6.29 Haringey, along with the rest of the existing members of the London Pool, provisionally expressed an interest to MHCLG in continuing the arrangement in 2021/22 not least because of the operational, administrative and strategic benefits. However, further modelling undertaken during December which includes the expected impact of changes to rateable value of office buildings, indicated a real risk that a number of authorities, including Haringey, would be worse off financially within the Pool. As such, London Councils has written to MHCLG confirming that, for 2021/22 at least, the Pool will not operate. Because of the uncertainty around pooling beyond 2021/22 and resultant financial benefits no pool growth had been assumed in any year of the MTFS.
- 6.30 A decrease in the collection rate for 2020/21 is forecast, due to the impact of the pandemic and this will impact on the General Fund in 2021/22. The Government has announced that collection fund deficits which arise due to reduced collections and 2020/21 and would normally hit general fund budgets in 2021/22 will be spread across a 3 year period. The SR20 announced an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. Further

details were included in the Provisional finance settlement and the estimated improvement built into the Budgets for 2021/22- 2023/24.

- 6.31 In terms of Revenue Support Grant (RSG), current estimates are that approximately £22.1m will be paid in 2021/22 with this grant increasing in line with CPI across the remainder of the MTFS period. The MTFS assumes that CPI Inflation will return to 2% from 2023/24 onwards, however this assumption will be kept under review.
- 6.32 The estimated mandatory reliefs applied to Haringey businesses are £6.5m in 2021/22. These reliefs cover, among others, discounts for small businesses and will be fully reimbursed via Section 31 Grants by Central Government. It is assumed that any further discount schemes that are put in place by Government to respond to C19 pressures on businesses would also be covered by S31 grants. SR20 announced a freeze to the business rates multiplier in 2021/22. The Council will be fully reimbursed for this via a Section 31 grant. From 2022/23, it is expected that the Section 31 Grants will be rolled into the SFA and the Council's Top Up grant will be increased partially but not fully compensating the loss in Section 31 Grant on the back of the expected Reset. The impact of the Reset can be seen in the estimated dip in business rates related income overall in 2022/23.
- 6.33 The planning assumption across the MTFS period is that there will be no net growth in the business rates taxbase / hereditaments. This is in line with previous assumptions.
- 6.34 The forecast income across the MTFS period from business rates related income, including revenue support grant is shown in table 6.1 below.

Table 6.1 – Business Rates Related Income Forecast

Business Rates Related income Forecast	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Revenue Support Grant	21,993	22,115	22,118	22,561	23,012	23,472
Business Rates Top Up	58,412	58,412	61,695	62,915	64,134	65,416
Retained Business Rates	22,100	22,137	21,219	21,643	22,292	22,738
NNDR Surplus/(Deficit)	(1,654)	(225)	(225)	(225)	0	0
S31 Grants	6,019	6,515	-	-	-	-
Share of Pool Growth	400	-	-	-	-	-
<b>Total</b>	<b>107,270</b>	<b>108,954</b>	<b>104,808</b>	<b>106,893</b>	<b>109,438</b>	<b>111,626</b>

- 6.35 There are considerable planned and potential changes to the business rates regime beyond 2021/22. These are set out below:
- Business rate baselines are expected to be reset in 2022/23.
  - The Government have been consulting on a simplification of the Business Rates Retention scheme including how growth can be incentivised and how it can be

measured. SR20 confirmed government intention to publish a final report in Spring 2021

- The outcome of the Fair Funding Review is still awaited. This will impact on business rates as it derives each authority's baseline funding against which growth is measured.

6.36 Because of the uncertainty beyond 2021/22, the assumptions in Table 6.1 and their impact on the MTFS are open to significant risk.

## Council Tax

6.37 The following assumptions have been made about Council Tax:-

- A 1.99% increase in Council Tax in 2021/22 and for each subsequent year is assumed (subject to the referendum limits set by Government)
- A 3% increase in ASC Precept for 2021/22 only, as announced in the SR20
- The number of new properties coming into rating, and thus being subject to Council Tax charges, has increased by 0.6% during 2020/21. This is forecast to increase by 1% per annum during the remainder of the MTFS period.
- When projecting forward the number of CTRS Claimants has increased by 6% for 2020/21 and is forecast to further increase by 9% for 2021/22.
- The collection rate will be at least 95.50% throughout the planning period. This has been reduced by 1% compared to the previous year for 2021/22 and 2022/23 and is projected to increase to 96% in 2023/24, before reverting back to the pre-Covid 19 level of 96.5% in the subsequent years.
- The Council Tax Collection Fund account has had surpluses over the past few years. The forecasting has been refined in order to include the impact of Covid-19 and is reflected in a reduced forecast surplus across the MTFS period (£1.9m for the first three years, increasing to £2.15m for each subsequent year). This takes into account the 75% Government compensation for lost taxation income.
- The "relevant" amount of properties (i.e. total number of properties after adjusting for estimated impact of proposed changes to CTRS and lower collection rate) is 1,999 lower than the relevant amount for 2020/21. This equates to a 1.5% reduction in the tax base calculated for budgeting purposes.
- The resulting projections for Council Tax income and Band D Rates are set out below. These figures are based on the Council Tax Base for 2021/22, agreed in January 2021; formal Council ratification of Council Tax Rates will take place in the Full Council meeting on 1 March.



Table 6.2 Council Tax Assumptions

COUNCIL TAX ASSUMPTIONS						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Taxbase before collection rate	80,067	81,392	80,151	80,952	81,762	82,579
Taxbase change	1.7%	-1.5%	1.0%	1.0%	1.0%	1.0%
Taxbase for year	81,392	80,151	80,952	81,762	82,579	83,405
Collection Rate	96.50%	95.50%	95.50%	96.00%	96.50%	96.50%
<b>Taxbase after collection rate</b>	<b>78,543</b>	<b>76,544</b>	<b>77,309</b>	<b>78,491</b>	<b>79,689</b>	<b>80,486</b>
Council Tax increase	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care precept	2.00%	3.00%	0%	0%	0%	0%
Band D rate	£1,372.55	£1,441.04	£1,469.72	£1,498.97	£1,528.80	£1,559.22
<b>Council Tax Before Surplus (£000)</b>	<b>£107,805</b>	<b>£110,303</b>	<b>£113,623</b>	<b>£117,656</b>	<b>£121,828</b>	<b>£125,495</b>
Previous Year (Estimated) Surplus	£2,175	£1,925	£1,925	£1,925	£2,175	£2,175
CIPFA Counter Fraud Income	£0	£25	£25	£25	£25	£25
<b>Council Tax Yield (£000)</b>	<b>£109,980</b>	<b>£112,253</b>	<b>£115,573</b>	<b>£119,606</b>	<b>£124,028</b>	<b>£127,695</b>

## Grants

6.38 The Council receives a number of grants in addition to its main funding allocation. The Council is mostly allowed to use these grants to fund any council services, but some are ring-fenced, which means they can only be spent on specific services.

## Social Care Grants

6.39 The SR 20 announced that specific grants would remain 'cash flat' for 2021/22. Estimated inflationary increases of 1.5% in 2022/23 and 2% in 2023/24 are applied to the values in Table 6.3 below. Forecast figures for 2022/23 onwards remain uncertain and should these assumptions not materialise, it could have a significant impact on the current forecast gap across those years.

6.40 It should also be noted that all these social care grants have been netted against the service budget expenditure heads rather than being shown separately.

Table 6.3 – Social Care Grants

Grant Name	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Better Care Fund (BCF) - (CCG Contribution)	6,017	6,017	6,047	6,138	6,138	6,138
Improved Better Care Fund (iBCF)	9,518	9,518	9,566	9,709	9,709	9,709
Social Care Support Grant	6,960	6,960	6,995	7,100	7,100	7,100
Additional Social Care Funding	0	1,766	1,766	1,766	1,766	1,766
<b>Total</b>	<b>22,495</b>	<b>24,261</b>	<b>24,373</b>	<b>24,713</b>	<b>24,713</b>	<b>24,713</b>

## Core Grants

6.41 Following the outcome of the SR20, the current MTFS assumptions for the Core Grants received by Haringey are as follows:

- Public Health Grant will continue to be received by Haringey although the allocation for 2021/22 has yet to be announced. The MTFS prudently assumes no increases to the 2020/21 amount over the five year period.
- New Homes Bonus – SR20 confirmed that the New Homes Bonus (NHB) scheme will continue in 2021/22, with no new legacy payments, but consultation will commence shortly on reforms to this scheme with effect from 2022/23. The final payment from the scheme is expected to be received in 2022/23. In the light of this uncertainty, the draft MTFS now removes any expectations for NHB funding beyond this final year.
- The Council Tax Support and Housing Benefit Admin Grants are expected to continue at 2020/21 levels in 2021/22 (£2m), although allocations have yet to be confirmed. They are forecast to remain at this level across the remainder of the MTFS.
- Section 31 (S31) grants in relation to mandatory business rate reliefs are expected to continue for 2021/22 but beyond that it is expected that these will be rolled into the baseline figures and come through as part of the SFA (as outlined in the Business Rates section above).
- The Flexible Housing Support Grant (FHSG) was originally established in 2017 for three years but was extended by one year again in 2020/21. As a consequence of its renewal, the current 2020/21 budget and 2020/25 MTFS built this grant into base budgets. It was worth £7.7m to Haringey in the current year and the 2021/22 allocation of the newly named Homelessness Prevention Grant has increased to £8.4m. This grant is allocated directly to the Housing service so is not included in Table 6.4 below.

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

Table 6.4 – Core Grants

Grant Name	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Council Tax Support Grant	457	457	457	457	457	457
Housing Benefit Admin Grant	1,491	1,491	1,491	1,491	1,491	1,491
Public Health Grant	20,228	20,353	20,353	20,353	20,353	20,353
New Homes Bonus	2,199	1,208	656	-	-	-
Business Rates - Section 31 Grants	6,019	6,515	-	-	-	-
Council Tax Support Grant	-	3,606	-	-	-	-
Lower Tier Services Grant	-	756	-	-	-	-
<b>Total</b>	<b>30,393</b>	<b>34,386</b>	<b>22,957</b>	<b>22,301</b>	<b>22,301</b>	<b>22,301</b>

Fees and Charges

- 6.43 The Council's policy in relation to varying external income requires service managers to review the level of fees and charges annually as part of budget setting and that charges should generally increase by the rate of inflation to maximise allowable income.
- 6.44 The setting of fees and charges, along with raising essential financial resources, can contribute to meeting the Council's objectives. Through the pricing mechanism and wider market forces, outcomes can be achieved, and services can be promoted through variable charging policies and proactive use of fees to promote or dissuade certain behaviours.
- 6.45 In the main, fees and charges are set at a level where the full cost of provision is recovered through the price structure. However, in many circumstances those charges are reduced through subsidy to meet broader Council priorities.
- 6.46 Each year the Council reviews the level of its fees and charges through consideration of a report by the Cabinet and its Regulatory Committee where it is a requirement that they are considered and approved outside of the Executive.
- 6.47 The impact of fees and charges increases have been included in the revenue income projections in the MTFS.

#### Use of Reserves

- 6.48 The Council's (Non-Earmarked) General Fund Balance is held to cover the net impact of risks and opportunities and other unforeseen emergencies. The funds held in the General Fund Reserve can only be used once and therefore are not a recurring source of income that can meet permanent budget gaps.
- 6.49 The Budget now proposed assumed a £1.7m one-off use of reserves in 2021/22; this is an improvement from the £5.4m assumed in the December draft budget.
- 6.50 The March 1<sup>st</sup> Full Council report will provide a more comprehensive review of the overall sufficiency of Council reserves as part of the S151 statement. However, it should be recognised here that the need to maintain sufficient levels of reserves to help the authority cope with unforeseen changes in circumstances must be more important now than ever before.

## Summary of Corporate General Funding Assumptions

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

Table 6.5 – Funding Assumptions

	Source of Funding	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
		£'000	£'000	£'000	£'000	£'000	£'000
Table 6.1	Revenue Support Grant	21,993	22,115	22,118	22,561	23,012	23,472
	Top up Business Rates	58,412	58,412	61,695	62,915	64,134	65,416
	Retained Business Rates	22,100	22,137	21,219	21,643	22,292	22,738
	NNDR Growth	400	-	-	-	-	-
	NNDR Surplus/(Deficit)	(1,654)	(225)	(225)	(225)	0	0
Table 6.2	Council Tax	107,805	110,303	113,623	117,656	121,828	125,495
	Council Tax Surplus	2,175	1,950	1,925	1,925	2,175	2,175
Table 6.4	New Homes Bonus	2,199	1,208	656	-	-	-
	Public Health	20,228	20,353	20,353	20,353	20,353	20,353
	Other Core Grants	8,634	12,825	1,947	1,947	1,947	1,947
	<b>Total (External) Funding</b>	<b>242,292</b>	<b>249,077</b>	<b>243,313</b>	<b>248,775</b>	<b>255,742</b>	<b>261,597</b>
	Contribution from Reserves	-	1,688	-	-	-	-
	<b>TOTAL FUNDING</b>	<b>242,292</b>	<b>250,765</b>	<b>243,313</b>	<b>248,775</b>	<b>255,742</b>	<b>261,597</b>

## General Fund Revenue Assumptions

## 7.1 2020/21 Financial Performance – General Fund Revenue

7.1.1 The 2020/21 Budget Update report, reported to Cabinet in December, provides an update on the Quarter 2 budget position. Since the budget was agreed, the lock-down and associated Government directed actions in response to the Covid-19 pandemic has significantly impacted on the Council's agreed budget and Borough Plan delivery. The forecasts provided in that report are as up to date as possible and based on the most recent return to central government (i.e. at month 7 of the financial year). However, there remains great uncertainty, not least associated with the impact of the second wave of the virus and the current and further local or national lockdowns.

7.1.2 The Budget Update report separates the General Fund (GF) impact of Covid-19 and base budget related pressures. Some of the latter can be mitigated however, some will need to be resolved by permanent budget adjustments and as such are now built into the draft 2021/22 Budget as growth items. In any large organisations it must be accepted that some plans will require change as the result of internal and/or external factors, and the growth built into the draft budget is a reflection of both of these.

7.1.3 The biggest impact of Covid-19 on future budgets is slippage in delivery of some planned MTFS savings which has been built into the Budget and MTFS now presented.

7.1.4 Covid-19 is also expected to impact significantly on Business Rates and Council Tax (Collection Fund) income and the forecast impact has been built into the draft proposals presented in this report. Guidance from Government is that any

Collection Fund deficits must be spread over three years, which is how it has been modelled. SR20 announced an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. Adjustments have been made in the light of this (see Section 6).

7.1.5 The Dedicated Schools Grant (DSG) year-end forecast has worsened in quarter 2 and now stands at £5.3m (£4.6m Qtr1). This is due to the on-going pressures in the High Needs Block (HNB) which Members will be aware is a national issue facing the entire local government sector mainly as a consequence of the expansion of age ranges for EHCP eligibility. Over the course of the year more clarity has been received over the ultimate responsibility for this overspend and the brought forward balances from prior years, and authorities may not now use general fund balances to contribute to DSG deficits without approval from the government. The Government is considering what if any additional assistance will be provided to local authorities to address this position.

7.1.6 In summary, the key underlying budget pressures that have manifested during this financial year which services cannot mitigate will be resolved as part of the 2021/22 budget setting process. In terms of the in year GF forecast of non-Covid 19 related overspend (£5.9m) officers will continue to work on reducing this to bring it to a balanced position by March 2021 to avoid having to draw on reserves which will be much needed in 2021/22 to offset on-going pandemic pressures and any wider economic impacts.

## 7.2 Budget Growth / Pressures

7.2.1 As clearly outlined above, the 2021/22 financial planning process has sought to identify, and where possible address, budget pressures and necessary growth in order that the 2021/22 Budget in particular, but also the MTFS 2021-2026, are set as realistically as possible – matching forecast expenditure against forecast income and deliverability of newly proposed savings.

7.2.2 Some growth for the period to 2025 was already built into last year's MTFS and the financial planning work undertaken this year has reviewed the assumptions driving those figures, updated them where appropriate and has also assessed new pressures or identified growth.

7.2.3 The main corporate assumptions across the forthcoming 2021-2026 period are outlined below followed by a paragraph which focusses on the policy priorities and service specific items.

## 7.3 Pay Inflation

7.3.1 The pay deal for 2020/21, was agreed at 2.75%. Negotiations are underway over the next agreement but the current planning assumptions are c. 3% increase for the next 2 years. Beyond that, it reduces to around 2.5% for the remainder of the MTFS period.

## 7.4 Non-Pay Inflation

7.4.1 The assumption continues that the services will broadly have to manage within existing budgets, thus absorbing any inflationary pressures. However, in recognition that (a) some contracts include inflation-linked increases (b) utility costs continue to be volatile and difficult to predict and (c) legislative changes can impact on cost of services. An increase of £2m pa has been built into the following two years to recognise potential volatility from Brexit and Covid legacy. Thereafter it returns to £1m pa.

## 7.5 Employer Pension Contributions

7.5.1 The outcome of the last triennial valuation, which covered the period 2021/22 – 2022/23, confirmed that the Pension Fund performance allowed for a decrease in the Council's contribution rate of 0.5% each year for three years, equating to a saving of c. £0.5m per annum each year. No assumptions have been made about the next triennial valuation.

## 7.6 Treasury & Capital Financing

7.6.1 The MTFS has been updated to reflect the capital financing costs associated with the new capital schemes that are proposed. These are reflected in the Capital Strategy at section 8 of this report and include the forecast impact of the SR20 notification of a reduction in the PWLB rate.

## 7.7 Levies

7.7.1 The current assumption is that all Levy costs except the North London Waste Authority (NLWA) levy will remain broadly in line with the 2020/21 figures across the period.

7.7.2 The NLWA's North London Heat and Power Project will replace the existing Energy from Waste plant at the Edmonton EcoPark with an Energy Recovery Facility and includes a new Resource Recovery Facility. This major project will have financial implications for each of the 7 London boroughs involved, representing 2 million people. The existing MTFS assumed a £0.5m p.a. levy increase to commence from 2021/22, due to the impact of increased borrowing costs which must be met by the levy.

7.7.3 The 2020/21 Levy was lower than the budgeted figure and, as this increase was no longer applicable, it was agreed for this amount to be transferred to a reserve in order to smooth the future financial pressure. This will be drawn on when required. The budget assumptions across the MTFS period will be revisited before the Full Council report, when the final Levy will be announced for 2021/22.

## 7.8 Policy Priorities

7.8.1 Since the start of this Administration, the following policy priorities have received additional funding through the annual budget setting cycles:

- Council Tax Reduction Scheme - £1.6m
- Youth Services programme - £0.25m

- Apprenticeship support - £0.134m
- School meals pilot - £0.05m
- London Living Wage – pump priming to deliver

7.8.2 Despite the significant challenges to set a legal, balanced budget for 2021/22, a number of policy growth proposals have been incorporated into the budget and MTFS. These are set out in the table below:-

- Free Schools Meals £0.3m funding in 2021/22 and 2022/23
- Welfare Assistance Scheme £0.3m funding in 2021/22 and 2022/23
- Voluntary and Community Sector – £0.25m in 2021/22 only
- Youth Services – £0.25m in 2021/22 only
- Haringey University Bursary Scheme - £0.12m over 3 years
- Recruit Local People - £0.10m over 2 years

## 7.9 Service Budget Adjustments Required

### Service Growth Budget Adjustments

7.9.1 The table below shows the new service specific growth proposals made necessary by base budget or demand pressures identified as part of the current years financial planning process. These have been built into the Budget and MTFS now proposed. This are in addition to the growth already factored into the MTFS as part of last years planning process, the primary one being £3.2m for Adults (before the application of savings).

Table 7.1 – Service Growth Budget Adjustment Proposals

Priority	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
People - Adults	2,300	0	0	0	0	2,300
People - Children's	3,046	(459)	(264)	0	0	2,323
Your Council	367	66	(300)	0	0	133
Place	1,896	(355)	0	0	0	1,541
Economy	1,000	0	0	0	0	1,000
<b>Total</b>	<b>8,609</b>	<b>(748)</b>	<b>(564)</b>	<b>0</b>	<b>0</b>	<b>7,297</b>

7.9.2 The biggest service areas requiring growth in this budget continue to be in the People Priorities. As in the last couple of years, the Council has recognised the growing pressure in these critical services which cannot be fully contained through service transformation alone. Clear action has therefore been taken once again to address these forecast budget issues in order that the Services are provided with realistic budgets to work within. This has been a key feature of recent years' budget process where robust action is taken to address clearly evidenced budget pressures.

7.9.3 It is forecast that the Adults service will need to address both demographic and inflationary pressures coupled with an expected growth in Mental Health and

Learning Disabilities support required as a legacy of the Covid-19 pandemic. The figures have been generated by detailed modelling and trend analysis.

7.9.4 Children's services are now seeing growth above that provided in the last MTFS (£0.5m) and therefore £2.2m has been built into the relevant budgets for next year. The key pressure points are SEND, both service demand and transport pressure but more significantly placement costs due to an increase in children with more complex needs.

7.9.5 The growth provided in the Place priority is required to address a recognised shortfall in the facilities management budgets, for both soft and hard services, as well as to resolve a number of areas where budgeted and actual income have become mis-aligned over time including CCTV, Pay by Phone, Residential Permit Parking income, plus reactive maintenance and the clamping contract.

7.9.6 The remaining growth proposals look to address historic or forecast base budget pressures across a number of service heads.

#### Impact of Delayed and Undeliverable Savings Proposals

7.9.7 The table below shows the delayed and undeliverable savings proposals now built into the proposed Budget and MTFS.

**Table 7.2 – Delayed and Undeliverable Savings**

Description	2021/22		2022/23		2023/24		2024/25		2025/26		Total	
	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings	Delayed Savings	Undeliverable Savings
	£'000		£'000		£'000		£'000		£'000		£'000	
Adults	1,621	0	(710)	0	(911)	0	0	0	0	0	0	0
Children	1,066	390	(1,066)	125	0	0	0	0	0	0	0	515
Place	0	25	0	0	0	0	0	0	0	0	0	25
Economy	120	325	30	0	20	0	(100)	0	(70)	0	0	325
Housing	(136)	0	(136)	0	136	0	136	0	0	0	0	0
Your Council	252	318	(252)	250	0	0	0	0	0	0	0	568
<b>Total</b>	<b>2,923</b>	<b>1,058</b>	<b>(2,134)</b>	<b>375</b>	<b>(755)</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>(70)</b>	<b>0</b>	<b>0</b>	<b>1,433</b>

7.9.8 The majority of the delayed savings have occurred as a consequence of the Covid-19 Pandemic and are forecast to be realised in future years, after rigorous review and challenge.

#### 7.10 Budget Reduction Proposals / Savings

##### Pre-Agreed Budget Reduction Proposals

7.10.1 The 2020/21 Budget and MTFS 2020/2025 agreed a total of £29.4m budget reductions to be delivered across that period. Whilst the Council was able to set a balanced budget for 2020/21, the MTFS acknowledged that a forecast of £15.6m as at yet unidentified additional savings would be required over the years from 2021/22 to match the assumed funding and expenditure plans at that point.

7.10.2 The table below summarises the position included in the February 2020 Budget/MTFS report.



Table 7.3 – Agreed Savings and Forecast Unidentified Savings at February 2020

Priority	Total					
	2020/21	2021/22	2022/23	2023/24	2024/25	Total Savings
	£000	£000	£000	£000	£000	£000
Housing	1,176	709	136	136	136	2,293
People - Adults	5,073	3,245	3,270	(376)	-	11,212
People - Children	2,261	909	419	100	200	3,889
Place	3,368	2,073	1,162	70	-	6,673
Economy	830	120	130	120	-	1,200
Your Council	2,934	536	687	6	-	4,163
<b>Total Savings</b>	<b>15,642</b>	<b>7,592</b>	<b>5,804</b>	<b>56</b>	<b>336</b>	<b>29,430</b>
Unidentified Savings	0	1,954	3,178	6,684	3,743	15,559
<b>Total Savings Requirement</b>	<b>15,642</b>	<b>9,546</b>	<b>8,982</b>	<b>6,740</b>	<b>4,079</b>	<b>44,989</b>

### Approach to Budget Reduction Proposals / Savings 2021-2026

7.10.3 The financial planning process this year had looked to build on the progress made last year where the budgets adjustments agreed were more realistic and understood and owned by the wider organisation; the forecast budget gap for 2021/22 in last year's MTFS was £1.954m and this would have allowed the organisation to develop larger scale, transformational programmes to address the widening gap beyond 2021/22.

7.10.4 The subsequent impact of the global pandemic (Covid-19) has led to a significant shift in the MTFS assumptions in place when the last budget and MTFS were agreed. This, in particular, led to a downwards assessment of local tax revenues as set out in more detail in Section 6 of this report. It also impacted on the ability for the Council to deliver agreed savings to the set timeframes. A detailed challenge to the growth assumptions in the existing MTFS was also undertaken alongside base budget pressures highlighted as part of the in year budget monitoring. The impact on the revised forecast gap for 2021/22 was significant with an estimated shortfall of £17m, an increase of £15m to the forecast in February 2020.

7.10.5 This highlighted the need for change to take place at a faster pace. Furthermore, with the forecast level of budget reductions required for 2021/22, it became apparent that a focus purely on a directorate led basis would be unable to achieve the magnitude required. This would also have been a barrier to progressing the more transformational, council-wide changes which emerged as a key output from the Recovery and Renewal activity which:-

- Looked at our borough plan priorities and principles and reflected on what needed to change as a result of Covid-19, including as part of conversations with partners, to understand systems-wide perspective
- Reviewed our service delivery, to meet the challenge of delivering services in a new world of living with Covid-19 and doing so in a smaller budget envelope
- Worked with partners to understand the systems-wide impact

7.10.6 This led to the formulation of cross-cutting programmes described briefly below which have identified forecast budget reductions albeit requiring a longer lead in time, so not delivering fully until 2022/23+:-

- Digital Together - An empowered, energised and enabled resident community engaging with us through increased digital channels that quickly direct them to the right resources through anticipation of their needs.

A more digitally aware and confident council, embracing digital technologies to maximise our opportunities.

These actions will enable the removal of duplication and non-standard processes and consolidation of activities and processes delivering a reduced cost base.

- Property – initial focus on the generation of capital receipts for 2021/22 to provide investment to support transformational activity. Longer term, opportunities are being pursued for the Council’s property portfolio to enable and deliver general fund revenue savings e.g. Savings from operational property / progress with the Accommodation Strategy; support for the Localities strategy; asset rationalisation and the commercial portfolio.

7.10.7 Through the Covid-19 pandemic, we have learned more about the day to day impacts of inequalities and about how we could change as an organisation. We need to connect with local residents to support them with the wide range of issues they may be facing at the very earliest opportunity, using a range of methods including access to digital.

7.10.8 In addition to the above cross-cutting programmes we will focus more on three areas of activity:

- Being close to residents – by working out in localities and improving our digital offer, ensuring that we can shape what best suits local neighbourhoods, making use of local strengths
- Intervening earlier – proactively building confidence and skills and not waiting until a crisis point is reached before we and partners step in
- Extending our reach – building trust by working in partnership with local community organisations

7.10.9 The total new budget reduction proposals arising from both the Directorate led and cross-cutting programmes are set out in Table 7.4 below.

Table 7.4 – New Budget Reduction Proposals by Priority

Priority	2021/22	2022/23	2023/24	2024/25	2025/26	Total Proposals
	£000	£000	£000	£000	£000	£000
Housing	483	68	51	12	1	615
People - Adults	1,537	0	0	0	0	1,537
People - Children	321	319	30	30	0	700
Place	2,336	1,590	(1,440)	1,360	170	4,016
Economy	550	0	0	0	0	550
Your Council	744	240	0	0	0	984
<b>Subtotal</b>	<b>5,971</b>	<b>2,217</b>	<b>(1,359)</b>	<b>1,402</b>	<b>171</b>	<b>8,402</b>
Cross-Cutting Proposals	750	2,250	0	0	0	3,000
<b>Total</b>	<b>6,721</b>	<b>4,467</b>	<b>(1,359)</b>	<b>1,402</b>	<b>171</b>	<b>11,402</b>

7.10.10 When added to the pre-agreed reductions for next year (£7.6m initially – revised down to £3.6m largely as a consequence of the Covid-19 Pandemic – as presented in Table 7.2), the total to be delivered is £10.3m in 2021/22. A summary of the future years’ total savings position across the MTFS, including those agreed in previous budget rounds, is provided in Appendix 3.

7.10.11 To help de-risk the budget in future years, officers have assessed delivery confidence of all the new proposals and have re-profiled agreed savings that have been impacted by the pandemic. These proposals have been subject to scrutiny and consultation and all proposals have been reviewed by the Policy and Equalities team. All were subject to initial equalities screening and where these have indicated that full EqIA’s were required, these have been undertaken. Appendix 10 provides a report summarising the outcome of this work plus the 6 full EqIAs undertaken.

7.10.12 The monitoring of savings delivery in 2020/21 has, notwithstanding the impact of Covid-19 on plans, provided a growing assurance that services have a greater understanding of, and capacity to deliver, budget reduction proposals.

#### 7.11 Summary Revenue Budget Position 2021/22 – 2025/26

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

Table 7.5 – Summary Revenue Budget Position

	2020/21 Budget	2021/22 Draft Budget	2022/23 Projected	2023/24 Projected	2024/25 Projected	2025/26 Projected
Priority Area	£'000	£'000	£'000	£'000	£'000	£'000
Housing	16,382	16,102	15,762	15,711	15,699	15,698
People - Children	55,189	58,289	56,651	56,757	57,027	57,027
People - Adults	83,784	83,208	80,248	81,751	84,853	84,853
Place	24,915	23,999	20,817	22,193	20,839	20,669
Economy	1,006	6,166	6,066	5,966	5,866	5,796
Your Council	35,999	32,995	30,063	29,757	29,757	29,757
Non-Service Revenue	25,017	30,006	45,961	57,314	63,636	66,642
<b>Council Cash Limit</b>	<b>242,292</b>	<b>250,765</b>	<b>255,568</b>	<b>269,449</b>	<b>277,677</b>	<b>280,442</b>
Planned Contributions from Reserves	-	(1,688)	-	-	-	-
Further Savings to be Identified	-	-	(12,230)	(20,650)	(21,911)	(18,820)
<b>Total General Fund Budget</b>	<b>242,292</b>	<b>249,077</b>	<b>243,338</b>	<b>248,800</b>	<b>255,767</b>	<b>261,622</b>
Council Tax	107,805	110,303	113,623	117,656	121,828	125,495
Council Tax Surplus	2,175	1,950	1,950	1,950	2,200	2,200
RSG	21,993	22,115	22,118	22,561	23,012	23,472
Top up Business Rates	58,412	58,412	61,695	62,915	64,134	65,416
Retained Business Rates	22,100	22,137	21,219	21,643	22,292	22,738
NNDR Surplus/(Deficit)	(1,654)	(225)	(225)	(225)	0	0
NNDR Growth	400	-	-	-	-	-
<b>Total (Main Funding)</b>	<b>211,231</b>	<b>214,691</b>	<b>220,381</b>	<b>226,499</b>	<b>233,466</b>	<b>239,322</b>
<b>Core/Other External Grants</b>						
New Homes Bonus	2,199	1,208	656	-	-	-
Public Health	20,228	20,353	20,353	20,353	20,353	20,353
Other core grants	8,634	12,825	1,947	1,947	1,947	1,947
<b>TOTAL (Core/Other External Grants)</b>	<b>31,061</b>	<b>34,386</b>	<b>22,957</b>	<b>22,301</b>	<b>22,301</b>	<b>22,301</b>
<b>Total Income</b>	<b>242,292</b>	<b>249,077</b>	<b>243,338</b>	<b>248,800</b>	<b>255,767</b>	<b>261,622</b>

7.11.1 The General Fund Budget 2021/22 now presented assumes a one-off contribution from reserves of £1.7m.

7.11.2 In undertaking this multi-year financial planning, the levels of uncertainty and risk increase substantially beyond the immediate budget for next year. Reference has been made above to the scale of the assumption made in regard to current and future years grants. This report elsewhere highlights the many other risks that may impact and increase the size of the gaps forecasted above for years 2 and beyond. This authority, like all other social care councils, must be particularly concerned about the risks regarding its care services finances. While the year-on-year cash limit profiles for our care services detailed above have been prepared with reference to best intelligence on future years grants, demographics, savings and other pressures, these need to be kept under closest review.

## 7.12 Review of assumptions and risks 2021/22 – 2025/26

7.12.1 The Council's Section 151 Officer has a statutory responsibility to assess the robustness of the Council's budget and to ensure that the Council has sufficient contingency/reserves to provide against known risks in respect of both expenditure and income. This formal assessment will be made as part of the final report on the Council's budget in February 2021 and will draw on independent assessments of the Council's financial resilience where available however, it is critical that this report outlines the assumptions and approach to risk taken when arriving at the budget proposals included in the draft Budget & MTFS.

7.12.2 Given the increased financial pressure that is falling upon this council's budget and the uncertain national political picture, this statutory role is acquiring more and more significance. The number and breadth of potential risks and level of uncertainty, particularly around the Covid-19 pandemic and Government funding, underlines the need to maintain both a budgeted resilience contingency and keep general and earmarked reserves at current levels.

7.12.3 The main uncertainties and risks identified to date which may impact on the Council's budget for 2021/22 and over the period of the MTFS are:

- Funding assumptions for 2021/22 are subject to the final local government settlement expected in February 2021 although not expected to lead to significant changes.
- On-going uncertainty about the final impact of the Covid-19 pandemic on 2020/21 budgets and future years. It is likely that Covid-19 will also impact on the level of Government resources available for the sector in future years of the MTFS
- Brexit, even with the trade deal with the EU, could put pressure on costs and increase inflation; potentially lead to difficulty in attracting staff in critical social care & health services and increase numbers presenting as No Recourse To Public Funds (NRPF)
- The shift to a one-year spending review with no announcements about funding beyond 2021/22. Therefore, professional judgement has had to be used in forecasting funding for the later years of the MTFS. These assume that Government funding generally increases at an inflationary level, and that specific grants are not discontinued by the government. Should this assumed funding not be realised it will have a significant impact on the current forecast gap across those years. This will be kept under close review.
- The implications arising from the next Spending Round and the period that will be covered are not known
- The continued pressure on High Needs Block Dedicated Schools Block (DSG) resources, lack of a clear strategy for resolution from the DfE, although it is now confirmed that deficits are not currently to be funded by general fund resources
- The expected Fair Funding Review and redesign of the Business Rates Retention scheme did not complete during 2020/21 and are now planned for 2021/22. The impact on funding for the Council is not known at this time
- Increases in London Living Wage in future years.
- The impact of pay and general inflation pressures above current assumptions
- General population increases that are expected over the next 5 years and any associated growth in demand - other than specifically allowed for - may lead to financial pressure.

- Planned actions to increase Council managed temporary accommodation options do not progress at the pace expected and/or are potentially exacerbated by Covid-19
- The Council's Transformational Programmes do not deliver the required savings, do not deliver savings quickly enough, or are impacted by demographic trends particularly in critical areas such as Children's and Adults Social Care and Temporary Accommodation.
- Business rates base negatively impacted by the impact of Covid-19, permanent shifts to on-line services and any economic slowdown

## 8. Council's Capital Strategy and Capital Programme 2021/22 – 2025/26

### 8.1 Introduction

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

8.1.2 The Covid-19 pandemic has affected the Council's capital strategy as it responds to the ravages wrought by Covid-19. In particular the capital programme for 2020/21 has been redirected to provide for an acceleration of the school streets programme, revisions to the public realm works to create Covid-19 safe public spaces through widening pavements, works around school streets to make them safe and an early start to the capital works required for the Good Economy Recovery Plan. In addition, resources have been directed to providing emergency temporary accommodation for rough sleepers.

8.1.3 Looking forward, the Council's capital proposals include provision for a new youth hub in Wood Green £1m, a significant increase in investment in education with a further £33m allocated for condition works in schools, £12m into the Alternative Provision strategy and an £4.6m additional funding for Pendarren.

8.1.4 The proposals also include for overall investment of £5.5m in the Good Economy Recovery Plan, further investment in the economic future of the borough through its workspace creation programme and investment in Haringey Adults Learning Service (HALS).

8.1.5 The Council is also investing in the public realm through the Streetsplan scheme as well as further investment in pavements, disabled parking bays and the wider public realm all of which link to the Good Economy Recovery Plan through making high streets safe and welcoming places.

8.1.6 The Council continues to invest in housing through its new homes programme. This expenditure is contained within the housing revenue account (HRA) and is reported here in summary form and elsewhere on the agenda in detail.

8.1.7 There is additional investment in the empty homes scheme of £5m. This scheme aims to bring back into use homes that have been left empty for various reasons. Ultimately this may require the Council to exercise its compulsory purchase order powers (CPO) but to do so the Council must show that it has the resources available to complete the purchase. This budget supplies that evidence.

8.1.8 Finally, the proposals provide for significant investment in the Civic Centre to provide a place of civic pride for the borough, as well as £2m investment in Wood Green Library.

## 8.1.9 Background

8.1.10 Capital expenditure in local government is defined in statute and accounting practices/codes and as such must be complied with. Within these rules, capital budgets and capital expenditure decisions offer the opportunity for the Council to profoundly affect the lives of its residents, businesses, and visitors in both the immediate and the longer term.

8.1.11 Capital programmes can shape the local environment (e.g. through the provision of new housing, traffic schemes or regeneration schemes); positively impact people's lives (e.g. through creating appropriate housing for adults with learning difficulties or investment in parks and open spaces); transform the way the Council interacts with local residents (e.g. through the libraries investment programme or proposals for a new customer service centre); and deliver fit for purpose schools. The advent of Covid-19 has highlighted how capital expenditure can be used to positively impact people's lives.

8.1.12 The key objectives for the Council's capital programme are to deliver the borough plan and assist the Council in meeting the financial challenges that it continues to face.

## 8.2 Capital Programme expenditure and financing

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

8.2.2 The table below shows a high-level summary of the Council's outline capital spending in the medium-term i.e., for the financial years 2021/22-205/26 which shows the continued and growing capital investment that is being undertaken to support the achievement of the borough plan objectives.



**Table 8.1: Capital expenditure plans overview 2021/22 - 2025/26**

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	Total (£'000)
<b>Previously Agreed</b>							
General Fund Account (GF)	217,762	213,535	170,420	139,435	96,888		<b>838,040</b>
Housing Revenue Account (HRA)	236,331	214,146	204,392	165,200	194,501		<b>1,014,570</b>
<b>Total =</b>	<b>454,093</b>	<b>427,681</b>	<b>374,812</b>	<b>304,635</b>	<b>291,389</b>		<b>1,852,610</b>
<b>Proposed</b>							
General Fund Account (GF)		288,854	190,863	150,613	120,687	67,469	<b>818,485</b>
Housing Revenue Account (HRA)		277,033	346,575	334,086	375,571	222,787	<b>1,556,052</b>
<b>Total =</b>		<b>565,887</b>	<b>537,438</b>	<b>484,699</b>	<b>496,258</b>	<b>290,256</b>	<b>2,374,537</b>

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

8.2.4 Where additional funding is proposed for an existing scheme this has been added to the project rather than creating a new scheme. Since December the following schemes have been varied in the light of further information:

8.2.4.1 Future High Street Fund. The Stoneleigh Road scheme (£1.4m) and the 551b scheme (£2.0m) are now in the capital programme as funded by the Council.

8.2.4.2 Canning Crescent. The scheme budget has been updated by £0.8m to reflect the latest estimated cost.

8.2.4.3 The High Road West. The Council budget for site acquisition is currently set at £139m and has been increased by £9m to reflect increases in land values. These costs will be reimbursed by the development partner.

8.2.4.4 Mosaic System. This budget has been increased by up to £0.7m to reflect increased implementation costs.

8.2.5 About a third of the capital programme is composed of schemes that are wholly funded by Council borrowing and that are not self-financing. These schemes largely reflect the statutory duties of the council. In large part these schemes are not able to attract external resources to either supplement or supplant Council borrowing.

8.2.6 The Children's Services capital programme is largely reliant on Council borrowing. For the period 2021/22-2025/26 the Council is planning to spend

- £105m on schools, of which approximately £27m is funded through government grant leaving a borrowing requirement of £78m. The majority of the cost of the increased investment in schools falls on the Council through increased borrowing costs.
- 8.2.7 Within the Place priority the proposed capital programme for the period 2021/22-2025/26 is broadly estimated at £77.0m of which approximately £14.6m is externally funded.
- 8.2.8 The Economy capital programme has an estimated value of £470.9m. The majority of the programme is either funded through contributions from developers or are self-financing. The level of Council borrowing in this part of the capital programme is proportionately lower than in others at £52.7m. Most of this borrowing is to match fund to the Tottenham Hale Regeneration project, the Tottenham High Road Strategy and the Wood Green Regeneration Strategy.
- 8.2.9 The basic premise for the economy programme is to provide a funding envelope within the budget and policy framework which enables the council to respond to opportunities in a timely way. This means that this capital programme is both front loaded and prone to reporting slippage.
- 8.2.10 The General Fund housing programme has no schemes that rely on borrowing as they are all self-financing.
- 8.2.11 The Your Council capital programme is estimated at £83.4m with the majority, £52.7m funded through borrowing. £40m of this borrowing relates to the asset management function of the Council and to the Civic Centre refurbishment. The majority of the balance of the investment relates to the Responsiveness Fund, £2m and the approved capital programme contingency, £6.3m.
- 8.2.12 The inclusion of a scheme within the capital programme is not necessarily permission to spend. Most schemes will be subject to the completion of an approved business case that validates the high-level cost and time estimates contained within the programme. An integral part of the business case will be an assessment of the risks that a project faces and once a project is agreed, the review of the risk register is a standing item on the agenda for the project's governance arrangements.
- 8.2.13 There are a range of schemes within the General Fund capital programme that will only proceed if they are estimated to result in a net reduction in expenditure. That reduction will include the cost of financing the capital expenditure and contribute to the MTFS through making savings or increasing income. These schemes are known as self-financing schemes. The decision to proceed with these schemes will follow the production of a detailed business that supports the investment and identifies reductions in expenditure.
- 8.2.14 Service managers bid annually as part of the Council's budget setting process. The bids are assessed against their "fit" in relation to the Borough Plan, the asset management plan and meeting the objectives of the medium-term financial strategy (MTFS). In addition, schemes have been considered for their contribution to economic recovery, to growth, to jobs, and to creating a Covid-19 safe public realm.

8.2.15 The Housing Revenue Account (HRA) is a ring-fenced account, which ensures that the Council's housing activities are not subsidised by the Council's non-housing activities. It also ensures that the Council's non-housing activities are not subsidised by its HRA. HRA capital expenditure is recorded separately. The table below details the proposed capital expenditure plans by priority.

**Table 8.2: Capital expenditure plans by priority**

	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	Total (£'000)
<b>People - Children's</b>	26,471	23,909	24,006	20,101	10,731	<b>105,218</b>
<b>People - Adults</b>	26,570	28,120	12,400	4,470	2,377	<b>73,937</b>
<b>Place</b>	27,009	14,382	13,360	11,495	10,795	<b>77,041</b>
<b>Economy</b>	177,498	105,171	84,316	66,971	36,916	<b>470,871</b>
<b>Housing (GF)</b>	6,000	1,000	1,000	0	0	<b>8,000</b>
<b>Your Council</b>	25,306	18,281	15,531	17,650	6,650	<b>83,418</b>
<b>Total General Fund (GF)</b>	<b>288,854</b>	<b>190,863</b>	<b>150,613</b>	<b>120,687</b>	<b>67,469</b>	<b>818,485</b>
<b>Housing (HRA)</b>	<b>277,033</b>	<b>346,575</b>	<b>334,086</b>	<b>375,571</b>	<b>222,787</b>	<b>1,556,052</b>
<b>Overall Total</b>	<b>565,887</b>	<b>537,438</b>	<b>484,699</b>	<b>496,258</b>	<b>290,256</b>	<b>2,374,537</b>

8.2.16 Appendix 4 includes the previously agreed schemes plus any changes since the last budget (up to and including the December 2020 Cabinet), plus the new schemes proposed. It also indicates how each scheme is financed:

H is for schemes that are funded by borrowing,

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

E is for schemes that are funded by an external party, and

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

The particular significance of those schemes which have a borrowing cost which will be met by the General Fund (not offset by consequent savings or externally funded) is that they produce a consequent ongoing pressure on the revenue account, similar to any other new revenue expenditure commitments.

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

### 8.2.17 Children's Services

Extensive work has been undertaken during 2019/20 and 2020/21 to understand the extent of the investment required in the Children's Services estate. This work has provided comprehensive information on the condition of the estate and has provided the foundation of the Children's Services asset management plan. The asset management plan provides a framework for the decisions on where and when the investment in the estate best serves the needs of our young people so that they are educated in facilities that are fit for today and the future.

The proposed capital programme has further, significant investment in the school estate. An additional £33m is proposed over the next five years. This additional funding will bring the Council's investment in the condition of the Children's Services to £105.5m over the period 2021/22-2025/26. The proposed budget allocation is geared towards the primary school estate to deal with a range of condition issues that can be undertaken in a cost-effective manner with minimal disruption to school life and without incurring abortive costs. This is because in most of the primary schools there are site constraints and/or planning issues meaning that there are real limitations on any significant alternative site approaches.

This is unlike the position in the secondary school sector where a masterplan for the secondary school estate is being prepared with the five secondary schools being the subject of a detailed options appraisal that takes a holistic view of the individual school and of its contribution to the overall secondary school estate. This approach was outlined in the Schools Estate Strategy. The outcome of this work is likely to place further pressure on the Council's capital programme in the future years of the MTFS.

In addition, the proposed capital programme has provision for the delivery of a new Youth Hub in Wood Green as well as investment in the Alternative Provision Strategy and Pendarren.

### 8.2.18 Adult Services

The continued focus of the Adults Services capital programme is to enhance the lives of disabled and older adults. The 2020/21 capital programme delivery has been severely affected by Covid-19 and is therefore delayed. Accordingly, the aim for the coming period is to deliver those schemes that are delayed. There is one new proposal for capital expenditure, the renewal of the Mosaic ICT system, which is the Adult and Children's social care case work system. Currently a procurement exercise is underway which could result in the upgrading of the current system or its total replacement. The proposed bid is based on the complete replacement of the current system. Should the procurement exercise result in an upgrade to the existing system then there will be a lower level of capital spend.

### 8.2.19 Place

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

A previously significant source of funding for the borough's infrastructure were grants received from Transport for London (TfL). Due to the financial situation of TfL these grants have largely ceased. Even though these grants have ceased the works still need to be undertaken.

Part of the new investment is to offset the TfL reductions but there is additional investment in the borough's pavements, and additional funding for the Parkland Walk Bridges programme as well as investment in our depots to provide greener and more fit for purposes spaces. The programme also allows for the continuation of investment in street lighting and borough roads.

#### 8.2.20 Economy

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

The new proposals build on this existing programme through the funding of the Good Economy Recovery Plan, further investment in creating workspaces and investment in HALS.

#### 8.2.21 Your Council

The Communities First initiative will help transform the way in which the Council engages with its residents. The investment in the library estate sits beside the Connected Communities initiative and will improve the accessibility of libraries and the range of services that they offer. In addition, a new £2m budget has been incorporated into the programme for the Wood Green Library to undertake urgent works and to improve the environment for visitors.

There are a further two new capital proposals. The first relates to the approved capital programme contingency that is being replenished with £3.8m, and the second is the responsiveness fund which is been set a budget of £2m.

#### Financing

All capital expenditure must be financed from either external sources (government grant and other contributions), the Council's own resources (revenue, reserves or capital receipts) or debt (borrowing, leasing, Private Finance Initiative). The Council's capital programme has moved to a financing strategy that seeks to ensure that investment via the capital programme is self-financing or funded from external resources. The new schemes proposed to be added to the programme for 2021/22-2025/26 are analysed in the table below and show that the majority of schemes being proposed (70%) are either self-financing or funded via external resources:

Table 8.3: Financing Strategy

	General Fund Borrowing		External (£'000)	Total (£'000)
	Met from General Fund (£'000)	Self-Financing met from Savings (£'000)		
People - Children's	77,259	0	27,959	105,218
People - Adults	4,485	54,970	14,482	73,937
Place	58,063	4,400	14,578	77,041
Economy	52,715	164,416	253,741	470,872
Housing - GF	0	8,000	0	8,000
Your Council	52,663	30,755	0	83,418
<b>Total</b>	<b>245,184</b>	<b>262,541</b>	<b>310,760</b>	<b>818,485</b>

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

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

Table 8.4: Estimated MRP

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)
MRP	5,533	8,734	16,438	22,455	25,807	29,043

8.2.24 The Council's cumulative outstanding amount of debt is measured by the capital financing requirement (CFR). This increases when new debt financed expenditure is incurred and reduces when MRP is made. The increase in MRP in 2022/23 is due to the end of the MRP holiday and will be addressed in detail in the Treasury Management Strategy to be considered by Council in February 2021.

Table 8.5: Prudential Indicator: Estimates of Capital Financing Requirement

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)
CFR	1,073,041	1,300,885	1,590,485	1,836,902	1,999,393	2,008,509

## Asset Management

8.2.25 The Asset Management Plan is the subject of a separate report elsewhere on the agenda.

## Asset Disposals

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

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

## Treasury Management

8.2.28 The Council has a separate Treasury Management Strategy Statement (TMSS) that deals in detail with treasury management matters. The Capital Strategy document repeats some of the information contained within the TMSS but places the information in the context of the capital programme and Borough Plan.

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

## Borrowing Strategy

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

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

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

	31/3/20 Actual (£'000)	31/3/21 Budget (£'000)	31/3/22 Budget (£'000)	31/3/23 Budget (£'000)	31/3/24 Budget (£'000)	31/3/25 Budget (£'000)	31/3/26 Budget (£'000)
Borrowing Debt	531,693	811,902	1,076,962	1,370,737	1,621,512	1,786,520	1,804,057
PFI & Lease Debt	31,172	27,303	23,470	19,471	15,297	10,938	8,421
<b>Total Debt</b>	<b>562,864</b>	<b>839,205</b>	<b>1,100,432</b>	<b>1,390,208</b>	<b>1,636,809</b>	<b>1,797,459</b>	<b>1,812,479</b>
Capital Financing Requirement	723,447	1,073,041	1,300,885	1,590,485	1,836,902	1,999,393	2,008,509

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

#### Affordable Borrowing Limit

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

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

	2020/21 limit (£'000)	2021/22 limit (£'000)	2022/23 limit (£'000)	2023/24 limit (£'000)	2024/25 limit (£'000)	2025/26 limit (£'000)
Authorised limit – borrowing	979,646	1,207,414	1,501,014	1,751,605	1,918,455	1,930,088
Authorised limit – PFI & leases	30,882	30,981	25,702	20,192	14,438	11,116
<b>Authorised limit – total external debt</b>	<b>1,010,528</b>	<b>1,238,395</b>	<b>1,526,716</b>	<b>1,771,797</b>	<b>1,932,893</b>	<b>1,941,204</b>
Operational boundary - borrowing	929,646	1,157,414	1,451,014	1,701,605	1,868,455	1,880,088
Operational boundary – PFI & leases	28,075	28,164	23,366	18,356	13,126	10,106
<b>Operational boundary – total external debt</b>	<b>957,720</b>	<b>1,185,579</b>	<b>1,474,380</b>	<b>1,719,961</b>	<b>1,881,581</b>	<b>1,890,193</b>

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



Table 8.8: Proportion of financing costs to net revenue stream

	2020/21 Budget (£'000)	2021/22 Budget (£'000)	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)
Financing Costs General Fund	9,343	12,198	16,533	21,033	23,299	26,299
Proportion of net revenue stream	3.9%	5.0%	6.6%	8.2%	8.9%	10.0%
Financing Costs HRA	16,426	16,242	22,889	30,007	35,725	38,807
Proportion of net revenue stream	15.4%	15.1%	20.3%	25.0%	27.9%	29.0%

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

### Governance

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

### Flexible use of capital receipts

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

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

8.2.39 The then Secretary of State for the Department for Communities and Local Government issued guidance in March 2016, giving local authorities greater

freedoms over how capital receipts can be used to finance expenditure. The direction allows for the following expenditure to be financed by utilising capital receipts:

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

- 8.2.40 In order to comply with this direction, the Council must consider the Statutory Guidance issued by the Secretary of State. The guidance requires authorities to prepare, publish and maintain a flexible use of capital receipts strategy with the initial strategy being effective from the 1<sup>st</sup> April 2016 with future strategies being included within future annual budget document.
- 8.2.41 The Statutory Guidance for the flexible use of capital receipts strategy states that the strategy should include a list of each project that is intended to be funded via this flexibility, together with the expected savings that the projects will realise. The strategy should also include the impact that the flexibility has on the affordability of borrowing by including updated prudential indicators.
- 8.2.42 The Secretary of State for Ministry of Housing, Communities and Local Government issued revised directions for the flexible use of capital receipts which extended the period of the flexibility to the financial year 2021/22.
- 8.2.43 The Council’s strategy for capital receipts will be focused on transformation of services and is set out in Appendix 6.

## 9. Housing Revenue Account (HRA)

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

### HRA 10 Year Financial Plan Overview

9.1.1. The HRA is made up of the Revenue account (Income and Expenditure) and Capital account (Investments and Financing). Following the abolition of HRA borrowing cap in October 2018, the Council embarked on expansion of its investment in its existing and new housing stock. This is laid out in its HRA Business Plan and HRA 10 Year Financial Plan, which is now in its third year.

9.1.2. In this revised plan, a more granular approach was taken in the costing of our new homes and acquisition programmes, drawing upon our increased knowledge from the first two years. The change in the PWLB borrowing rate and updated inflation (CPI) which informs the rent charges and affects cost have been incorporated.

9.1.3. This revised 10 Year Financial Plan, compared to the current one, supports the delivery of increased number of new homes in the borough, with greater proportion of these new homes being developed for social rents.

The proposed increase in spends on Major works (existing homes), Temporary accommodation and Fire Safety further highlights the Councils commitment to: improving the quality of life of residents; ensuring homeless households are provided a safe place to live; and maintaining the overall safety of our dwellings.

9.1.4. These all-encompassing delivery and financial plans address the affordability of the entire HRA capital programmes, which includes the new homes build and homes acquisition programmes, and existing stock maintenance, carbon reduction programmes for both existing stocks and new stocks, fire safety programmes and the BWF estate renewal programme.

9.1.5. It includes a long-term assessment of maintenance, improvement, and management requirements, as well as forecasts on income streams such as rents, in line with rent standards, and other future developments. The impact of the current pandemic on rent collection and delay in capital programmes informed the update of the HRA financial plan.

9.1.6. The December cabinet version of the revised Financial plan highlighted a weakened revenue position in the early years of the plan because of the reduction in CPI from 1.7% to 0.5% and the impact of COVID 19 on rent collection. Alongside these, some heavy capital investment in the early years of the plan added to the pressures. These have been dealt with in this final version by rephasing of this year's capital programmes based on actual works carried and realistic timeframes set for completion.

The main sources of income to the HRA: Rents and Service Charges.

## 9.2 Housing rents

9.2.1. Rent limits for council-owned housing are set by the government through the Rent Standard which prescribes the formula for calculating social housing rents. These rents are also called formula rents and excludes service charges.

The formula for setting social housing rents is complex but involves the value of the property and average regional earnings compared to the national averages for these and is increased/decreased according to the number of bedrooms.

9.2.2. From 2020/21, at least until 2024/25, the government has permitted Local Authorities in England to increase rents every year by no more than the Consumer Price Index (CPI) at September of the previous year plus 1%.

The current rent for 2020/21, approved by Cabinet on 11 February 2020, was set at the 2019/20 rent uplifted by 2.7%. The rent increase is due to the CPI inflation rate in September 2019 of 1.7% plus 1% allowed by the government.

9.2.3. Haringey Council must set the rents for 2021/22 using the formula set out in the Rent Standard. Given that the CPI at September 2020 was 0.5%, rents in council-owned housing will increase by no more than 1.5% (CPI plus 1%) from 5 April 2021 (the first Monday in April).

Applying the maximum rent increase of 1.5% will give £1.08m of additional rental income to the Housing Revenue Account (HRA) from tenants. However, the HRA business plan had assumed annual rent increases of 3% (CPI of 2% plus 1%) which was expected to produce additional rental income of £3.78m in 2021/22 (a reduction of £2.7m).

9.2.4. The 10-year HRA financial plan has been revised to reflect the lower rent increase in 2021/22. An assumed annual rent increases of current CPI plus 1% in 2022/23 and reversion to CPI of 2% plus 1% for the remaining 2 years of this current rent regime (2024/25) has been built in. It also assumed annual rent increases of CPI only, for the remaining five years of the HRA financial plan.

## 9.3 General needs and sheltered / supported housing

9.3.1. Provisional rents for general needs and sheltered / supported housing for 2021/22 have been calculated so that the weekly rents paid by tenants increase by no more than 1.5% from 5 April 2021. On this basis, the average weekly rent will increase by £1.57 from £104.57 to £106.14.

9.3.2. There is a range of rents across different sizes of properties. Table 9.1 sets out the provisional average weekly rents for 2021/22 and the proposed rent increase by property size.

Table 9.1

## Average General needs and sheltered / supported housing rent

Number of Bedrooms	Number of Properties	Current average weekly rent 2020/21	New average weekly rent 2021/22	Proposed average rent increase	Percentage increase
Bedsit	130	£84.84	£86.11	£1.27	1.5%
1	5,236	£89.85	£91.20	£1.35	1.5%
2	5,129	£104.72	£106.29	£1.57	1.5%
3	3,663	£119.91	£121.71	£1.80	1.5%
4	597	£136.52	£138.57	£2.05	1.5%
5	105	£159.71	£162.10	£2.40	1.5%
6	15	£165.96	£168.45	£2.49	1.5%
7	2	£157.04	£159.39	£2.36	1.5%
8	1	£177.77	£180.44	£2.67	1.5%
All dwellings	14,878	£104.57	£106.14	£1.57	1.5%

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

#### 9.4 Affordable rent housing

9.4.1. There are eighteen properties, built under the New Homes Infill Programme, currently let at affordable rents.

9.4.2. It is proposed that the rent on these properties will be changed to social rents from 5 April 2021. This is to bring these rents in line with the Council's new homes rent.

On this basis, the current average weekly affordable rent of £253.31 will decrease by 34.3% to social rent levels at an average of £166.38 per week. There is a range of rents across different sizes of properties. Table 9.2 sets out the proposed average weekly social rents for 2021/22 by property size.

Table 9.2

## Conversion of affordable rents to social rents

Number of Bedrooms	Number of Properties	Current average weekly affordable rent 2020/21	Proposed average weekly social rent 2021/22	Proposed average rent increase	Percentage increase
1	1	£210.79	£148.88	-£61.91	-29.4%
2	5	£234.29	£157.62	-£76.67	-32.7%
3	7	£235.00	£166.38	-£68.62	-29.2%
4	3	£294.78	£175.12	-£119.66	-40.6%
5	2	£324.03	£183.89	-£140.14	-43.2%
All dwellings	18	£253.31	£166.38	-£86.94	-34.3%

## 9.5 Temporary accommodation

9.5.1. All properties acquired since 1 April 2020 for housing homeless households held in the HRA are leased to Haringey Community Benefit Society (HCBS) and let by HCBS at Local Housing Allowance (LHA) rent levels.

9.5.2. The HRA financial plan includes these rental incomes from 2021/22 to 2027/28. From year eight, it recognises incomes from these properties at formula rent plus CPI as these properties will revert to the HRA.

9.5.3. From 5 April 2021, all other council-owned properties used as temporary accommodation but not leased to HCBS will have their rents increased by 1.5% from their current levels.

## 9.6 Tenants' service charges

9.6.1. In addition to rents, tenants pay charges for services they receive which are not covered by the rent. The Council's policy has been to set tenants' service charges at the start of each financial year to match budgeted expenditure.

9.6.2. Service charges must be set at a level that recovers the cost of the service, and no more than this. Charges are calculated by dividing the budgeted cost of providing the service to tenants by the number of tenants receiving the service.

9.6.3. Therefore, a flat rate is charged to tenants receiving each service and the weekly amount is fixed. The amount tenants pay increases where the cost of providing the service is anticipated to increase. Equally, charges are reduced when the cost of providing the service reduces or where there has been an over-recovery in the previous year.

Tenants currently pay for the following services:

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

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

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

Table 9.3. Proposed tenants' service charges for 2021/22

Tenants' service charges	Current Weekly Charge 2020/21	Proposed Weekly Charge 2021/22	Increase/ (decrease)		Draft Budget 2021/22
Concierge	£17.25	£17.72	£0.47	2.7%	£1,741,000
Grounds Maintenance	£3.13	£3.13	£0.00	0.0%	£1,458,000
Caretaking	£4.42	£4.54	£0.12	2.7%	£1,716,000
Street Sweeping	£5.26	£5.23	-£0.03	-0.6%	£2,338,000
Integrated Reception Service (Digital TV)	£0.77	£0.00	-£0.77	-100.0%	£0
Estates Road maintenance	£0.60	£0.60	£0.00	0.0%	£276,000
Communal Lighting (Light & Power)	£2.39	£2.24	-£0.15	-6.3%	£1,016,000
Gas (Elderly Person)	£10.04	£10.12	£0.08	0.8%	£198,000
Gas (Not Elderly Person)	£9.61	£9.68	£0.07	0.8%	£54,000
GLC Heating	£10.99	£11.08	£0.09	0.8%	£35,000
District Heating 6	£9.83	£9.91	£0.08	0.8%	£1,000
District Heating 8	£10.09	£10.17	£0.08	0.8%	£313,000
Oil/Electricity (Elderly Person)	£7.86	£7.93	£0.07	0.9%	£16,000
TV aerial maintenance	£0.32	£0.33	£0.01	3.1%	£147,000
Door entry system maintenance	£0.89	£0.90	£0.01	1.1%	£320,000
Sheltered housing cleaning service	£1.82	£1.87	£0.05	2.7%	£89,000
Good neighbour cleaning service	£1.30	£1.32	£0.02	1.5%	£30,000
Window cleaning	£0.55	£0.56	£0.01	1.8%	£39,000
Converted properties cleaning	£1.77	£1.79	£0.02	1.1%	£69,000
<b>Total Property Charge Income</b>					<b>£9,856,000</b>
Sheltered Housing Charge	£28.31	£28.31	£0.00	0.0%	£1,178,400
Good Neighbour Charge	£12.64	£12.64	£0.00	0.0%	£310,500
Additional Good Neighbour Charge	£2.76	£2.76	£0.00	0.0%	£6,100
<b>Total Support Charge Income</b>					<b>£1,495,000</b>
<b>Proposed Tenants' Service Charge Income Budget - 2021/22</b>					<b>£11,351,000</b>

## 9.7 Rent and Service charge consultation

9.7.1. There is no requirement for tenant consultation as Haringey council's rents are set in accordance with government rent standard and no new charges are being introduced for the tenants' service charges.

9.7.2. However, the Council must give written notice to tenants at least four weeks before the new rents for 2021/22 start on 5 April 2021. This will include:

- Council housing rent charges for 2021/22
- Proposed weekly tenants service charges for 2021/22
- HRA hostel rent charges for 2021/22

### HRA Expenditure

The Council's Arms' Length Management Company (ALMO), Homes for Haringey (HfH) manages the dwellings stock and garages on behalf of the Council. The management fee the council pays for these services is budgeted at £41.2m for 2021/22. This includes £19.4m for repairs and about £1.9m for housing demand.

Other significant items of expenditure include the capital financing charge and depreciation. The capital financing charge is the interest on HRA loans and internal funding and is budgeted at a higher level than 2020/21 due to increase in the level of capital works programme and New build programme.

### Update of HRA 10 Year Financial Plan – Capital Programmes

The HRA long term financial plan has been updated in order to determine how the council might best use the new HRA borrowing capability (still of course constrained by the prudential borrowing code) to both fulfil its responsibilities in respect of its existing stock and deliver the council's objectives for its provision of additional housing.

The HRA financial plan recognises certain risks such as the impact of the current pandemic, COVID-19 on collection of rent, the impact of government policy changes in respect of types of tenancy, rent levels, right to buy, and treatment of voids.

The plan assumes a revenue contribution to capital outlay (RCCO) minimum of £8m. This means that the surplus after expenditure should not be below £8m. It also assumes a working balance of £14.2m.

### HRA 5 Years MTFS (2021/22-2025/26)

The HRA budget for 2021/22 is a balanced budget maintaining a reasonable revenue contribution to capital (RCCO) of £8.8m. This report sets out the proposed HRA 5 years Budget/MTFS in Table 9.4 below. It accommodates the



scale of development presently assumed within the business and financial planning in terms of its impact of the future years HRA revenue position.

**Table 9.4 - Draft HRA 5-Year Revenue Budget (2021/22 – 2025/26)**

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income & Expenditure	2021-22	2022-23	2023-24	2024-25	2025-26	5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Dwellings Rent Income	(84,863)	(89,713)	(96,187)	(103,341)	(108,573)	<b>(482,677)</b>
Void Loss	849	897	962	1,033	1,086	<b>4,827</b>
Hostel Rent Income	(2,263)	(2,292)	(2,331)	(2,371)	(2,412)	<b>(11,669)</b>
Service Charge Income	(11,351)	(11,758)	(12,326)	(12,888)	(13,400)	<b>(61,723)</b>
Leaseholder Income	(7,562)	(7,475)	(7,614)	(7,756)	(7,978)	<b>(38,385)</b>
Other Income (Garages /Aerials/Interest)*	(2,555)	(2,568)	(2,594)	(2,620)	(2,672)	<b>(13,009)</b>
<b>Total Income</b>	<b>(107,745)</b>	<b>(112,909)</b>	<b>(120,090)</b>	<b>(127,943)</b>	<b>(133,949)</b>	<b>(602,636)</b>
<b>Expenditure</b>						
Repairs	19,410	19,507	19,702	20,601	21,419	<b>100,639</b>
Housing Management	19,861	19,960	20,160	20,362	21,170	<b>101,513</b>
Housing Demand	1,879	1,888	1,907	1,926	1,965	<b>9,565</b>
<b>Management Fee (HfH)</b>	<b>41,150</b>	<b>41,355</b>	<b>41,769</b>	<b>42,889</b>	<b>44,554</b>	<b>211,717</b>
Estates Costs (Managed)	10,510	10,563	10,669	11,156	11,599	<b>54,497</b>
Provision for Bad Debts (Tenants)	2,603	1,949	1,228	932	958	<b>7,670</b>
Provision for Bad Debts (Leaseholders)	91	90	91	93	96	<b>461</b>
<b>Total Managed Expenditure</b>	<b>13,204</b>	<b>12,602</b>	<b>11,988</b>	<b>12,181</b>	<b>12,653</b>	<b>62,628</b>
Other Costs (GF Services)	5,274	4,959	5,009	5,059	5,160	<b>25,461</b>
Other Costs (Property/Insurance)	2,894	2,537	2,562	2,588	2,640	<b>13,221</b>
Capital Financing Costs	16,242	22,889	30,007	35,725	38,807	<b>143,670</b>
Contribution to Major Repairs (Depreciation)	20,197	20,298	20,501	20,706	21,120	<b>102,822</b>
<b>Revenue Contributions to Capital</b>	<b>8,784</b>	<b>8,269</b>	<b>8,254</b>	<b>8,795</b>	<b>9,015</b>	<b>43,117</b>
<b>Total Expenditure</b>	<b>107,745</b>	<b>112,909</b>	<b>120,090</b>	<b>127,943</b>	<b>133,949</b>	<b>602,636</b>
<b>HRA (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Draft HRA 5 Years Capital Programme (2021/22 – 2025/26)

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

The HRA MTFS is geared towards maximising the use of other available resources and use borrowing as last resort. The MTFS capital programme funding assumes a mix of grant funding, S106 monies, revenue contribution and prudential borrowing. The total capital investment in 2021/22 is £277m fully funded from revenue contribution, grants, RTB retained receipt, Major Repairs Reserve and borrowing.

Table 9.5 - Draft HRA 5 Year Capital Programme (2021/22 – 2025/26)

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Investment & Financing	2021-22	2022-23	2023-24	2024-25	2025-26	5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital Investment</b>						
Major Works (Haringey Standard)	65,278	56,835	69,868	79,393	25,348	<b>296,722</b>
Carbon Reduction Works (Affordable Energy)	5,892	5,142	6,285	17,597	17,597	<b>52,513</b>
Fire Safety Works	15,329	13,771	11,000	18,113	4,500	<b>62,713</b>
Broadwater Farm Works	14,529	16,820	11,200	21,102	8,952	<b>72,603</b>
<b>Total Existing Stock Investment</b>	<b>101,028</b>	<b>92,568</b>	<b>98,353</b>	<b>136,205</b>	<b>56,397</b>	<b>484,551</b>
New Homes Build Programme	66,687	173,899	175,285	141,678	82,414	<b>639,963</b>
New Homes Acquisitions	75,441	45,892	25,890	46,671	31,428	<b>225,322</b>
TA Acquisitions	33,877	34,216	34,558	51,017	52,548	<b>206,216</b>
<b>Total Capital Investment</b>	<b>277,033</b>	<b>346,575</b>	<b>334,086</b>	<b>375,571</b>	<b>222,787</b>	<b>1,556,052</b>
<b>Capital Investment Financing</b>						
Grants (GLA Allocation)	40,986	0	0	0	0	<b>40,986</b>
Grants (Additional Bid)	5,934	31,256	72,226	83,114	58,365	<b>250,895</b>
Major Repairs Reserves	20,197	20,298	20,501	20,706	21,120	<b>102,822</b>
Revenue Contributions	8,784	8,269	8,254	8,795	9,015	<b>43,117</b>
RTB Capital Receipts	10,163	10,265	10,367	14,922	10,655	<b>56,372</b>
Leaseholder Contributions to Major Works	8,848	9,176	9,356	7,925	7,138	<b>42,443</b>
S.106 Contributions	1,000	1,000	1,000	0	0	<b>3,000</b>
Market Sales Receipts (at cost)	1,898	0	1,661	55,790	68,086	<b>127,435</b>
Market Sales Contributions	360	0	332	11,158	13,617	<b>25,467</b>
Borrowing	178,863	266,311	210,389	173,161	34,791	<b>863,515</b>
<b>Total Capital Financing</b>	<b>277,033</b>	<b>346,575</b>	<b>334,086</b>	<b>375,571</b>	<b>222,787</b>	<b>1,556,052</b>

The current business and financial plan highlight an improvement, over a 10-year period, in the number of new homes planned to be delivered and the ratio of social rent homes to market sales homes.

10. Dedicated Schools Budget (DSB)

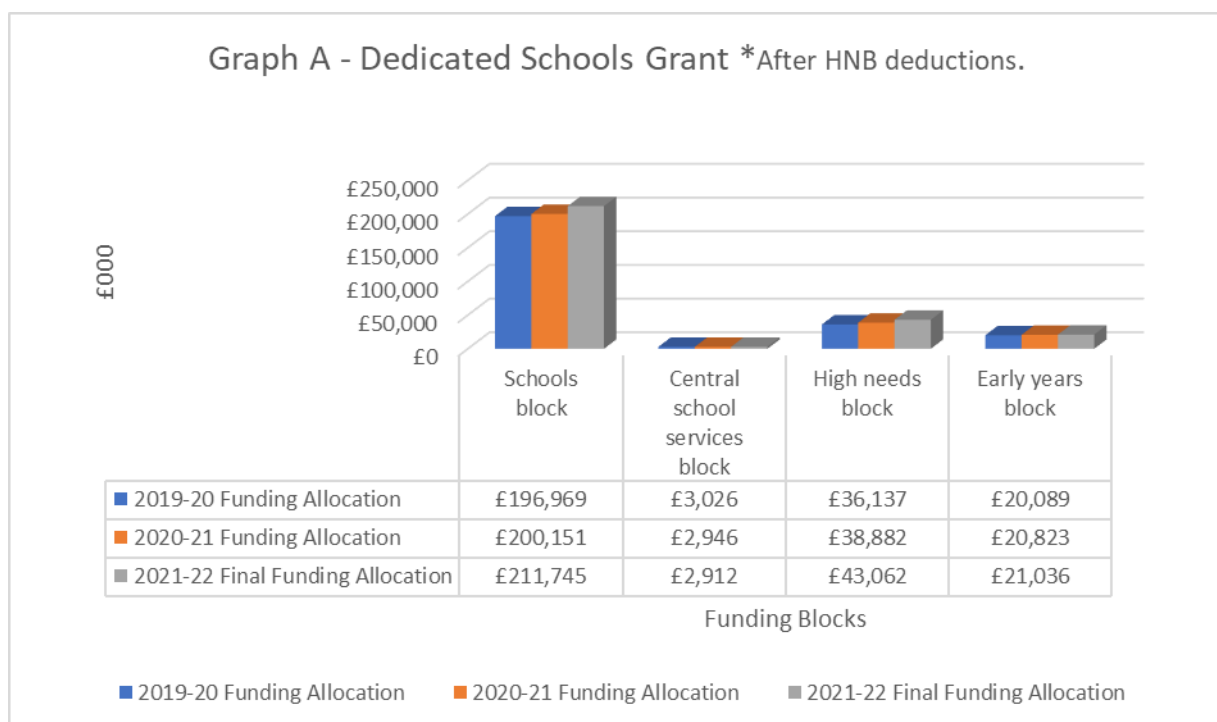
10.1 The Dedicated Schools Budget (DSB) is substantially funded from the ring-fenced Dedicated Schools Grant and two other funding streams (Pupil Premium and Post 16 Grant) which are, in effect, passported to schools. Spending must be consistent with the requirements of the prevailing Schools and Early Years Funding Regulations. There are requirements for Schools Forum to act as a decision-making and/or a consultative role in determining budget levels for each year.

10.2 The financial position reported at Quarter 2 2020-21 set out the forecast year end position. This highlighted the budget pressures in the High Needs Block which is estimated to add an additional £5.3m to the existing deficit of £10.2m.

2021/22 Budget Allocation

10.3 The Final DSG allocation for Haringey’s 2021-22 DSG Budget has seen increases in the Schools and High Needs Block and a reduction in the Central block allocation when comparing to 2019-20. Graph A below sets out Haringey’s DSG allocations for 2019-20, the DSG allocation for 2020-21, and the Final National Funding Formula for 2021-22.

10.4 Graph A: Dedicated Schools Grant Year on Year Allocations



10.5 The Haringey Schools Block funding increased by 5.8% inclusive of rolling in of the Teachers Pay and Teacher’s Pay and Pension Grants (detailed in the Authority Proforma Tool (APT) at £6.1M). The specific breakdown provided to Schools will be dependent on the January School Forum decision. Falling rolls have impacted on overall funding leading to pressures in individual schools.

- 10.6 The Haringey High Needs Block allocation has an increase £4.2m against a current in-year deficit of £6.5m. This equates to an increase of 10.75% from last year which is in line with the average increase in London (11%) and marginally lower than the national average (12%).
- 10.7 For Haringey, this means continued pressure on the High Need Block should demand continue at the current rate. The service continues to work on reducing and mitigating the current year and future year pressures.
- 10.8 The Early Years' Block has also seen a marginal increase of £0.21m to £21.04m in the 2021/22 allocations. Actual allocations to Early Years' settings, based on current guidance, could be significantly impacted by the reduced attendance due to COVID-19. The Children & Young people service is continuing to work with Early Years providers and the DfE to minimize the impact on sustainability of provision in the borough.

## 11 Consultation & Scrutiny

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

### Public Consultation

- 11.2 As such, a formal consultation has taken place based on the consultation plan included in the December Budget/MTFS report. A detailed summary of the process and the responses received can be found in Appendix 8. Cabinet has considered the responses and, after due consideration, considers that the issues raised are addressed in the budget strategy and it is therefore not proposing any consequential changes.

### Overview and Scrutiny

- 11.3 As part of the Council's governance arrangements for scrutiny of the Budget and Medium-Term Financial Strategy, the Council's Overview and Scrutiny Committee and Panels met during late December 2020 and early January 2021 and have scrutinised all the proposals presented in the 8 December 2020 report to Cabinet.
- 11.5 Cabinet Members, senior officers and heads of finance were in attendance at each meeting to present proposals and respond to questions from members. For some proposals, additional information was requested, which was provided.
- 11.6 All recommendations put forward by the Panels and the main Committee were considered by the Overview and Scrutiny Committee on 18th January 2021 and a schedule of final recommendations were agreed and referred to Cabinet. These recommendations, along with the Cabinet responses, are provided in Appendix 9.

**Equalities Impact Assessment**

- 11.7 The implications of the proposals in the 2021/22 Budget Report and Medium-Term Financial Strategy Proposals (MTFS) on groups of residents who share the protected characteristics defined in the Equality Act 2010 have been assessed and, where relevant, full Equalities Impact Assessments have been undertaken.
- 11.8 The report attached as Appendix 10 considers the cumulative impact of those savings and the ways in which negative impacts across the Council might be minimised or avoided. In addition, this report considers the wider context internal and external to Haringey Council in terms of potential equalities impact.
12. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)
- Finance
- 12.1 As the MTFS report is primarily financial in its nature, comments of the Chief Financial Officer are essentially contained throughout the report.
- 12.1 Ensuring the robustness of the Council's 2021/22 budget and its MTFS 2021/22 – 2025/26 is a key function for the Council's Section 151 Officer. This includes ensuring that the budget proposals are realistic and deliverable and that they will be achieved in a number of ways including consideration of the budget setting process itself, the quality and extent of both statutory and non-statutory consultation, the assessment and management of risks, feedback and challenge via scrutiny processes, and the coherence of the working papers supporting budget proposals. The process this year has been made more challenging and complex due to the impact of the coronavirus pandemic.
- 12.2 The Draft General Fund Budget 2021/22 requires the one-off draw down from reserves of £1.7m. This level of reserve application can be accommodated from within the Authority's reserve position and more details of this will be provided in the final budget report to Full Council on 9<sup>th</sup> March. Balancing the Council's budget using reserves is not a sustainable strategy over the medium to long term, and the Council will look over the next year to develop plans such that any reliance on reserve utilisation is reduced in future years. The Council forecasts a savings requirement that steps up considerably from the second year of this MTFS to circa £12m, highlighting the need for this work to develop at pace.
- 12.3 The announcements of SR20 have improved the Council's budget position for next year. However, 85% of the sectoral improvement in spending power announced in SR20 has come from the ability to raise Council Tax and the Adult Social Care precept by a combined 4.99%. The sector, and Haringey, continue to require ongoing multi-year funding devices that holistically address the various increasing financial challenges of the sector.

- 12.4 The formal Section 151 Officer assessment of the robustness of the council's budget, including sufficiency of contingency and reserves to provide against future risks will be made as part of the final budget report to Council in February and will draw on independent assessments of the Council's financial resilience if available. This statutory role is acquiring more and more significance given the increased pressure falling upon this council's budget as a result of the C19 pandemic following years of austerity and the uncertainty surrounding the implications of Brexit.

#### Procurement

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

#### Assistant Director of Corporate Governance

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

#### Equality

- 12.12 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
  - Advance equality of opportunity between people who share those protected characteristics and people who do not
  - Foster good relations between people who share those characteristics and people who do not.
- 12.13 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 12.14 The Covid-19 pandemic has both thrown into focus the significant inequalities experienced by our residents, in particular health inequalities, but it has both highlighted and exacerbated inequalities that Haringey residents had experienced before the pandemic, particularly groups of people who are more vulnerable, who have been marginalised historically, and who share the protected characteristics under the Equality Act 2010 are being disproportionately impacted.
- 12.15 The Borough Plan sets the strategic direction for the Council's commitment to reduce inequality in the borough. A key theme of the Borough Plan is to promote fairness, this includes, but is not limited to, discharging the Council's duties under the Equality Act.
- 12.16 The Equality Principles and Objectives act as the strategic guidance for the development of individual policy changes for the duration of the Borough Plan period, 2019-23. The Equality Principles and Objectives positively impact individuals and groups with protected characteristics as they focus on ensuring that any decision taken by the Council aims to reduce the inequality that exists in Haringey.
- 12.17 The new budget savings proposed in this report focus on delivering efficiencies, service re-design, programmes which cut across departmental boundaries or increasing income, as opposed to being service level cuts proposals. The development of these proposals has been informed by the explicit objective of reducing inequality. Equality assessment of the proposals showed them to either advance equality of opportunity for groups who share a protected characteristic, or, assessed proposals to have adequately mitigated any negative impacts or be a proportionate way of achieving legitimate ends.
- 12.18 The MTFS includes a number of growth proposals. These proposals are designed to address the needs of Haringey residents who experience financial hardship, increase opportunities for young people, and increase local economic opportunities. As such, they are expected to have a positive impact on equality in Haringey.
- 12.19 Appendix 10 sets our detailed approach to ensuring that the proper equalities analysis is undertaken for individual MTFS savings proposals and the outcome of this assessment. This assessed all of the MTFS savings proposals to have paid due regard to the Public Sector Equality Duty. Where proposals were subject to full EQIAs, these assessed proposals to either advance equality of opportunity for groups who share a protected characteristic, or, assessed proposals to have adequately mitigated any negative impacts or be a proportionate way of achieving legitimate

**13. Use of Appendices**

Appendix 1 – Summary of Draft Revenue 2021/22 Budget and Medium Term Financial Plan 2010-2026

Appendix 2 – Summary of new budget reduction proposals

Appendix 3 – Summary of total budget reduction proposals by year

Appendix 4 – Draft General Fund Capital Programme 2021/22 – 2025/26

Appendix 5 – Summary of new proposed capital investment

Appendix 6 – Flexible Use of Capital Receipts Strategy

Appendix 6a – Flexible Use of Capital Receipts Detail

Appendix 7 – DSB Budget 2020/21

Appendix 8 – Budget Consultation Summary of Responses

Appendix 9 – Overview and Scrutiny Committee recommendations and Cabinet responses

Appendix 10 – Equalities Impact Assessment (EqIA) Report

Appendix 10a – Completed Full EqIA Proformas Pack

- Appendix 10a.1 Diesel Surcharge
- Appendix 10a.2 Residents Permits
- Appendix 10a.3 Visitors Permits
- Appendix 10a.4 Introduction of Sunday Charges
- Appendix 10a.5 Client Contributions
- Appendix 10a.6 Selective Licensing

Appendix 11 – Council Tax base Report 2020/21

**14. Local Government (Access to Information) Act 1985**

2020/21 Qtr 1 and Qtr 2 Budget Reports

2020/21 Budget & MTFS 2020-2025