

Report for: Budget Scrutiny Panels

- Housing and Regeneration Scrutiny Panel, 9th December 2021
- Environment and Community Safety Scrutiny Panel, 14th December 2021
- Adults and Health Scrutiny Panel, 16th December 2021
- Children and Young People Scrutiny Panel, 4th January 2022
- Overview and Scrutiny Committee, 13th January 2022
- Overview and Scrutiny Committee, 20th January 2022

Item number:

Title: Scrutiny of the 2022/23 Draft Budget / 5 Year Medium Term Financial Strategy (2022/23-2026/27)

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

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

Ward(s) affected: N/A

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

1. Describe the issue under consideration

1.1 To consider and comment on the Council's 2022/23 Draft Budget / 5-year Medium Term Financial Strategy (MTFS) 2022/23 – 2026/27 proposals relating to the Scrutiny Panels' remit.

2. Recommendations

2.1 That the Panels consider and provide recommendations to Overview and Scrutiny Committee (OSC), on the 2022/23 Draft Budget/MTFS 2022/23-2026/27 and proposals relating to the Scrutiny Panel's remit.

3. Background information

3.1 The Council's Overview and Scrutiny Procedure Rules (Constitution, Part 4, Section G) state: "The Overview and Scrutiny Committee shall undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol covering the Overview and Scrutiny Committee".

3.2 Also laid out in this section is that "the Chair of the Budget Scrutiny Review process will be drawn from among the opposition party Councillors sitting on the Overview and Scrutiny Committee. The Overview and Scrutiny Committee

shall not be able to change the appointed Chair unless there is a vote of no confidence as outlined in Article 6.5 of the Constitution”.

4. Overview and Scrutiny Protocol

- 4.1 The Overview and Scrutiny Protocol lays out the process of Budget Scrutiny and includes the following points:
- a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their recommendations shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main OSC.
 - b. A lead OSC member from the largest opposition group shall be responsible for the co-ordination of the Budget Scrutiny process and recommendations made by respective Scrutiny Review Panels relating to the budget.
 - c. Overseen by the lead member referred to in paragraph 4.1.b, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the Draft Budget/MTFS. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that the Cabinet Member for Finance and/or Senior Officers attend these meetings to answer questions.
 - d. Each Scrutiny Review Panel shall submit their final budget scrutiny report to the OSC meeting on 20th January 2022 containing their recommendations/proposals in respect of the budget for ratification by the OSC.
 - e. The recommendations from the Budget Scrutiny process, ratified by the OSC, shall be fed back to Cabinet. As part of the budget setting process, the Cabinet will clearly set out its response to the recommendations/proposals made by the OSC in relation to the budget.

5. 2022/23 Draft Budget & Medium Term Financial Strategy (MTFS) 2022/27

- 5.1 The approach taken to the financial planning process has been markedly different this year, planned to lead to what is now a very different kind of budget being proposed. We have been clear from the onset that we need to continue our council change agenda, particularly in light of the ongoing effects of the Covid-crisis and change in needs that that has brought about. We have also recognised that this type of change is difficult and takes time, and that the Council-wide huge exercise that is now starting to consider how the new four year borough plan should be framed will provide the essential new plan for that change. Our 2022/23 budget strategy also allows us to better focus on the delivery of the next year of our already agreed savings strategy, which in itself represents £12m.

- 5.2 Our strategy therefore has been to look to align fundamental future budget decisions with knowledge of our fundamental future funding position, in the context of that new borough plan, which means that next year's MTFS will be pivotal in this. We have also gone into this budget round knowing that the Council as part of its outturn for 20/21 was able to assign £10m into the Strategic Budget Planning reserve, in anticipation of the timescales that would be associated with such future change.
- 5.3 This planned approach to our multiyear financial planning, coupled with a short term improvements in the assumable level of government grant funding, allows a draft budget for next year which addresses essential budget growth requirements totalling of £11.8 in 2022/23 across most parts of the organisation, over and above that already assumed in the existing MTFS. This strategy does require a short-term use of balances in the 22/23 financial year to make this possible.
- 5.4 This considered use of one-off funding will enable the Council to have more time and space to determine the new programme of change required to address the structural c. £20m gap in the medium term, which will align with the launch of the Council's new Borough plan.
- 5.5 The revenue growth within this budget will address, not just the pressures in our main demand led services (Adults, Children's and temporary accommodation), but also bolster budgets where necessary to ensure that we are a sustainable, stronger and fit for purpose organisation in the best position to tackle the sizeable change required to meet the structural funding gap in the medium term. The priorities that have framed this budget are:
- Ensuring that we can meet the growing need of our most vulnerable residents – through substantial additional investment in children's and adult's services; and in resources for the provision of temporary accommodation and with our partners investing in earlier intervention and early years.
 - Enhances support for women and girls impacted by domestic abuse and other forms of violence
 - Supports our ambitious plan to play our part in tackling the climate emergency
 - Invests where necessary to ensure we are a sustainable and fit for purpose organisation able to deliver the high-quality services our residents, businesses and partners expect, with co-production running through everything we do
 - Invests for the long term in our public realm including roads, pavements and parks; our schools and young people's services; and our Civic Centre.
- 5.6 The Spending Review announcements in late October (SR21) provided some level of financial improvement to this and other authorities for next year's budget however, beyond 2022/23 the majority of funding remains cash flat. This means that for 2023/24 and 2024/25, increasing their Council Tax level is the only means by which local authorities, including this council, can generate more corporate funding to protect services and respond to demand led growth. This

draft Budget therefore includes an assumption of additional income from a general Council Tax increase of 1.99% (the threshold set by government is 2%) and a further Adults Social Care Precept of 1% (the maximum allowed by Government), which give a total Haringey Council Tax charge increase of 2.99% for 2022/23, with the same assumptions built into the draft MTFS for the following two years for modelling purposes. This proposed increase for 2022/23 forms part of the budget consultation.

- 5.7 In summary, this meeting is asked to consider the proposals relating to the services within its remit and to make draft recommendations to be referred to the Overview and Scrutiny Committee on 20th January 2022 for discussion, prior to approval and referral to Cabinet for consideration in advance of the Full Council meeting on 22nd February 2022. For reference the remit of each Scrutiny Panel is as follows:
- Housing & Economy Priorities - Housing and Regeneration Scrutiny Panel
 - Place Priority - Environment and Community Safety Scrutiny Panel
 - People (Children) Priority – Children and Young People Scrutiny Panel
 - People (Adults) Priority – Adult and Health Scrutiny Panel
 - Your Council Priority – Overview and Scrutiny Committee
- 5.8 As an aide memoire to assist with the scrutiny of budget proposals, possible key lines of enquiry are attached at **Appendix A**. This report is specifically concerned with Stage 1 (planning and setting the budget) as a key part of the overall annual financial scrutiny activity.
- 5.9 **Appendix B** is the Draft 2022/23 Budget & 2022/27 MTFS considered by Cabinet on 7th December 2021. This report sets out details of the draft Budget for 2022/23 and Medium-Term Financial Strategy (MTFS) 2022/27, including proposed revenue budget adjustments and capital proposals. This includes details of estimated funding for 2022/23 and the remainder of the planning period and highlights areas of risk.
- 5.10 **Appendix C** provides details of the new revenue budget proposals relevant to each Panel/Committee.
- 5.11 **Appendix D** provides details of the new capital investment proposals relevant to each Panel/Committee. Details of the proposed funding source are clearly identified. The Council's Capital Programme provides a framework for spend but does not constitute the approval to spend on specific projects. Approval to spend on particular projects is usually granted by cabinet decisions (e.g., contract awards). All capital projects must be financed, for example by external sources such as grants, or S106/CIL, or if no external funding is available, the Council can borrow to fund the project.
- 5.12 Where we do have to borrow to finance a project, there is an ongoing cost to the Council's revenue budget to repay the debt and pay interest on the

borrowing costs: a rule of thumb for an average project is that for each £1m of capital financed by borrowing there is a £55k per annum revenue cost. Many of the schemes within the capital programme are 'self-financing': these schemes are funded by borrowing however, they will generate an ongoing revenue betterment to the Council, which will offset the costs of borrowing once the scheme is completed.

- 5.13 Appendix E** lists the proposed 2022/23-2026/27 capital programme relevant to each Panel/Committee. This includes previously agreed investment plus the additional investment identified as part of this financial planning process and detailed in Appendix D.
- 5.14 Appendix F** lists the previously agreed MTFS savings relevant to each Panel/Committee.
- 5.15** Attention is also drawn to the 2021/22 Quarter 2 Finance Update Report presented to Cabinet on 7th December 2021 which provides a summary of the in-year budget implications facing the authority which has informed the 2022/23 Draft Budget proposals now presented. The Council's 2020/21 Budget Book provides details of service budgets for the current year.

6. Contribution to strategic outcomes

- 6.1** The Budget Scrutiny process for 2022/23 will contribute to strategic outcomes relating to all Council priorities.

7. Statutory Officers comments

Finance

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

Legal

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

Equality

- 7.4** The draft Borough Plan sets out the Council's overarching commitment to tackling poverty and inequality and to working towards a fairer Borough.
- 7.5** The Council is also bound by the Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act

- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

7.6 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

7.7 The Council's priorities are underpinned by a focus on tackling inequality with the principles embedded within the Borough Plan equalities objectives. COVID-19 has served to widen existing inequalities with adverse impacts experienced by protected groups across a number of health and socioeconomic outcomes. The Council is committed to targeting its interventions to reduce inequality despite the financial constraints detailed in this report. This is evident through ongoing investment in policies that seek to improve outcomes for individuals with protected characteristics and / or vulnerable residents, such as the proposed over £6m in Children's, Adults and Temporary Accommodation and £0.6m for the Violence against Women and Girls agenda.

7.8 Any comments received will be taken into consideration and included in the Budget report presented to Cabinet on 22nd February 2021.

8. Use of Appendices

Appendix A – Key lines of enquiry for budget setting

Appendix B – 2022/23 Draft Budget & 2021/26 Medium Term Financial Strategy Report (presented to Cabinet 8th December 2020)

Appendix C – 2022/23 New Revenue Budget Proposals

Appendix D - 2022/23 New Capital Budget Proposals

Appendix E – Proposed 2022/23-2026/27 Capital Programme

Appendix F – Previously agreed MTFs savings

9. Local Government (Access to Information) Act 1985

Background papers: 2021/22 Quarter 2 Finance Update Report - Cabinet 7th December 2021

<https://www.minutes.haringey.gov.uk/documents/s128419/Q2%20Finance%20Update%20Report%20Cabinet%2007%20Dec%202021%20ver1.0%20FINAL.pdf>

2021/22 Budget Book

https://www.haringey.gov.uk/sites/haringeygovuk/files/council_budget_for_2021-22.pdf